

**The Swiss Banks: A communication crisis management perspective**

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## DEDICATION

This thesis is dedicated to all people who have been told, at some stage in their lives, that they can't do something or attain a goal. Nobody deserves to be judged, labeled and then told that they are not capable of doing something. With the right guidance, aptitude and attitude anybody is capable of anything. Don't let anyone tell you that you can't. Never ever give up trying. If you do, then that's when you can't.

I know I can ..... so can you.

**Evan Bloom**

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✓

## PROFILE OF THE RESEARCHER

Evan Terence Bloom has been a public relations consultant for six years at completion of this thesis. Before entering into the public relations profession, Evan completed his B.A degree at the University of South Africa, majoring in communication and criminology. He then completed his B.A Honours degree in communications at the same university.

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## Declaration

I herewith declare the thesis entitled: The Swiss Banks: A communication crisis management perspective, which is handed to the Rand Afrikaans University (RAU) in fulfillment of my M.A. degree, is my own unaided work and has not been submitted to any other university.

**Evan Bloom**

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## SUMMARY

This study determines the role of crisis management in the dormant account crisis that faced three Swiss banks from 1995 until 2000.

This research topic involving the Swiss banks was selected for numerous reasons. Firstly, there was an immense amount of media interest from around the world. Secondly, the geographical area that the crisis was focused in – the western world – is arguably the world's financial powerhouse. Thirdly, the issues surrounding the crisis itself were highly emotive and had its roots in the period shortly before World War Two. Fourthly, on closer investigation very little research had been done on Western corporate financial crises and most importantly, no research had been done on the way the Swiss banks managed their crisis. All of these issues combined provided a very interesting platform on which to begin researching the value of effective crisis management, from a strategic standpoint, for a western corporate financial company.

To facilitate an effective and objective analysis of the case study, an extensive literature study had to be undertaken. The origins of public relations had to be researched to understand how the profession had developed. In addition, crisis management also had to be studied to understand how this discipline of public relations works. From there, the role of public relations had to be studied to comprehend exactly what should have been done, in terms of how crisis management is an element of public relations, for the Swiss banks before the crisis began. Following on from this it was established, from the literature study, that planning for a crisis is one of the foundations of crisis management. The most important aspects of and contributors to crisis planning were then considered. It was also established that crises have different stages that they pass through. This was then investigated as well as the relevant aspects needed to manage each stage.

An important aspect encountered in each crisis is the media. The different parts of media training were studied followed by arguably one of the most difficult aspects of crisis management – managing the media.

The literature study was supplemented by two series of interviews in London, England. The first series of interviews were with leading public relations professionals and the second series of interviews were with leading journalists. This provided international and expert opinion on issues relating to best practice in crisis management. A series of interviews were also held with leading South African public relations professionals and journalists to determine if they had the same views as their international counterparts.

Only when the literature study and interviews had been done could the case study concerning the Swiss banks and their management of their own crisis be analysed. To facilitate the case study analysis a research methodology had to be selected. Both qualitative and quantitative research methods were considered and then based on its merits, qualitative research was selected as the preferred research methodology.

The issue that became apparent throughout this study was that as a management discipline, effective crisis management is of strategic importance to an organisation. It was found, in this research project, that although crisis management was applied to varying degrees over a period of time by the Swiss banks, the management of the crisis was inefficient and ineffective because the banks did not afford crisis management its strategic role. It is also put forward that financial, and all other organisations should have a public relations plan drawn up, in place and ready to be implemented should a crisis arise. Key spokespeople should be media trained and a media relations programme implemented. In doing so, it is proposed that the western corporate financial company will be able to effectively manage a crisis situation.

## OPSOMMING

In hierdie studie word die rol van krisisbestuur bepaal met verwysing na die krisis rondom die dormante bankrekening wat drie Switserse banke in die tydperk 1995 tot 2000 in die gesig gestaar het.

Hierdie navorsingsonderwerp wat die Switserse banke betrek, is om verskeie redes gekies. Eerstens was daar groot mediabelangstelling dwarsoor die wêreld. Tweedens is die geografiese gebied waarop die krisis die fokus laat val het waarskynlik die wêreld se finansiële hartland. Derdens is die aangeleentheid om die krisis self hoogs emosioneel, met sy oorsprong in die tydperk kort voor die Tweede Wêreldoorlog. Vierdens, by nadere ondersoek het geblyk dat daar min navorsing oor Westerse korporatiewe finansiële krisisse gedoen is en die belangrikste is dat daar geen navorsing gedoen is nie oor die wyse waarop die Switserse banke hulle krisis bestuur het. Gesamentlik geneem bied dit, vanuit 'n strategiese oogpunt, 'n interessante wegspringplek vir navorsing oor die waarde van effektiewe krisisbestuur vir 'n Westerse korporatiewe finansiële maatskappy.

Om 'n effektiewe en objektiewe ontleding van die gevallestudie te fasiliteer is 'n uitgebreide literatuurstudie onderneem. Die oorsprong van openbare betrekkinge is nagevors om 'n begrip te vorm vir die ontwikkeling van die beroep. Krisisbestuur is ook bestudeer om presies te verstaan hoe hierdie dissipline van openbare betrekkinge werk. Daarna is die rol van openbare betrekkinge bestudeer om te begryp wat gedoen moes word, aangesien krisisbestuur 'n element van openbare betrekkinge is - vir die Switserse banke voor die krisis begin het. Hieropvolgend is uit die literatuur vasgestel dat beplanning vir 'n krisis een van die steunpilare van krisisbestuur is. Die belangrikste aspekte van en bydraers tot krisisbestuur is daarna oorweeg. Daar is ook vasgestel dat krisisse deur verskillende stadia beweeg. Dit is daarna vollediger ondersoek asook die tersaaklike aspekte wat nodig is vir die bestuur van elke stadium.



'n Belangrike aspek wat in elke stadium voorkom, is mediareaksie. Verskillende onderafdelings van media-opleiding is bestudeer, gevolg deur moontlik een van die moeilikste aspekte van krisisbestuur, naamlik mediabestuur.

Die literatuurstudie is aangevul met twee reekse onderhoude in Londen, Engeland. Die eerste reeks onderhoude met vooraanstaande beroepslui uit die gelede van openbare betrekkinge en 'n tweede reeks onderhoude met vooraanstaande joernaliste. Dit het 'n meer internasionaal gekleurde en kundige opvatting verskaf oor aangeleenthede rakende die beste praktyk in krisisbestuur. 'n Reeks onderhoude is gevoer met vooraanstaande Suid-Afrikaanse beroepslui in openbare betrekkinge en joernaliste om te bepaal of hulle die dieselfde opvatting as hulle internasionale eweknieë huldig.

Eers na afhandeling van die literatuurstudie en onderhoude kon die gevallestudie oor die Switserse banke en die bestuur van hulle krisis ontleed word. Om die ontleding van die gevallestudie te fasiliteer is 'n navorsingsmetodiek gekies. Beide kwalitatiewe en kwantitatiewe navorsingsmetodiek is oorweeg en gebaseer op meriete is die kwalitatiewe navorsingsmetodiek verkies.

'n Saak wat uit hierdie studie duidelik na vore gekom het, is dat effektiewe krisisbestuur as 'n bestuursdissipline, van strategiese belang is vir 'n organisasie. Deur hierdie navorsing is bevind dat hoewel krisisbestuur in wisselende mate vir 'n tydperk deur die Switserse banke toegepas is, die krisisbestuur onbevoeg en ondoeltreffend was, omdat die banke nie aan krisisbestuur 'n strategiese rol toegeken het nie. Hier word ook aangevoer dat finansiële en ander organisasies 'n openbare-betrekkingplan moet opstel, en dit vir implementering gereed moet hê as 'n krisis opduik. Sleutelwoordvoerders moet vir die media opgelei word en 'n mediaverhoudingsprogram moet geïmplementeer word. Deur dit te doen, behoort 'n Westerse finansiële maatskappy in staat te wees om 'n krisissituasie effektief te bestuur.

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# Chapter 1: Introduction

## 1.1 Introduction

Immediate communication, such as satellite communication, the power of information and knowledge, and the ability of societies and individuals to communicate immediately over vast distances has pushed the world into a new age (Strouse, 1975:190). A more aggressive media, a volatile economy, weakening of respect for business organisations and those who run them should signal danger to any executive (Pinsdorf, 1987:37).

The threat of immediate media coverage coupled with the possibility of a crisis striking at any time and recipients, who are critical thinkers, should push companies operating in all sectors to look for some form of protection. This protection should help them manage the media, the issues and crises at hand, as well as the perceptions of the public.

This chapter will outline the basic parameters in which research was undertaken to answer the problem statement. This chapter contains background information detailing the growth in western corporate financial crises and the growth of importance of the western financial world. The statement of the problem is then given followed by the method of research undertaken to facilitate answering the statement of the problem. The chapter concludes with an overview of all the chapters that will be covered in this research project.

## 1.2 Relevance of study

The spate of financial crises that have thrown international financial companies into the media spotlight have soared over the past decade. It can be proposed that a crisis in any business can occur today with little or no warning, anywhere and at anytime.

According to the Institute for Crisis Management (ICM) (Irvine, 1999), the two categories generating the most negative coverage of the 1990's were personnel-related: mismanagement (scandals, questionable policies and unethical actions) and white-collar crime (bribery, fraud and insider trading). Together these two categories account for more than 32% of all organisational crises in the 1990s (Irvine, 1999). The AT&T insider trading scandal, Barings Bank collapse, money laundering at Citibank in America, charges of fraud at Kidder Peabody, price-fixing at Archer Daniels Midland, Sumitomo's copper price manipulation special, price deals by NASDAQ traders and the unethical activities of the Swiss banks all illustrate the nature of white-collar crime and mismanagement in the 1990's.

The ICM expects white-collar crime and mismanagement to remain the chief causes of organisational crises in the US for the foreseeable future (Irvine, 1999). All industries experiencing crises have been tabulated over the next successive pages from 1996 to 1998. The three tables are ranked from the most to the least crisis prone industries and those industries that form part of the western corporate financial community have been bolded and indented for easy identification.



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Commercial banks ranked second in 1996, generating 3.1% of all crisis related stories and continue to rank as one of the top five industries experiencing crises in the 1990's (Table 1.1).

Barings PLC continued in the news after Nick Leeson's fraud, as did Chemical Bank, Daiwa Bank Ltd., PNC Bank and Citicorp. Fraud, embezzlement and mismanagement contributed to their downfall. Security brokers generated 3.0% of all stories with insurance carriers holding eighth place with 1.2% of all crisis related news coverage. Both security brokers and banking consistently featured among the top five crisis sectors during the decade of the 1990s (Table 1.1).

Rank	Crisis-Prone Industries in 1996	% Stories
1.	Automobile manufacturing	4.7%
2.	<b>Banking</b>	<b>3.1%</b>
3.	<b>Security brokers</b>	<b>3.0%</b>
4.	Government. Environmental agencies	2.0%
5.	Labour Unions	2.0%
6.	Aircraft manufacturing	1.7%
7.	Software development	1.5%
8.	<b>Insurance carriers</b>	<b>1.2%</b>
9.	Retail grocery	1.2%
10.	Steel manufacturing	1.1%

Table 1.1 Most crisis prone industries in 1996 (Irvine, 1999)

At the end of 1997, there were a few changes in the rankings of crisis prone industries (Table 1.2). The increasingly global nature of crises occurring was clearly evident in the ranking of the financial securities industry as the most crisis-prone area in business during 1997 with 370 recorded crises. In the U.S, where they had previously spent millions building their images, First Boston, Merrill Lynch and Prudential Securities faced significant negative news coverage and damage to their business reputations as a result of investigations, class actions and financial settlements, (Irvine, 1999).


Rank	Most Crisis-Prone Industries in 1997	Crisis Records
1.	<b>Security Brokers</b>	<b>370</b>
2.	<b>Banking/Financial Services</b>	<b>351</b>
3.	Airlines	324
4.	Healthcare Delivery	297
5.	Motor Vehicles	293
6.	Primary Metal Production	230
7.	Petroleum Production	208
8.	Software	187
9.	Aircraft Manufacturing	167
10.	Retail Grocery	147

Table 1.2 Most crisis prone industries in 1997 (Irvine, 1999)

The banking industry ranked a close second in 1997 (see table 1.2) with a similar world-wide scattering of fraud, embezzlement and mismanagement crises. The Swiss banking system came under intense public and media scrutiny for its questionable handling of the assets of Jewish Holocaust victims. Of particular

importance was refusal by certain Swiss banks to hand back financial assets (dormant accounts) to rightful account holders and heirs as well as the Swiss banks attempts to destroy all evidence and refuse to apologise for their wrongs. It is this crisis that is considered in later chapters of this study. In the US, Chase Manhattan, Citibank and Bank of America were among the most prominent financial institutions facing crisis situations brought on by commercial issues. Bank of Credit and Commerce International and Lincoln Savings & Loan also were the subject of negative news stories in 1997, clearly showing the length of time crises can continue once they erupt in the media.

Each of the ten most crisis-prone industries in 1998 has been among the top ten in previous years. Auto and truck manufacturers, consistently among the five most crisis-prone industries, topped the list in 1998. Financial holding companies and other investment organisations ranked second with 371 crises recorded (Table 1.3). The insurance industry recorded a fourth place with 308 recorded crises (Irvine, 1999).




<b>Number</b>	<b>Most Crisis Prone Industries in 1998</b>	<b>Crisis Records</b>
1.	Auto and truck manufacturers	409
2.	<i>Financial holding companies</i>	<b>371</b>
3.	Telephone companies	345
4.	<i>Insurance carriers</i>	<b>308</b>
5.	<i>Security and commodity brokers</i>	<b>282</b>
6.	Pre-packaged software	233
7.	Airlines	227
8.	<i>Depository institutions</i>	<b>225</b>
9.	Radio/television	203
10.	Computer/ Office Equipment	153

Table 1.3 Most crisis prone industries in 1998 (Irvine, 1999)

Security and commodity brokers were once again among the top five in newsworthy crises with 282 recorded crises. Price fixing, illegal trading and fraudulent activities all received extensive coverage in 1998. More than \$1 billion was paid by thirty brokerages to settle a class action suit alleging price fixing on the NASDAQ exchange. Merrill Lynch faced charges of sexual harassment while

Monroe Parker Securities was charged with price manipulation and fraud. Sweeney Capital Management was accused of misappropriating commission fees. Depository institutions achieved eighth place with 225 crises.

Based on the above discussion and tables it becomes evident that most of the crises are occurring in the western financial world. Foreign investors are invariably based in the west and they are influenced by happenings in their markets, as well as the east, and to a lesser extent, other markets. Many financial companies in developing countries look to the west as a benchmark. The difference between the eastern and western banks and financial services companies is their management style, products and services made available to clients and the markets in which they operate (Stovin-Bradford, 1998). Due to the global village that many businesses operate in, significant movements in one market will definitely have implications for others (Planting, 1998), illustrating the fact that the world is a global village with the west its capital (Pengelly, 1998 and Gordin, 1998).



The importance of the western financial world should not be underestimated. The New York stock exchange drives the rest of the world's stock exchange. It can be argued that the centre of world banking and financial services is still London and the monetary union within the European Community shows exactly how important London is – it is probably the financial capital of the world (Regester, 1996). To suggest that the west is more important in any form than what is happening in the Far East is highly dangerous (Cicutti, 1998). What the Western financial world arguably does supply is the leads for the rest of the world (Seymour, 1996 and Castle, 1996).

The concept of western is not a geographical term, it is a global term that pertains to world class. Both Stovin-Bradford (1998) and Planting (1998) agree with this and, in addition, feel that there is no difference between western or eastern financial companies - they all have the same aims - to make as much

money as possible by supplying financial services to corporate or private customers. This may involve actively participating in world markets, making use of financial instruments, structuring deals and finance, buying and selling bonds and other money market instruments, depending on the nature of the business and the customers represented.

The terminology 'corporate' is a company or organisation and the wording corporate finance has evolved, particularly in the banking world, from financial institutions like Barings Bank who added value and gave advice to companies which lent money from them (Stovin-Bradford, 1998).

Today, companies are starting to diversify globally because they understand that it is no longer financially feasible for them to operate on the basis of one geographic entity. In terms of business cycles, these organisations have to operate across the world, and possibly encounter opposing business cycles. In addition, these companies have to offer a full range of specialised services, in this case financial, as well as having a global reach where these services are concerned. A possibility exists that these companies may not, for example, just engage in stock broking, but also engage in banking, the provision of loans and a whole range of financial services. This is because if things are not so good in one area of the company's activities, it can be strong in another area (Cicutti, 1998).

In defining what a western corporate financial company is, the concept 'the west' refers to the origins of the company and where its board of directors sit, where it is owned from and the location of its clients and management. With the deregulation of the financial services around the world, many western financial companies have now embarked on joint venture initiatives with developing countries and emerging markets (Castle, 1996). Differing with the above definition, Seymour (1996) views a western company as one that is based in the USA or Western Europe. He sees a financial company as a business that

focuses its prime activities on the financial markets and all the respective support services that go with it, such as consultancy, investment advice and legal services.

For Regester (1996), a western corporate financial company is any large organisation that deals in one way or the other with investments and financial products. McLaren (1996) went further and identified these organisations and companies as simply banks, insurance companies and financial institutions. Johnson (1994:666) did not identify any difference between a Western or Eastern company with his concise definition of a company which is simply "a social structure that lets many people come together to do something that none of them could do on their own. The understanding of the unifying mission is what holds the corporate community together."

The internationalisation of these companies and financial markets has transformed the communication needs, risks and opportunities for participants in those markets. This phenomenon affects all major manufacturing and service companies that do business, including banks, insurance companies and finance houses. Crises disrupt their employees and communities, damage corporate reputations, and cost hundreds of millions of dollars. Crises also serve as the impetus for investigations and organisational change (Seeger, Sellnow & Ulmer, 1998:231).

These investigations and organisational change and related issues are affected by the advancement of the world's communication, transport, information technology and financial infrastructures as a greater quantity of people can become more aware of people and issues around them quicker than ever before.

A growth stimulus for public relations has therefore come from the media, and because of the prominence of the media, crisis management has become part of all corporate agendas with an objective of protecting corporate reputation limiting



damage (Sheldon Green, 1994b:9). As such, it can be proposed that journalists will write negative stories because bad news sells and sensationalism makes for good headlines. A negative slant is generally considered more 'newsworthy' than a positive one (Brickman, 1989:5). It is in the management of this negative slant that public relations can affect almost everyone who has contact with other human beings (Seitel, 1992:5).

If the media and journalists identify a particular incident, person or a certain company in crisis, the need to be seen as accountable is the new imperative in a world where communications crosses borders with impunity (Gillion, 1996). When the public believes that it lacks access to information, they are prone to seek it and interpret it idiosyncratically, as well as evaluate risk conditions negatively (Heath & Nathan, 1990:18).

Success in dealing with a company does not happen overnight, but failure often does. Businesses and companies will always face critical moments. The effort to control negative situations continues to become more sophisticated (Patterson, 1993:48). One of the specialised methods to control a negative situation is crisis management which has matured as a public relations function and grown as a specialty area due to the vast amount of potential crises that can strike an organisation (Reinhart, 1987:43).

Whatever their size, companies today all operate in a crisis 'environment,' and having a crisis response programme in place should be viewed as a fundamental business requirement (Gottschalk, 1993:124). Kravitz (1987:3) supports this saying "virtually no organisation irrespective of its size, nature of business, or location is immune from a crisis situation". Helping to manage both crisis and opportunity is the ultimate assignment for a public relations professional. Intelligent management values public relations advice in developing an organisation's response, not only to crises, but to public issues in general (Seitel, 1992:535).

In business, public relations has transcended words and symbols and marketing enhancements and has thus become the coveted counselling resource of management companies (Seitel, 1992:2). The actions and decisions taken by large companies constantly impinge and affect those around these corporations. In business, people are trained to act responsibly, to act within disciplines and to plan, co-ordinate and implement so as to secure the future success of the individual enterprise, the people who work within it, and the customers, clients and communities it serves.

The safest assumption to make, for any company, is that a crisis looms on the horizon (Fink, 1986:1). The presence of crises in the business world today is a reality. When an unexpected development involving an organisation embarrasses it or frightens the public, the company's credibility and decency comes under intense scrutiny. With the news media in hard pursuit of the facts, executives and public relations experts must act under severe pressure (Wilcox *et al.*, 1992:346).

Based on the above background information some prevailing problems are apparent in western corporate financial companies that make it necessary to conduct research. The three tables contained earlier showed that banking appeared as a crisis prone industry on two tables during 1996 and 1997 and the financial services business appeared on all three tables, including 1998. All these industries were of a corporate nature and based in the West. The crisis management is especially of strategic importance because if the crisis is not managed correctly then the company, its employees, clients and even its shareholders are at risk of being compromised.

Another reason why it is so important to study western corporate financial industries is that a crisis occurring in a public company in the western world could also affect the financial markets in which it operates. For example, a bank that has a financial crisis could make all investors nervous about their investments in

other banks resulting in a mass sale of shares and capital. The overall result could be damaging to the whole market concerned.

In addition, while there is much media commentary and information about financial crises happening at western corporate financial companies, there is a poor availability of academic documentation dealing with western corporate financial crises.

### **1.3 Methodology**

The Swiss banking crisis began in 1995 and by 1998 the three banks involved were still in the midst of their much publicised crisis. These banks are also corporate financial institutions based in the west. The research conducted reflects factors that fall into the parameters of western corporate financial companies. Based on the previous section it became imperative that the methodology undertaken would fall within the parameters of banking, finance and western corporate companies.

The progression of research contained in this dissertation follows the logic of the presentation of its chapters. The research contained from the second through to the seventh chapter constitute the literature review necessary to facilitate the understanding and interpretation of this research project's primary case study including its methodological application. The topic chosen to be researched is a relatively unfamiliar topic and research into this area has been done "to gain sufficient understanding to permit further exploration" (Robinson, 1969:36).

The core objective in undertaking the research was to create an understanding of, and obtain an insight into, the research topic. On this basis, research was conducted to obtain a body of knowledge that would facilitate the understanding of the research topic. The research for the literature study was conducted in two phases:

- **Phase one.** This phase was marked by extensive reading of relative information in books, magazines and from the Internet. Information was identified as being relevant based on the content – if it concerned itself with crises in general and if it concerned itself with financial crises in specific. Those articles that covered man made disasters, healthcare and consumer crises were not considered. Case studies that only dealt with financial issues and crises were also searched for to illustrate how certain aspects in crisis management in each chapter were correctly or incorrectly utilised. The publications, books and journals, were obtained from university libraries nation-wide. Certain journal articles were requested from overseas sources.

Once the groundwork was laid with phase one, it was identified that certain information, in terms of best practice, was needed to reinforce the information obtained from the literature study.

Individuals were identified for an in depth interview based on numerous criteria:



a) They were recognised leading international and local professionals in the field of crisis management and public relations. On 12<sup>th</sup> June 1996, interviews were conducted in London with:

- \* Mike Regester, managing director of Regester and Larkin, a company that specialises in crisis management.
- \* Mike Seymour, director of Burson-Marsteller, one of the worlds' leading public relations company that has its own crisis management division.
- \* John Stonborough, managing director of Walborough Media Relations, a company that specialises in managing the hostile media.

The interviews, with these international leaders in their fields, provided an international perspective on the topic. The questions put to them were open

ended in nature and can be found in Appendix A. For this research to be objective, local opinion also had to be sourced. On the 25<sup>th</sup> June 1996 interviews were held in Johannesburg South Africa with:

- \* Richard Castle, account director at Text 100, a leading international technology public relations company with offices in South Africa.
- \* Dorothy McLaren, managing director of Baird's, a leading South African public relations company.
- \* Vicky Baker, director of Simeka TWS, a leading South African public relations company.

The questions put to the local public relations practitioners were open ended in nature, the same as those asked to the international public relations practitioners and can also be found in Appendix A.

b) They were recognised leading international journalists who were interviewed in London on 20<sup>th</sup> of November 1998. The journalists were:

- \* Gaynor Pengelly, business and travel editor at the *Mail on Sunday*.
- \* Nic Cicutti, personal finance editor at *The Independent* newspaper.

These journalists were interviewed to add an international facet to the research. With in this specific context the questions put to them were open ended in nature and can be found in Appendix B. For this part of the research to be objective, leading local journalists were also interviewed on the 26<sup>th</sup> November 1998:

- \* Richard Stovin-Bradford, banking and financial services editor of *The Star's Business Report*.
- \* Jeremy Gordin, managing editor of *The Sunday Independent*.
- \* Sasha Planting, news editor of *Computer Week*.

The questions put to the local and international journalists were also of an open-ended nature and can be found in Appendix B.

Comment was sought from the interviewees on the statements and observations made by the authors and researcher of the books, journals, newspapers and the Internet.

- **Phase two:** While the literature study was completed, information was still needed for the methodological part of the research project. This second phase of research was conducted in three phases:
  - \* **Phase one:** A case study was sought for the methodological section – chapter eight. The case study was found by searching the Internet, on August 15<sup>th</sup> 1998, for a case study that specifically focused on a western corporate financial crisis. The Swiss bank's dormant account crisis was identified as being most suited for the methodological research because it was the most topical issue at the time of searching for a case study and because the case study was organised in chronological order.
  - \* **Phase two:** The case study could not simply be interpreted based on the information it contained, even although it was in sufficient detail. A series of articles were obtained from the Internet on 15<sup>th</sup> September 1999 forming the electronic media study. These articles were chosen based on the coinciding of key dates and incidences that they covered as related to the case study. These articles also indicated the implications of comments and incidences resulting from the contents of the case study.
  - \* **Phase three:** The third phase involved a series of interviews, which were needed to facilitate interpretation of the case study. The first interview on the 30<sup>th</sup> July 1999 involved obtaining comment from the South African Jewish Board of Deputies, the official body representing South African

Jews. The questions put to them were open ended in nature and can be found in Appendix C. The second interview took place on 11<sup>th</sup> July 2000<sup>2006</sup> and the questions asked during this open ended interview can be found in Appendix D. Another interview was requested from the public relations company representing the Swiss banks, which was never acknowledged.

On consideration of the above mentioned tables and facts, as discussed by Irvine (1999), it would appear that the problem is that many corporate western financial companies do not accord enough prominence to crisis management and public relations. This suggestion is also reinforced by the previously discussed requests for interviews with the Swiss banks and the Irvine's (1999) general research results. The rising incidences of crises in corporate western financial companies, the prominence of the Swiss banks before their crisis as well as the global increase in the awareness of human rights led to the formulation of the research goal which is to determine the role of crisis management in the Swiss banks dormant account crisis.

To facilitate the determination of the research goal, a series of benchmarks were established, based on the literature study. Each benchmark will contain a discussion of the implications and a proposal of what the Swiss banks did not do. In addition what the Swiss banks could have or should have done is also mentioned as an interpretation of the findings based on four factors: the literature study, international and local interviews with public relations consultants and journalists, the electronic media articles and reference to best public relations practice.

The methodology of research used through out this dissertation is qualitative, which increases the researcher's depth of understanding of the phenomenon under investigation (Wimmer & Dominick, 1987:50). A research project, like this dissertation, is always directed to a specific goal, and broadly speaking, a

research project usually aims at one or more of the following (Van der Westhuizen, 1982:2 and Mouton & Marais, 1985:48):

- Knowledge of the subject (description)
- Insight into the subject (explanation)
- Application of acquired knowledge and insight

#### **1.4 Chapter outline**

This research project has been organised into nine chapters that investigate crucial factors and aspects necessary to obtain a depth of knowledge to analyse a case study at the end of this dissertation:

##### **Chapter two**

The key objective of chapter two was to arrive at a comprehensive definition of public relations so that its connection with crisis management could be understood. The historical development of public relations was therefore considered. This chapter also sought to give an overview of selected theoretical approaches because these theories form a theoretical basis for the understanding of how public relations works.

Another objective of this chapter is to understand exactly what is a crisis. The process of defining a situation as a crisis was important to understand as both management and decision-making processes are affected by crises. The final goal of chapter two was to give an account of some views on crisis management.

The chapter illustrated that public relations developed through a series of stages and is a deliberate, planned and sustained action that must be managed. In addition, the chapter also showed that public relations carries a message via selected conduits from a communicator to recipient. If incidences are not managed and the correct communications initiated, crises will develop that will be



unplanned for and threaten the companies existence. Effective management of a crisis from a public relations perspective entails making allowances for a crisis occurring and its consequences as well as managing the crisis.

### **Chapter three**

This chapter investigates the role of public relations before the crisis strikes including the key publics that a company should communicate with. The importance of proactive versus reactive public relations is also considered. The next area of consideration is the way in which public relations gets its message across in times of crisis. The penultimate discussion focuses on the role of persuasion in public relations. The chapter concludes with the role of public relations in managing a company's reputation, especially at a time of crisis.

Chapter three illustrates the importance of having a well-run public relations campaign to establish a company's image before a crisis occurs and then protect it if a crisis does occur. How well the company's reputation is built and protected from a threat depends on how well the company's public relations is managed. The chapter also shows the importance of using persuasion as a method of changing, sustaining or reinforcing the views and opinions of certain publics.

### **Chapter four**

Chapter four discusses the importance of advance or preplanning for a crisis. In addition, to a section on how to create a plan for a crisis. Examples are used to show the importance of planning for a crisis, the consequences of not planning for a crisis and the importance of planning in advance for a crisis. All the important aspects that constitute a crisis plan are also identified and discussed. The value, importance, components and attributes of a crisis team responsible for implementing the crisis plan are also discussed.

The findings of the chapter include the importance of preplanning for a crisis to increase managerial effectiveness in achieving organisational goals including

managing a crisis. The chapter will also identify the importance of having a dedicated team to manage the crisis who have practised their management of crises as well as implementing all key decisions. In addition, the chapter will also show the value of having a flexible crisis plan that can change as the crisis changes its direction. The management of the crisis must also not affect the day to day running of the company concerned.

### **Chapter five**

Chapter five discusses the five identified stages that a crisis must pass through. These stages are the amber stage, pre-engagement stage, engagement stage, mediation stage and the settlement stage. Each stage has its own unique characteristics and some crises develop through all the identified stages, some crises dissipate after only reaching a certain stage. The chapter also discusses the management of each stage of the crisis. The issue of what to do when a crisis strikes is also covered, including pertinent research and a conceptual model for crisis management and related theories. The importance of communicating with a company's employees is also discussed. Post crisis communications is investigated as an important facet of communication because communication from an organisation must not stop once a crisis has passed over. The evaluation of the management of the crisis once the crisis has ended is also discussed.

The chapter will find that crises do have different stages that need to be managed. The company's response to a crisis can also be planned for and managed and this includes managing the responses to the different publics during each stage of the crisis provided the correct systems are in place.

### **Chapter six**

Chapter six considers the importance of media training and why company spokespeople need to be trained to deal with the media and use the media as conduits to reach different publics. The contents and factors making up media's

training are also discussed, including specific principles like verbal and non-verbal communication.

This chapter highlighted the fact that facing and managing the media are one of the bridges between a company, whether in crisis or not in a crisis, and its various publics. Being media trained will facilitate the company spokesperson in getting the company's messages out to its various publics both locally and internationally. The media must be seen and used as the key conduits to reach all the relevant publics. Not being media trained will result in the media being ineffectively used to reach key publics as well as an uniformed public.

### **Chapter seven**

Chapter seven examines the importance of managing the media. Key theories are discussed - the agenda setting theory, gatekeeping, hypodermic needle theory, two step flow theory and multiple-step model are discussed to illustrate how the media work. Media management and media relations including information dissemination, press conferences and interviews are also discussed in detail. The final aspect discussed contends if the media can be used by a company undergoing a crisis, can this use of the media - "spin doctoring" - occur without the media being aware?

Chapter seven will illustrate that if the media are not managed then they will manage the information transmitted to the different publics and the consequential media image of the company in crisis as well as its spokesperson. This is ultimately why the media need to be managed.

### **Chapter eight**

Chapter eight starts with a methodological overview detailing the differences between qualitative and quantitative research. The chapter also motivates why qualitative research was chosen as the research methodology - because the data that it contained was in the form of words, sentences and paragraphs, all of

which are conducive to qualitative analysis. The research goal is stated and the non-probability, purposive research sample is discussed. The research design is then laid out, followed by an overview of the method of data collection used for this section. The case study chosen is also presented followed by the benchmarks necessary to analyse the case study. In order to facilitate the interpretation of the case study and the application of the benchmarks, a series of electronic media articles were obtained from the Internet and interviews done with the South African Jewish Board of Deputies. In conclusion of this chapter, the limitations of the case study research as well as the reliability and validity of its results is also discussed.

### **Chapter nine**

Chapter nine presents the results and interpretation of the case study including the electronic media analysis and the interviews with the South African Jewish board of deputies. The implications are also discussed and it is then proposed what the Swiss banks did not, could have or should have done to manage their situation better.



The analysis of the case study illustrated how poorly managed the Swiss banking crisis was, from a crisis management perspective. In particular, it will show the low status accorded to crisis management as an aspect of public relations by the Swiss banks during the management of their crisis. The chapter also presents the overall finding that from a crisis management perspective, that although crisis management was applied to varying degrees over a period, it can be concluded that the management of the crisis was inefficient and ineffective. This chapter concludes with suggested future topics for further study.

## Chapter 2: Definitions and key concepts

### 2.1 Introduction

People have been practising public relations in various forms since the dawn of time. However, public relations as a discipline and a profession has been specifically defined for the last ninety years. In order to understand the connection between a crisis, crisis management and public relations it is necessary first to arrive at the most comprehensive definition of public relations. In order to do this, it is useful to look at the historical development of the definitions of the concept of public relations from the Hellenistic period to the twentieth century with the aim of arriving at a definition of public relations relevant to this research study. The definitions of public relations through the ages also indicate how public relations has been applied in practice.

This chapter simply provides the parameters of the key concepts. In addition, this chapter also seeks to give an overview of selected theoretical approaches, which form a theoretical basis for the understanding of how public relations works. The theories were chosen for a number of reasons. The process approach was selected because of its usefulness in applying public relations principles to the management of crises that may arise in corporate western financial settings. The systems approach was chosen because of its ability to facilitate the solving of problems. The symmetrical and asymmetrical approaches were elected because of the influences that public relations has created regarding the flow and balance of information. The final approach chosen was the worldview approach based on the fact that it underpins the previously mentioned approaches.

Another objective of this chapter is to understand exactly what is a crisis and illustrate how it is linked to crisis management. Many executives view a crisis as something that happens to someone else. "It is a distant thought that can be

quickly relegated to the back of the mind, replaced by concern for profit and productivity.” (Patterson, 1993:48.) The process of defining a situation as a crisis is important to understand as both management and decision-making processes are affected by these crises.

The final objective is to give an account of some views on crisis management.

## **2.2 The evolution of the concept of public relations**

These chronological discussions of definitions have been chosen because each one highlights a different aspect in the development of the modern concept of public relations:

### **a) The Hellenistic era**

The formal study of communication, which has provided much of the knowledge base for public relations today, probably had its origin with Aristotle, the Greek scientist, philosopher and social interpreter of the fourth century BC. Aristotle articulated the art of rhetoric in his classic book, *Rhetoric*. The ancient Greeks considered rhetoric to be an important tool of statecraft as it was the point of contact between the statesman and the public. It can be proposed that *Rhetoric* be considered as one of the earliest books written on public relations (Grunig & Hunt, 1984:15). It is also argued that today, public relations is a point of contact between the company in crisis and its publics like the media and staff members. The communicators of the message use rhetoric to achieve mutual understanding.

### **b) The first century AD**

One of the most blatant deceptions occurred in 1000 AD when Eric the Red discovered a land of ice and rock and, to attract settlers, named it Greenland. This was manipulation of information, the land was far from green. Another event occurred in the eleventh century, throughout the hierarchy of the Roman

Catholic Church, when Pope Urban II persuaded thousands of followers to serve the Lord and gain forgiveness of their sins by engaging in the Holy Crusades against the Muslims (Wilcox, Ault & Agee, 1989:38). In this context, public relations, in its simplest forms, was used as a method to persuade a group of people to undertake a particular action.

### **c) The seventeenth century**

In the 1600s, publicity (information from a source external to the media or company making the announcement that is used for public dissemination based on the fact that it is not paid for), an aspect of public relations, started to make its mark. In 1620, an announcement (publicity) was made in Europe by the Virginia Company (in the USA) offering 50 acres of free land to those bringing settlers to America by 1625. In 1641, Harvard College published a fund-raising brochure, which generated publicity to raise funds for the college (Wilcox *et al.* 1989:36).

Today, publicity consists of issuing news releases, which are one of the many tools of publicity, to the media about an organisation or an individual, and is also one of the earliest forms of public relations. The implications of the use of publicity were to affect humankind forever.

### **d) The eighteenth century**

During the 1700s public relations continued to be practised by noticeable people like Samuel Adams (Seitel, 1995:xxiv), an American statesman in Boston, Massachusetts in 1764 (Grosvenor, 1967:183). Massachusetts saw two of the earliest instances of public relations occurring in its territory - the Boston Massacre and Boston Tea Party.

By using the word "massacre" in the print media at that time, there were many strong and emotional feelings that arose concerning the occurrence when British troops opened fire on a group of Americans, who were jeering and throwing snowballs at the British (Grosvenor, 1967:182). It is proposed that public

relations can provide a parameter for the use of emotive language (as can advertising) and the media are the conduits that carry the particular language to the public.

As a historical event, the Boston Tea Party was a propaganda exercise to elicit support for the liberation of America from the British. These two incidents illustrate the basic building blocks of public relations, which is the attempt to sell the organisation itself (Seitel, 1995:1). Marconi, (1996:1) was of the opinion that at this stage there existed a need for public relations because people's perceptions are based on what they know - or think they know. The public relations used in the Boston Massacre and the Boston Tea Party helped to create people's realities based on the way information was packaged and transmitted.

#### **e) The nineteenth century**

In 1882 the first official use of the term "public relations" occurred when Dorman Eaton, addressed the Yale Law School on the public relations and duties of the legal profession. In using the words public relations, he meant, "looking out for the welfare of the public" (Newsom, Scott & Turk, 1981:20). In this instance, the primary objective of public relations was not for propaganda, but to ensure the public's wellbeing. Public relations has a social responsibility and considers the goodwill of the public.

#### **f) The twentieth century**

The twentieth century had a more detailed breakdown of public relations because it was during that century that the media carried more news further and quicker and man became more critical as a recipient. As such, public relations became more important as it faced numerous obstacles that it had to negotiate.

Four factors are cited as reasons for the development of public relations during the twentieth century (Seitel, 1995:26-27 in Angelopulo, 1997:70):



1. The growth of big organisations and institutions in modern society.
2. The increase in change, conflict and confrontation in modern society.
3. Technological inventions have played a major part in the awareness of publics of more and better communication between themselves and their relevant organisations or institutions.
4. The establishment of democracies during the twentieth century in Latin America, Eastern Europe, the former Soviet Union and South Africa. It is proposed that democracies facilitate public relations because they allow for the relative free flow of information.

By 1900, Henry Ford was already using two basic public relations concepts. The first was the positioning (giving prominence) of a selling point, the idea that credit, as a financial method of purchasing and paying for goods, and publicity will always go to those who do something first, and the second, the idea of facilitating accessibility of a product and spokesperson to the press. Ford obtained coverage in the media for his prototype Model T by demonstrating it to a reporter from the Detroit Tribune (Wilcox *et al.*, 1992:41). Coverage is exposure in the media and is the result of a successful or unsuccessful public relations exercise. Had Ford's car not worked, the journalist could have given him negative media coverage.

- **1910**

World War One saw an upsurge in the role of public relations, especially for the American government, which formulated the Creel Committee, literally the government's own public relations counsellors. The Committee was overseen by a former newspaper reporter who organised a comprehensive public relations effort advising the government, which programmes to carry out to influence American and world opinion. The committee publicised the war aims and ideals of Woodrow Wilson: "to make the world safe for democracy" and to make World War One "the war to end all wars" (Wilcox, *et al.*; 1992:46-47).

- **1920**

Public relations, as a term, had not been used to describe the communication profession known today until Bernays used the term “public relations counsel” in the 1920s (Grunig & Hunt, 1984:14). In 1923 Bernays (1961:55) described the function of his fledgling public relations business as:

Providing information given to the public, persuasion directed at the public to modify attitudes and actions, and efforts to integrate attitudes and actions of an institution with its publics and of publics with those of that institution.

This gave some indication as to the direction that public relations would take by the 1980s where its strategic importance became apparent.

- **1930**

The Creel Committee was the predecessor to the Office of War Information (OWI), established to convey the message of the United States at home and abroad during World War Two (Seitel, 1992:35). The OWI used publicity to promote the sale of war bonds and also obtained press and broadcast support for other wartime objectives, ranging from higher work productivity and less absenteeism to secrecy about troop movement and weapon deployment.

The OWI also had a Domestic Branch, which served the needs of the American public, and an Overseas Branch, which provided news to foreign people (Wilcox *et al.*, 1992:48). By 1939, in an article entitled “The public be not damned,” *Fortune Magazine* (Seitel, 1992:7) reported that public relations is the label used to describe, at one and the same time, “Techniques and objectives and the conduct of individual businesses, as organisations of people banded together in an effort to make a living for themselves and a profit for investors.”

- **1960**

In the 1960s there was a belief, fuelled by books like *The Hidden Persuaders*, that there was an industry which was capable of making the public do and think in a particular way without them being aware of it (Sheldon Green, 1994a:12). This gave rise to persuasion, the link between persuasion and public relations was finally established. Chapter three will explain how public relations persuades via persuasion.

The concept of public relations as a management function also took shape in the 1960's as Robinson (1966:5) supplied a definition of public relations incorporating this very concept:

Public relations is the management function which evaluates public attitudes, identifies the policies and procedures of an individual or an organisation with the public interest, and plans and executes a programme of action to earn public understanding and acceptance.

This was possibly also one of the earliest mentions that public relations is a management function.



- **1970**

The International Public Relations Association, at its 1978 meeting in Mexico, adopted a definition of public relations (Grunig & Hunt, 1984:7). This definition was called "The Statement of Mexico" (Wilcox, 1995:6) which said that:

Public Relations practice is the art and social science of analysing trends, predicting their consequences, counselling organisational leaders, and implementing planned programs of action, which will serve both the organisations and the public interest.

Based on the above, "The Statement of Mexico" introduced some new elements. They were the concepts of public relations practice being an art, and social science, that it predicted the consequences of these trends and

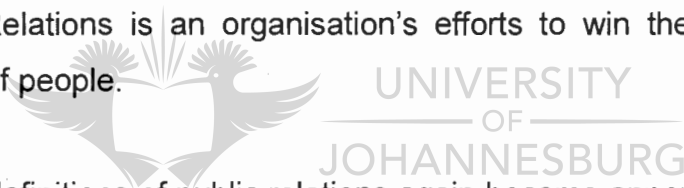
that it counselled and served both the organisations and the public's interest.

A year later, Nolte (1979:10) defined public relations as the management function which adapts an organisation to its social, political and economic environment and which adapts that environment to the organisation, for the benefit of both.

- **1980**

In 1980, the Task Force on the Stature and Role of Public Relations, chartered by the Public Relations Society Of America, offered two definitions that project a perspective of the field at the highest policy-making level (Seitel, 1992: 8):

- Public Relations helps an organisation and its public adapt mutually to each other (Nolte, 1970:10).
- Public Relations is an organisation's efforts to win the co-operation of groups of people.



Numerous definitions of public relations again become apparent in the 1980s. According to Davel and Palmer (1985:320), public relations is a purposeful, planned and continuous process of communication between the enterprise and its external environment in order to obtain, keep and improve the goodwill of specific target groups. Similarly, Cutlip, Center and Broom, (1985:4) define public relations as the management function that identifies, establishes and maintains mutually beneficial relationships between an organisation and the various public on whom its success or failure depends.

In addition, Dunn (1986:5) offers the following definition of public relations which would concur, at a later stage, with Mickey's (1995:2) views in the mid 1990s:

Public relations is a management function that uses two-way communication to mesh the needs and interests of an institution or person with the needs and interests of the various publics with which that institution or person must communicate.

Heath and Nelson, (1986:27) agree with Dunn, viewing public relations as being responsible for commercial communication, excluding paid product and service advertising. The key function of the public relations department is to place packaged information in key communication outlets and listen to public concerns and interests.

In South Africa, the definition given by the Public Relations Institute of South Africa (PRISA) (Bredenkamp, de Wet, du Preez & Rensburg, 1988:86) was, "Public relations is the deliberate, planned and sustained effort to maintain mutual understanding between an organisation and its publics"

Sheldon Green (1994a:7) defines public relations as, "the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its publics." This is an almost direct version of the PRISAs.

Some common concepts within the definitions of public relations started to become apparent in the 1980s. These were the issues of planning, a management function, the organisation and its publics being communicated with as well as the needs of the various publics being catered for.

- **1990s**

Although by the 1990s there were a variety of definitions of public relations, the elements of public relations, according to Andrew (1990:21), were about communicating effectively, communicating with many different groups of people, using the range of the media available and undertaking work in support of corporate objectives. Baker (1996) views public relations as the

ongoing strategic, planned campaign to ensure there is a free flow of communication between an organisation and its publics. The supplying of information, for example, about a financial company in crisis is done in an attempt to create either a favourable or a neutral impression about that particular organisation (Cicutti, 1998).

The management function previously mentioned in the 1960's by Robinson (1966:5) and by Cutlip *et al.* (1985:4) is also emphasised in Grunig and Hunt's *Managing Public Relations* (Wilcox *et al.*, 1992:5). They state that public relations is the management of communication between an organisation and its publics. The issue of management was also mentioned by McLaren (1996) who saw public relations as the management of perceptions amongst the key players affecting an organisation. Seymour (1996) chose to define public relations as a process of communicating and managing communications to build, enhance and protect the reputations of businesses, corporations and products of companies. Both Stonborough (1996) and Regester (1996) identified the value and importance of messages in communication. They considered the way in which an organisation effectively gets its message out to the public. Stonborough (1996) proposed that public relations could be defined as organisations trying to explain to the general public or to businesses, prospective purchasers and customers what they do for a living.

Public relations therefore plays a vital role in any company, for the purpose of this study, particularly corporate financial companies. Donald Young, the CEO (Chief Executive Officer) of Citation Insurance (based in California) said:

Public relations is a very important part of our business. As CEO, I have to be aware of the potential impact of business decisions on our variety of constituencies, including our customers and investors. Sound public relations puts us before the public as a good corporate citizen and a good employer, and adds value to the product we sell. (Gore, 1993:21.)

Adcock, Bradfield, Halborg and Ross (1995:264) have a similar definition of public relations to Sheldon Green, defining it as the deliberate, planned, and sustained effort to establish and maintain mutual understanding between an organisation and its publics. They mention the fact that public relations is deliberate, a factor that Davel and Palmer (1977:320), Sheldon Green (1994a:7) and Adcock *et al.* (1995:264) have ignored. The fact that public relations is deliberate was already identified by Davel (1985:320) and Bredenkamp *et al.* (1988:86) in the 1980s.

In 1995 the British Institute of Public Relations (BIPR) viewed public relations as being about reputation, “the result of what you do, what you say and what others say about you”. The working definition for public relations given by the BIPR (Mallinson, 1996:15) and the definition given by the Public Relations Institute of South Africa (PRISA) in the 1980s concur (Bredenkamp *et al.*, 1988:86), and the definition is that public relations is the deliberate, planned and sustained effort to maintain mutual understanding between an organisation and its publics.

Both institutes however left out the concept of public relations being a management function.

What is consistent throughout these definitions is the concepts of planning, continuity, management, goodwill, mutual understanding and target groups or publics. This concept of management is vital as it refers to the source for effective public relations and places public relations on a strategic level and not only on a tactical level. “Public relations is frequently ineffective unless the organisation’s chief manager or supervisor is directly involved.” (Mickey, 1995:2.) He expands further to say that it is the manager who makes decisions as to how the public, consumer and employee are dealt with. Mickey’s statement concurs with Dunn’s (1986:5) earlier comments.

Wilcox's (1995:6) definition and endorsement of the 1978 Statement of Mexico to define public relations, differs considerably to earlier definitions, and does not mention the concepts of mutual understanding and management. While he mentions planning, the public and the organisation, if the above definitions are considered, Wilcox is the only person who mentions the concepts of counselling, corporate leaders and the implementation of the public relations plan.

In contrast with the above definitions, Mallinson (1996:20) reasons that most ignore much of the process of public relations, which is to convert audiences to an organisation's point of view, sometimes done through one-sided advertising techniques. Regester (1996) agrees with the concept of converting audiences, he mentions that public relations is the ability to enable organisations to achieve their objectives with the maximum of support and the minimum hindrance from its key stakeholders. These stakeholders are also organisational audiences as well as consumers.

From a media perspective, some journalists saw public relations as a facilitator to represent a company in a positive light and this helps journalists get their story (Pengelly, 1998 and Gordin, 1998).

From all the above definitions ranging from the Hellenistic period to the twentieth century, seven key words, all of which are crucial to public relations can be identified:

**Deliberate:** Public relations activity is intentional. It is designed to influence *recipients*, gain *their* understanding, provide *them with* information and obtain *their* feedback.

**Planned:** Public relations activity is organised. Solutions to problems are discovered and logistics are thought out, with the activity taking place over a period of time.

**Performance:** Effective public relations is based on actual policies and



performance. No amount of public relations will generate goodwill and support if the organisation is unresponsive to community concerns.

**Public Interest:** The rationale for any public relations activity is to serve the public interest, and not simply to achieve benefits for the organisation.

**Two-way communication:** Public relations involves the feedback given by audiences as the ability to listen is an essential part of communication expertise.

**Management function:** Public relations is most effective when it is part of the decision-making of top management.

**Message:** Successful public relations is based on the correct message being transmitted to the correct audience at the correct time.

For the purpose of this study, public relations can be defined as the deliberate, planned and sustained effort to maintain mutual understanding between an organisation and its publics. This definition is important for this research project as it encompasses critical aspects of public relations in its growth, development and application – deliberate and planning as a tactic, a sustained effort as a strategy, and the maintenance of mutual understanding as an objective. All these aspects all form part of a management function.

### **2.3 Theoretical approaches to public relations**

This section will present an overview of selected theoretical approaches to public relations and highlight only the most prominent theories within each approach. A theoretical approach, in the context of this study, refers to ways of thinking about and practising public relations (Angelopulo, 1997:83). Grunig and White (Unknown:32), are of the opinion that the practice of public relations and theories about its practice are affected by the attitudes that practitioners and theorists have about morality, ethics, human nature, religion, politics, free enterprise and gender.

### 2.3.1 The process approach

The process approach suggests that public relations should be analysed and examined as a set of routine activities, an ongoing process and which is not limited to a specific time frame (Angelopulo, 1997:83). An example of a process-oriented approach to public relations is found in the process model developed by Cutlip *et al.* (1985:200). This model describes public relations as a managed function, which is part of an organisation's problem-solving process. By applying the process approach to public relations, practitioners explain and practise public relations according to four basic steps (**Figure 2.1**) in order to solve problems (Cutlip *et al.*, 1985:200).

- The first step involves **defining the problem**. It relates to monitoring and determining the opinions, attitudes and behaviour of the relevant publics of the organisation by way of research and fact finding.
- **Planning and programming** is the second step in the process. This refers to decisions being made about objectives and procedures, the determination of the relevant publics, and the planning of strategies that need to be used in the problem solving process (Angelopulo, 1997:83).
- The third step involves **taking action and communicating**. This includes the implementation of the plans and programmes in order to achieve specific objectives.
- **Evaluation** is the fourth step and, for example in a public relations programme, involves determining the results of the specific programme, as well as assessing the effectiveness thereof. Adjustments can be made after evaluation to continue the programme, or the programme can be terminated (Angelopulo, 1997:83).

The problem-solving process as indicated in Figure 2.1, starts off with the identification of the problem and each step thereafter is of equal importance.

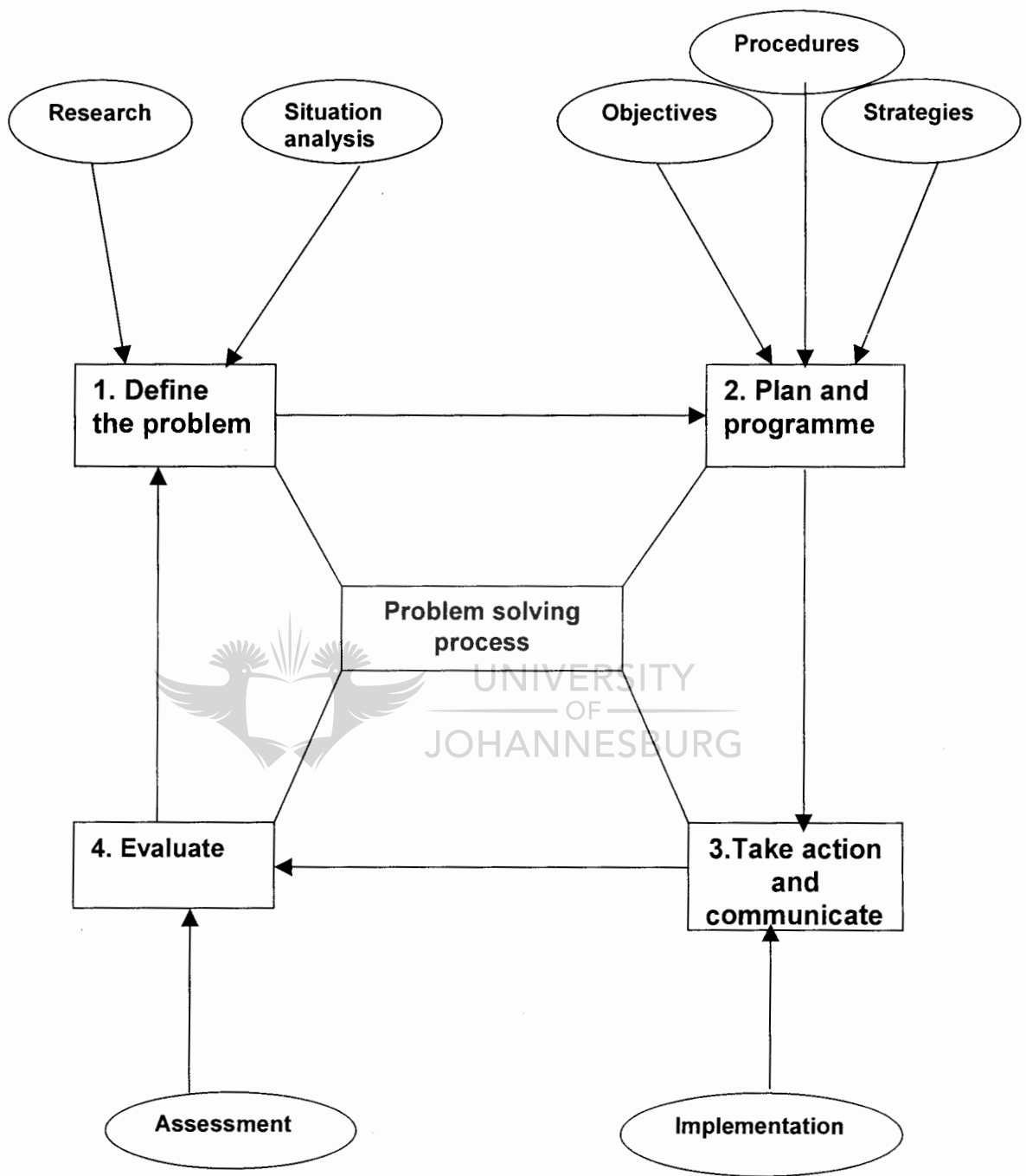


Figure 2.1 Four-step problem-solving process of public relations (Angelopulo, 1997:83).

However, all these steps overlap and in practice it is not easy to determine where one step ends and the other begins. Angelopulo (1997:84) feels that this approach may work well in the practice of public relations where the aim is to solve problems and where the final evaluation is based on questioning whether all the preceding steps were followed.

### **2.3.2 The systems approach to public relations**

Angelopulo (1997:84) contends that the systems approach is a multidisciplinary approach, emphasising the importance of maintaining the equilibrium, balance and interdependence of the various systems and subsystems in society. All systems and subsystems, according to this approach, work together to maintain an **equilibrium** and **balance**.

The systems approach describes public relations as a series of events that contain the following (Long & Hazelton, 1987:5):

1. Input from the environment and organisational policymakers to the system.
2. Transforming these inputs into communication goals, objectives and programmes.
3. Output from the organisation to all the relevant publics and the environment which in turn results in reactions from the environment and publics and creates further input from them to the organisation.

Public relations therefore involves a series of inputs (internal and external) and outputs (actions and communication) which are designed to reduce conflicts and to build meaningful relationships between an organisation and its relevant publics (Angelopulo, 1997:85). Figure 2.2 serves as a diagrammatical illustration and overview of this process.

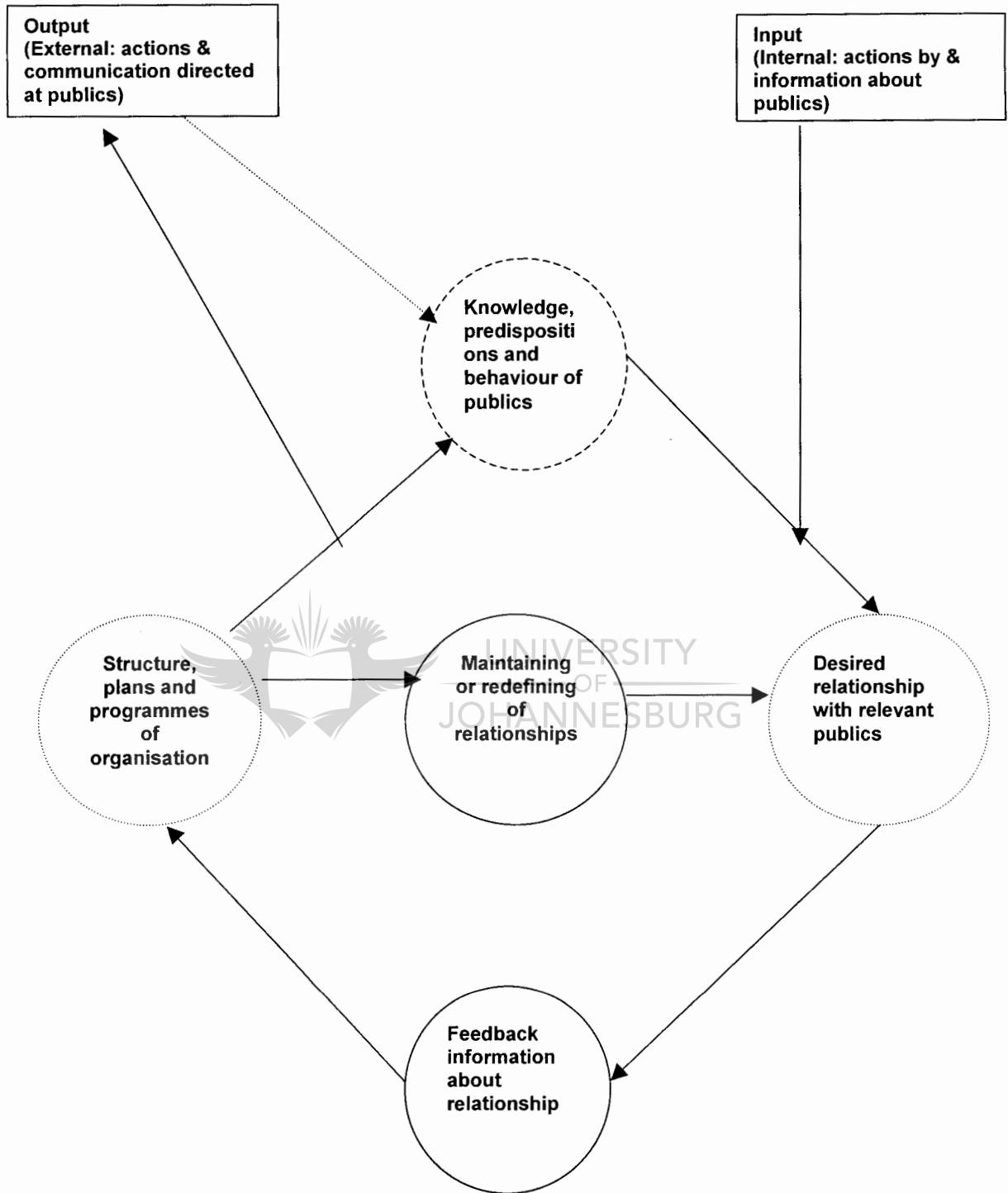


Figure 2.2 An open systems model of public relations (Angelopulo, 1997:85).

In public relations, systems can also be open or closed. A closed system has an impermeable boundary in that it cannot exchange information with its environment. An open system exchanges information with its environment. When referring to a social system as such, no system is completely open or completely closed (Angelopulo, 1997:85).

This approach can be criticised for concentrating on the actions and communication of various systems in society and omits to highlight the complicated process of human communication in which individuals play an essential part (Rensburg, Mersham & Skinner, 1995:48).

In application of the systems theory, Long and Hazelton (1987:5), supported later by Pearson (1989:65-94), suggested that the general systems theory held promise as a metatheoretical approach to public relations. Like public relations, the systems theory was multi-disciplinary and public relations could be studied as a subsystem of the organisation. The theoretical principles of the systems theory, which could be applied, were input from the environment, transformation of input into communication goals and objectives and output in the form of communication messages and activities aimed at targeted audiences. The reactions of the targeted audience were again fed back into the organisation for adaption of the environment.

Dozier and Grunig (1992:395-417) also argue that the open systems theory suggests that the public relations unit should be unified in a single department rather than fragmented and distributed as a technical function among several other organisational units. As an adaptive system, it must also participate in determining the strategic publics of the organisation.

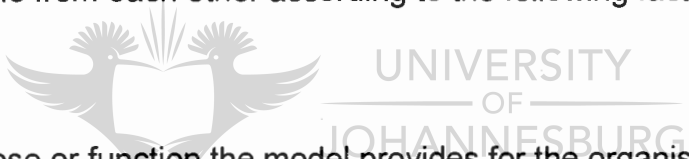
In addition, the systems theory suggests that the public relations department should continuously change its structure and processes to adapt to environmental demands. To change the structure of the department requires

control of the organisation by the public relations department and this can only be obtained by making an invaluable contribution to the organisation through effective environmental scanning based on proper research.

### 2.3.3 The symmetrical and asymmetrical approach to public relations

Grunig and Hunt (1984:22) used the systems approach to public relations and developed the four models of public relations practice or the symmetrical and asymmetrical approach to public relations. These four models were developed to demonstrate how the four roles of public relations have evolved in history and how the development of public relations influences the way in which public relations is practised (Angelopulo, 1997:86).

The four models are the press agency or publicity model, the public information model, the two-way asymmetrical model and the two-way symmetrical model, all distinguishable from each other according to the following factors (Grunig & Hunt, 1984:22):

- 
1. The purpose or function the model provides for the organisation.
  2. The nature of the communication that takes place between the organisation and its relevant publics.
  3. The nature of the research undertaken.
  4. The leading historical figures associated with one of the models.
  5. The distances in which the model is applied today.
  6. The estimated percentage of organisations practising the particular model.
- The **press agency or publicity model**'s purpose is that of propaganda and the communication process is one-way. In this model, the public relations practitioner is interested in making his/her organisation or product known (Grunnig & Hunt in Fearn-Banks, 1996:11). An example would be the 1910 establishment of the Creel Committee who had as their task to influence the

public's opinion. The Creel Committee could issue news or put up posters and the public had no way of challenging the information disseminated. Angelopulo (1997:86) states that this model involves limited research, which is usually in the form of press clippings.

- The objective of the **public information model** is to disseminate information and this model is characterised by the desire to report information journalistically, the truth is essential and there is a one way transfer of information from the organisation to the publics (Grunnig & Hunt in Fearn-Banks, 1996:11). A further example is the 1930 Office of War Information who fed one-sided information to the local American population through its Domestic Branch. Angelopulo (1997:86) contends that limited research is done, and it usually takes the form of readability tests and readership surveys.
- The **two-way asymmetrical model** has persuasion as its purpose by way of two-way imbalanced communication (imbalanced because it favours the organisation). In this model, the public relations practitioner uses social science theory and research (surveys and polls) to help persuade publics to accept the organisation's point of view (Grunnig & Hunt in Fearn-Banks, 1996:11). According to Angelopulo (1997:87), formative research and the evaluation of attitudes are the examples of research being done according to this model. Grunig and Hunt (1984:22) conclude that this model is usually practised in competitive business and agencies. They estimate that 20 per cent of the market follows this model. An example of this model could be banks finding out, via market research, why potential clients are not purchasing their products and services and then formulating messages to reach these undecided clients.
- Mutual understanding is the purpose of the **two-way symmetrical model** (Angelopulo, 1997:87). In this model, the public relations practitioner is an intermediary between the organisation and its publics. The practitioner aims for dialogue (the transactional approach to communication) (Grunnig and Hunt in Fearn-Banks, 1996:11). The nature of the communication is also two-



way, but in a balanced manner. Formative research is done to understand how the public perceives the organisation and to determine the consequences of the organisation's actions. Grunig and Hunt (1984:22) cite Bernays as a historical example and current public relations educators are beginning to adopt this model which is usually practised in regulated business and agencies (regulated by government). The estimated market share of this particular model is 15 per cent (Angelopulo, 1997:87). An example of this could be an insurance company researching how its clients see the organisation and then setting up a toll free telephone number for clients to complain about its services and publicise the fact that this toll free number exists.

Although the two-way symmetrical model appears to be the ideal model for public relations practitioners, few organisations apply this model in practice because their world view or way of thinking about public relations does not correspond with the characteristics of this model (Grunig & Grunig, 1989:31).

The two-way symmetrical model is practised by many organisations, but is seldom the dominant or only model used (Angelopulo, 1997:87). Grunig (1989:30) contends that it is usually practised in combination with the two-way asymmetrical model.

Miller (1989:45-66) is critical of the two-way symmetrical model and believes that public relations is intrinsically interwoven with effective persuasion and control over relevant publics and the environment. Van der Meiden (1993:9) supports Millers perspective, viewing public relations as a controlling instrument for the organisation and a manipulating force.

The concept of manipulation is also very important to the chaos theory (chapter 5, section 5.3.3.1), which helps to establish some coherence in public relations situations whose most important feature, according to Murphy (1996:95), is the

unmanageability of public perceptions. It is these public perceptions that public relations needs to manage in a crisis situation. Murphy (1996:108) elaborates stating that the chaos theory also suggests that uncertainty will always dominate relations with publics during volatile times. The chaos theory, in many situations, balances out overly rational management approaches and provides useful reminders that context-sensitivity, patience and careful timing may effect change where wholesale proactivity cannot.

#### **2.3.4 The worldview**

The worldview underpins the above theories and models, especially the ones of a symmetrical and asymmetrical nature. Kearney (1984:10) describes a worldview as a set of images and assumptions about the world. In describing the term image, he used a definition that is more precise than the way the word "image" is used in public relations practice (Grunig & White, unknown:33).

Kearney (1984:47) pointed out that image has two meanings. One is the literal sense of a visual representation in the mind, and the other is the organising principles that have variously been called schemata, gestalten, plans and structures. In addition, Kearney also referred to worldview as macrothought which describes the concept of schema or large abstract structures of knowledge used by people to organise what they know and to make sense of new information that comes to them.

Laudan (Grunig & White, unknown:37) suggested the most useful criterion to evaluate worldviews is the ability of a worldview (and the theories generated by it) to solve important problems. In public relations, for example, it could be asked, which worldview generates public relations programmes that best resolve conflict and crisis in society.

The asymmetrical and symmetrical theories reflect a possible dominant\*

worldview in public relations. The asymmetrical view is that public relations is a way of getting what an organisation wants without changing its behaviour or without compromising. It can also be contended, in contrast, that effective public relations departments adopt a more realistic view that public relations is a symmetrical process of compromise and negotiation and not a war for power. This can be justified from the perspective that it would not be realistic for a public relations department to confront every issue head on, it must try to negotiate and compromise first before any action is taken.

The press agency, public information and two-way asymmetrical models are asymmetrical models that try to change the behaviour of the publics without changing the behaviour of the organisation. Under the press agency model, public relations strives for publicity in the media in almost any way possible. Under the public information model, public relations utilises journalists to disseminate objective and favourable information about the organisation. With two-way asymmetrical public relations, the company makes use of research to develop messages that are most likely to persuade publics to behave as the organisation wants (Grunig & White, unknown:39).

An organisation that uses the two-way symmetrical model uses research and dialogue to manage conflict, improve understanding and build relationships with publics. With the symmetrical model, both the organisation and publics can be persuaded, both also may change their behaviour (Grunig & White, unknown:39).

The above approaches and theories have been included as they provide a theoretical framework to explain how communications, in particular public relations, works. They focus on the necessary parts needed to facilitate communication. In particular, they emphasise the need for a good communicative ability to facilitate the solving of a problem, the need for two-way and open communication between an organisation and all its publics, the need for open communications in order to solve particular problems, specifically in a

crisis situation.

These theories and models also illustrate that there are stages that need to be completed before a problem is solved. Another area that these theories and models highlight is the need for the presence of a system in which the open communication must take place to solve the issues and problems at hand, especially when there is a crisis. It therefore becomes necessary to determine what a crisis is.

#### **2.4 Definition of a crisis**

One of the answers to the question "What is a crisis?" might be "When things do not go my way," or as Stonborough (1996:2) states, "The simple answer is when your product, service, reputation or balance sheet is threatened." Yet, it is Herman (in Winner, 1987:87) who supplies a set of three dimensions, which will lead to a definition of a crisis.

Each of Herman's points will be discussed below, with reference to related commentators.

- **A crisis threatens high priority values of the organisation.**

Fearn-Banks (1996:1) agrees with this, stating that a crisis is a major occurrence with a potentially negative outcome affecting an organisation, company or industry as well as publics, products, services or a good name. She also sees a crisis as interrupting normal business transactions and sometimes threatening the very existence of the organisation.

Cantor (1989:166) also defined a crisis as any abnormality or negative consequence intruding into the daily course of operations. Each organisation formulates its own definition of a crisis by studying its own environment for potential hazards and assessing the accomplishment of organisational goals

in light of them (Littlejohn,1983a:8). This allows the organisation to characterise as a 'crisis' any event that constitutes a direct threat to the accomplishment of its goals. Some of these events are identified by Wragg (1992:266):

- The loss of an important customer or market.
- An unwanted, or hostile, take-over bid.
- The withdrawal of a planned take-over, or the withdrawal of financial support by a major sponsor or backer.

Specifically within a financial context, a crisis can be defined as a negative event, which, inter alia, causes the company's stock price or market share to decline (Modzelewski, 1990:12). The senior vice president of Clarke and Company, Brian Delaney (1991) offers this explanation of a corporate crisis:

A corporate crisis is any unexpected event, which has or can have an adverse impact on the corporation or its key employees. The crisis can set off a chain of events that could involve huge outlays of funds, dismissal or resignation of top executives. In the extreme, a crisis could mean the elimination of the entire business entity through bankruptcy, merger or hostile take-over.

This is supported by the CEO Crisis Management Survey, conducted by Colin/Harris in 1989 in the United States of America, which had more than half out of a total of forty CEO's defining a crisis as any time when the company's existence or its image is in danger (Modzelewski, 1990:12).

Weick's (1988:305) description of a crisis as a low probability/high consequence of events that threaten the most fundamental goals of the organisation, further endorses Herman's opinion above and supports Fearn-Banks's view (1996:1) that a crisis threatens the high priority values of an organisation. Therefore, the crisis can be seen as an event that seriously interferes with the operation of the organisation and can be regarded as

unwelcome by those involved (Wragg, 1992:265). Following on from this, a crisis, according to Fink (1986:129), is any situation that runs the risk of:

- Escalating in intensity.
  - Falling under close media or government scrutiny.
  - Interfering with the normal operations of a business.
  - Jeopardising the positive public image of a company or its CEO.
  - Affecting a company's bottom line in any way.
- **A crisis presents a restricted amount of time in which a response can be made.**

All crises differ in terms of how long they last, the damage caused and the measures required to resolve them. Different crises demand different management techniques, and the public relations professional must identify the type of crisis and its accompanying time constraint (Reinhardt, 1987:43). It can be proposed that the short amount of time in which a response needs to be prepared is potentially damaging to the organisation concerned. Timing is an important aspect within a crisis. Financial crises, according to The New Palgrave Dictionary Of Money And Finance (TNPDOM&F) (1992, 2:46), who adopt Goldsmith's (1982:42) definition of a financial crisis, is a sharp brief, ultra-cyclical deterioration of all or most of a group of financial indicators' prices, commercial insolvency's and failures of financial institutions. Castle (1996), Seymour (1996) and McLaren (1996) do not agree with Goldsmith as they do not like the words "sharp and brief," they feel that no one can predict the length of a crisis, let alone a financial crisis.

- **A crisis is unexpected or unanticipated by the organisation.**

Barton (1995:125) defines a crisis as "a major unpredictable event that has potentially negative results. The event and its aftermath may significantly damage an organisation and its employees, products, services, financial condition and reputation."

Gonzalez-Herrero and Pratt (1996:82) also view a crisis as being unwelcome and sudden. They claim by scanning and paying attention, as a public relations function, to what happens internally and externally in a company that can help management respond effectively to crises.

Most crises have early signals that indicate potential problems. Sensing potential problems is the first step toward avoiding or resolving them or minimising their impact. Winner (1987:89) expands on this concept of whether the crisis was unexpected or unanticipated by the organisation. He says that firstly the processes through which the organisation becomes aware of the problem or crisis has to be identified, and secondly, the processes through which it responds and adapts to the need for change also needs to be determined. The difference between these processes is critically important, since it distinguishes those crises which are totally unanticipated from those crises which, although privately recognised as being imminent, are not for some time either publicly acknowledged or proactively managed. This is a clear reflection of looking at public relations from a process approach.

Even during a company's routine public relations processes, crises develop in response to a change of some kind in the company's operating environment, or it may even be internally generated (Winner, 1987:87). Fink (1986:15) and Dyer (1995:38) also identify the issue of change in the definition of a crisis. According to them, a crisis is an unstable time or state of affairs in which a decisive change is impending – either one with the distinct possibility of a highly undesirable outcome or one with the distinct possibility of a highly desirable and extremely positive outcome.

Based on the above discussion a crisis can be defined as a major unpredictable event that has potentially negative results. The event and its aftermath may significantly damage an organisation and its employees, products, services, financial condition and reputation.

This definition encompasses the major implications caused by a crisis – the damage to the different types of publics that constitute the organisation as well as damage to the organisation as well as the element of unpredictability.

## 2.5 Different types of crises

Whatever the characteristics of the crisis, there are three common types of crises identified by Reinhardt (1987:43):

- An **exploding crisis**, when there is no doubt that something is abnormal, a well defined, noticeable event with immediate impact, such as a fire or accident (Cantor, 1989:166). An example could be that a bank might lose all its computer records from a computer virus on their computer system.
- An **immediate crisis**, which includes an event that may take people by surprise, but still allows time to redress the issue, such as a major interview or, a television news report (Cantor, 1989:166). Immediate crises are the most dreaded of all possible crises because no time is allowed for research to be done to the cause of the crisis (Reinhardt, 1987:43). Possible factors like a company's bad press relations can make tackling the crisis very difficult. An example could be the immediate resignation of an insurance company's management board or its managing director.
- A **building crisis** which can be anticipated, such as labour negotiations and unrest (Cantor, 1989:166). Reinhardt (1987:43) calls a building crisis an emerging crisis, which gives public relations practitioners' time to research and plan. The disadvantage is that it can not be determined when the crisis will strike. It is also very difficult to convince senior management for extra resources to combat the emerging crisis because they may believe that more resources are not necessary. This indicates that senior management still look at how much an infrastructure will cost them to set up to manage the crisis and not how much it will save them once it is in place. For example, the client services department in a bank may be noticing an increase in complaints



about a certain service and they may see that a potential crisis is brewing. The public relations department may start preparing themselves for a crisis, but management may not agree to give extra resources, as they may believe that the issue will not become a crisis.

Cantor (1989:166) concurs with Reinhardt but also identifies a fourth crisis type:

- A **continuing crisis** is a chronic problem that usually develops over a longer period of time and is usually complex by nature and not easily resolved (Cantor, 1989:166). Reinhardt (1987:43) calls continuing crises sustained crises, which often last for extended periods of time. The press may carry stories based on rumours and there is often a lot of speculating being done by both internal and external publics. For example there may be media speculation about a banking merger for a long time when in fact the two banks may not have any objective to merge at all.

The difference between the Cantor (1989:166) and Reinhardt's (1987:43) crisis types is Cantor's mention of one crisis type that Reinhardt did not mention – an exploding crisis.

Crises arise and develop and need to be managed via a process of crisis management, from inception to maturity and until they die away.

A crisis in public relations can find its roots in an issue and Bergman (1994:21) defines an issue as simply an unresolved problem that has the potential of becoming a dispute. If an individual takes issue with an organisation, they are mapping out the lines of that dispute. If the issue remains unattended or unresolved, the dispute has the potential of escalating into a crisis. Cooper (1989:6) also defines an issue as a contemporary situation with a likelihood of controversy that arises from "our sense of ourselves as members of a

community, that affects the community's interests, or requires community involvement.”

## **2.6 Defining crisis management**

Crises need to be managed and to arrive at a definition of what crisis management is, the concept of issues management should be considered first. This is because, as this section will show, issues can develop into crises. Gaunt and Ollenburger (1995:201) see both crisis and issues management as part of public relations and therefore as related to each other.

In the mid-1970s Chase coined the term “issues management,” identifying it as a specialised and increasingly important corporate function (Heath & Nelson; 1986:12). Speaking as the chairperson of the Issues Management Association, Chase (1982) offered the following widely-quoted definition:

Issues management is the capacity to understand, mobilise, co-ordinate and direct all strategic and policy planning functions, and all public affairs/public relations skills, toward achievement of one objective: meaningful participation in creation of public policy that affects personal and institutional destiny. (Heath & Nelson 1986:20.)

It can be proposed that issues management concerns itself with the need to adjust organisations to public policy and the need to have public policy realistically reflect the requirements of organisations (Elwood, 1995:214).

In 1978 the Public Affairs Council saw issues management as a programme used by a company to increase its knowledge of the public policy process and enhance the sophistication and effectiveness of its involvement in that process. The council also endorsed a new standard issues management model, which according to Heath and Nelson (1986:20) is made up of the following aspects:

- (1) Monitoring the public policy arena to determine whether trends are occurring which can demand a reorientation of corporate policy and communication processes.
- (2) Identifying these issues of greatest potential importance to the organisation.
- (3) Evaluating their operational and financial impact through issues analysis.
- (4) Prioritising and establishing company policy positions by co-ordinating and assisting senior management decision-making.
- (5) Creating the company response from among a range of issue change strategy options.
- (6) Implementing the plans through issue action programming.

According to Heath and Nelson (1986:20), the Public Affairs Council identified certain key characteristics that make issues management unique. Some of them are:

- (1) Systematic monitoring, which allows companies to intersect public opinion at an early formative stage.
- (2) Proactive initiatives to identify a developing issue or trend rather than to wait for an issue to develop and then react.
- (3) The application of substantial empirical and qualitative analysis by companies to solve corporate planning problems.

But not everybody was enthusiastic about this model. Ehling and Hesse (1983:18-35) suggested that it was not as innovative or extraordinary as its proponents claimed. Based on their own reasoning and a survey of Public Relations of America (PRSA) members, they argue that such activities are routine corporate communications; no new label or mandate beyond public relations/public affairs is necessary.

A key aspect of issues management is that of anticipation, which Chase left out in his 1982 speech. Thirteen years later, Jones and Chase (Gaunt &

Ollenburger, 1995:201) declared issues management as a tool companies could use to identify emerging issues and respond to them before they become public knowledge. These emerging issues, at a later stage could become crises. In 1982, Buchholz (Heath & Nelson, 1986:21) discovered that 91 percent of all Fortune 500 companies had established issues management programs. The leadership of these companies observed that issues management was extremely important (23.8 percent) or very important (50 percent).

The concept of identification was carried forward by the use of the word 'anticipation'. Scanlon (in Seitel, 1992:362) views issues management as anticipating and preparing organisations, through strategic planning, to predict problems, anticipate threats, minimise surprises, and develop coalitions to effect defined goals and implant solutions. This would be done to prevent crises from occurring. By referring to issues management as the management of situations where a potential, but far from certain, crisis is looming, Sheldon Green (1994a:137) supports Scanlon's definition.

Wilcox *et al.* (1992:356) also makes use of the terms "proactive" and "identify issues" in their definition of issues management. These two terms are also important aspects of public relations. Essentially issues management is a proactive and systematic approach to identify issues and concerns, but Wilcox even goes so far as to give a time period of 12 to 36 months in which the issues will emerge.

Goddard (1996:7) of *PR Week* in London asked the following question of a selected group of public relations practitioners, "When does an issue become a crisis?" The answers given were: "It's when the message just isn't getting through and even the good stories have a negative spin", said Wreford, a consultant. Brook of Brook Wilkinson commented "It is when something goes live and requires immediate and decisive intervention. Most well organised companies have systems in place to spot a change in an issue that calls for

action, but some are blind to it.” Woodcock of Countrywide Communications proposed that, “There is no text book turning point but you can look back and see at what stage the risks start hitting. Sometimes an issue can bubble away and all you can do is monitor it but if you fail to recognise risks then you have a crisis.” The simplest answer given was by Cryer of Cameron, Choat and Partners, “An issue becomes a crisis if you can’t turn back.”

Issues can quickly become crises for companies unless they are handled with skill and deftness in accordance with the crisis management programme. The most dangerous moment in any crisis is when the issue itself arises and is not identified as one that might lead to a crisis. The likelihood of a crisis being dealt with at the wrong level or by the wrong people in the wrong way increases as crises or issues fail to occur (Andrew, 1990:174).

Mallinson (1996:100) looks at issues and crises together as many crises can be staved off through effective and continuing monitoring of issues. Concurring with Mallinson’s view, Andrew (1990:172) feels one of the critical aspects of effective communication systems is to ensure that a small (or any size) issue does not escalate into a crisis. It is when the issue, of any size, escalates into a crisis, that crisis management becomes so important.

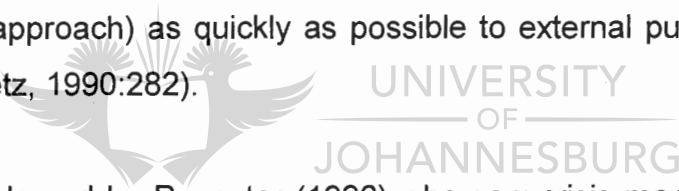
For Castle (1996), from a public relations perspective, crisis management is the management of communication on behalf of an individual, organisation or group of organisations to those publics that is directly or indirectly affected by the crisis. Similarly, Stonborough (1996) sees crisis management as applying effective communication techniques, speedily to inform third parties of a company’s activities, reasons and intentions. In 1990, the Business Planning and Research International (BPRI) undertook to research the meaning of crisis management, as seen by respondents, for Regester Plc, an issues and crisis consultancy. The research found that the majority of respondents stated that crisis management entailed:

- Preparing/planning for a major emergency or crisis.
- Having the capability to take the correct action in an emergency or crisis.
- Coping with circumstances which might seriously damage a company.

Over and above these three explanations, a relatively large number of other definitions were given for crisis management. These, according to the BPRI (1990:7), were of a very specific nature and included:

- Financial collapse.
- Assassination of a top executive.
- Off-shore disputes.
- Conflict between shareholders, employees and the general public.
- Loss of production.

The primary objective of crisis management is to provide accurate information (open systems approach) as quickly as possible to external publics affected by the crisis (Schuetz, 1990:282).



Proactivity is endorsed by Regester (1996) who saw crisis management as “an organisation’s ability to prepare for and deal with the totally unexpected, both operationally and in communications terms.” McLaren (1996) postulated that if crisis management were the end of the road, she would rather implement a damage control and damage limitation exercise to prevent a situation from developing into a crisis. If there is a crisis situation then crisis management is the proactive managed plan enabling the management of a crisis. This is in direct conflict to Gaunt and Ollenburger (1995:201) who see crisis management as reactive. McLaren (1996) agrees with Regester (1996) in seeing crisis management as proactive.

Sheldon Green (1994b:9) does not mention whether crisis management is either proactive or reactive and views the very term crisis management as:

Pinpointing the failings of much of the PR industry's approach to the whole subject. Crisis management is simply the sharp end of a continuing programme, which should incorporate issue management, reputation risk management and the preparation and training for crisis.

In his book *Winning PR Tactics*, Sheldon Green (1994a:136) explains that crisis management covers the management of the public relations aspects of those serious events which have the potential to destroy, or severely damage an organisation's reputation virtually overnight.

The concepts of management, communication with different publics and managing perceptions are common concepts in the definition of crisis management.

In any crisis management campaign, planning is a key aspect. Any measure that minimises the risk and uncertainty in a given situation and thereby allows more control of a destiny is, according to Fink (1986:19), indeed a form of crisis management.

Both Fearn-Banks (1996:2) and Fink (1986:15) identify the concepts of removal of risk and uncertainty and the control of the company's destiny as being important in crisis management. For Fearn-Banks (1996:2), crisis management is a process of strategic planning for a crisis or negative turning point, a process that removes some of the risk and uncertainty from the negative occurrence and allows the organisation to be in greater control of its own destiny.

The fact that a company has to manage a crisis does not necessarily point to mismanagement having occurred by the company concerned. Without a set structure of specific reactions, a company will never know what to do in certain situations. The consequences are that the company may not be able to continue working in the face of any true crisis situation and it is this that constitutes

mismanagement. It is proposed that crisis management involves having a systematic approach for handling real crises in such a manner that the organisation can continue to function normally (Littlejohn, 1983a:10).

In this regard, crisis management is not a quick-fix solution. Crisis issues need to be identified, studied and forecast, and specific steps need to be laid down so that a company can prevent a crisis from occurring or cope with it if it does. Crises should be handled with minimal interference in the company's day to day routine (Littlejohn, 1983a:11).

The way a crisis is managed in one industry differs from the way it is managed in the next. The management of a crisis in a corporate western financial company differs from the management of crises in other industries. There are rules and regulations set down by the various stock exchanges and securities and exchange commissions, particularly in the United States, that set out the rules of communication for the wellbeing of the company, (Castle, 1996).

In contrast, Seymour (1996) states that "the management of the crisis does not differ from the management of crises in other industries, the only aspect that may in fact differ is the range of the audience and the priority that you place on them."

McLaren (1996) agrees, feeling that there is fundamentally no difference between the management of crisis in western corporate financial companies and the management of crises in any other industry. All that may change are the publics dealt with, but the fundamental management of a crisis remains the same. Register (1996) also agrees that the principles of managing a crisis remain the same and the only difference between managing a crisis in a corporate western financial company and any other industry is identifying the audiences that need to be reached.



## **2.7 Conclusion**

The chronological development of public relations illustrates its communicative nature, which has four distinct stages of development. The communicative aspect is important because as public relations evolved so the function of communication took on a more important facet. Angelopulo (1997:76) contends that these four stages are relevant for the United States of America only as they focus on key areas in America's growth. It can be argued that these four stages are relevant to the growth and development of public relations world wide and not only the United States as all the events detailed have affected and shaped the rest of the world as well. In addition, they have also shaped the way public relations was used. The four stages, as identified by Angelopulo, (1997:76) are illustrated in table 2.1 below:

<b>Historical periods</b>	<b>Characteristics of public relations</b>	<b>Communicative nature</b>
1600-1799 The early beginnings	Publicists, press agents, promoters and propagandists	Communicating/Initiating
1800-1899 The civil war and industrial revolution	Writers as spokespersons for special interests	Reacting/Responding
World War One The booming twenties, depression	Public relations incorporated into management function	Planning/Preventing
1940 to the present World War Two post-war era	Attempts to control the development, education and practice of public relations	Professionalism

Table 2.1 Stages of development and communicative nature of public relations (Angelopulo, 1997:76).

Following on from the development of public relations, the subsequent key aspects and factors from the definitions of public relations have implications on the methods in which public relations is applied and the discipline's function in managing crisis situations.

The key aspects are the fact that public relations is:

- A deliberate planned and sustained activity,
- Makes use of a message and information that is communicated optimally via two way communication,
- It makes use of publicity to influence recipient perceptions to persuade them or achieve mutual understanding,
- It uses the media as a conduit to reach recipients,
- Communicates effectively with recipients, and
- It is a management function. This will have implications for the management of crises. If a crisis can not be managed, then it will destroy the company concerned.

These aspects and factors have provided a basis on which to carry out research into crisis management's role in the management of western corporate financial crises.

From a theoretical perspective, the four approaches discussed in the chapter (the process approach, the systems approach, the symmetrical and asymmetrical approach, and the worldview) all illustrated the various ways in which public relations can be practised. It is proposed that the systems approach is the best suited to the management of a crisis as it, in addition to some of the other approaches, like the process approach, stresses the importance of open systems for the effective exchange of information with a core objective of maintaining equilibrium. The implications of not ensuring that two way communication exists and maintaining equilibrium for the company in crisis becomes evident when the media and the respective publics (the different publics will be discussed in chapter three) start giving their own opinions which will damage the company in crisis's reputation.

The company in crisis will find the crisis:

- Unwelcome,
- Unplanned for and unanticipated,
- Occurs within a restricted time, and
- Threatens their existence.

The implications of being aware of these aspects and not taking action to prevent their occurrence in the form of a crisis is disastrous for a company. The management of a crisis from a public relations perspective entails making allowances for a crisis occurring and its consequences as well as managing the crisis. Crisis management involves the following aspects:

- Strategic planning. The implications of not planning for a crisis will result in certain failure for the company concerned when it tries to manage the crisis.
- Issues identification. If a company can not identify potential issues that could affect it, then it can not identify a crisis.
- Anticipation. A company must be able to anticipate if certain issues will affect it or turn into crises at a later stage.
- Knowledge of media and publics. If a company does not know its different publics or the relevant media, then it will not be able to direct its communication initiatives at the right audience.
- Effective systems in place. Management is all about systems and if the correct systems are not in place then a crisis can not be managed.
- Proactive and effective management. Crises must be managed proactively otherwise they will become difficult to manage as they develop in time.

## **Chapter 3: The role of public relations before the crisis**

### **3.1 Introduction**

Nicholas Leeson, a rogue trader at Barings Bank's Singapore office, lost close to a \$1 billion and triggered the collapse of this bank in 1995, one of the United Kingdoms most prestigious investment banks. In November and December of 1994, Leeson decided to bet that the Nikkei index (the Japanese equivalent of the Dow Jones Industrial Average) would not drop below 19,000 points. On the morning of January 17, 1995, Chua-Eoan (1995) reported that an earthquake measuring 7.2 devastated the Japanese city of Kobe. The result was that the erstwhile stable Nikkei index plummeted more than seven percent in a week. A further result was the warning given stating that financial crisis experts have urged top executives in the investment world to "redouble their efforts at internal control and to allay fears of financial loss by conveying a message of trust to consumers and institutional investors alike" (Kelly, 1995:38).

The financial crisis experts were more worried about managing the financial aspects of respective crises, they did not consider the value of a solid public relations campaign before, during and after a crisis. In the case of the Leeson crisis at Barings bank, there was more concern with 'balancing the books' of the bank, and not enough concern over the effective use of public relations to manage public perception and the media. Today, businesses and top executives are just as likely as politicians to find themselves on the front page, a fact that has a profound impact on all public relations (Shell, 1993b:6).

There have been a number of scandals in the financial industries that have negatively affected companies' reputations and that have required some careful communications strategies (Rogers, 1996:7). Goldman Sachs was forced to gear up its PR support in 1991 to handle media probing into its involvement in the Maxwell pension funds affair and Morgan Stanley faced heavy criticism for

controversial investments in Luxembourg.

In the crisis situation, enlightened management will know that action must be taken, but it does not always know exactly what action. The public relations business has learned to apply a whole range of techniques including public relations campaigns before a crisis occurs to manage a potential crisis.

This chapter investigates the role of public relations before the crisis strikes, looking at its day to day responsibilities including communicating with the company's varying publics like the media, staff, suppliers and shareholders. The importance of proactive versus reactive public relations will be considered, including the need for a 'crisis ready' public relations plan. The next area of consideration is the way in which public relations gets its message across in times of crisis and this includes a model of illustrating how persuasion works, persuasive paradigms and a model explaining people's attitudes.

The penultimate discussion focuses on the role of persuasion in public relations. The final discussion in the chapter concerns the role of public relations in managing a company's reputation, especially at a time of crisis.

### **3.2 The role of public relations before the crisis**

Following the definition of public relations as given in chapter two, the role of public relations needs to be discussed to illustrate its functioning before the crisis occurs. Public relations in many companies, such as financial institutions and producers of consumer goods, are responsible for the day to day image of a company. Part of the company's image is contained in its products and services and public relations has as its role the creation of a generalised acceptance of the company's products and services (Sheldon Green, 1994a:16).

When it comes to financial organisations in particular, Center and Walsh

(1985:172) summarise the role of financial public relations as:

- Recommendations concerning communications strategy appropriate to management goals in investor relations.
- Preparations of public literature and press contacts.
- Physical arrangements for tours or visits by the financial community.

Although the role of financial public relations has been mentioned, each sector of public relations, be it information technology, engineering or consumer public relations will have their own unique differences and commonalties (Castle, 1996; Baker, 1996; Seymour, 1996 and McLaren, 1996). Financial public relations is concerned with communicating to some key groups including financial institutions, investment analysts, shareholders and the financial press (Andrew, 1990:22).

It is via public relations that these key groups or publics become aware of the company. These publics refer to the recipients of the company's messages (Angelopulo, 1997:80). A public could be described as a group of people with common interests exerting an influence on and affecting the organisation and its operations in some way (Newsom *et al.*, 1989:73). Grouping and arranging recipients does not imply that they are entirely separate. The demarcations or characteristics used to differentiate between two or more groups sometimes overlap. Publics are categorised according to the needs of a particular organisation and will differ from one organisation to the next.

The public relations person needs to know which public they will be communicating with, this includes the different publics. To distinguish between various publics, organisations categorise them according to one of the following sets of categories (Seitel 1992:12- 14 and Seitel, 1995:9-10):

- **Internal and external publics.** Internal publics are those groups of individuals who are members of a company (Beveridge, 1963:11-28). Angelopulo (1997:81) uses a company's employees, stockholders and board of directors as an example of internal publics. External publics refer to those groups of individuals who are not directly connected with an organisation (Seitel, 1992:12). An example of a company's external publics could be its current, future and past clients, investors, the mass media and government.
- **Primary, secondary and marginal publics.** These categories of publics are classified according to their importance to the company concerned. Primary publics are groups of individuals who can especially encourage or inhibit the organisation's efforts (Seitel, 1992:13). An example of primary publics could be a financial company's top shareholders (Beveridge, 1963:11-28). In any public company, there must be a continuous and substantial dialogue with investors. This goes further than simply pushing out monthly and annual reports or the odd meeting with major shareholders. If a continuous process of communication does not occur then the company will sooner or later, be likely to find itself with problems (of perception) on its hands (Sheldon Green, 1994a:131). Secondary publics are less important and marginal publics least important (Angelopulo, 1997:82). Secondary publics could be market analysts and marginal publics could be shareholders who hold small amounts of shares.
- **Traditional and future publics.** Employees (also internal publics) and current customers of a company are its traditional publics (Seitel, 1992:14). Potential customers are its future publics (Angelopulo, 1997:82).
- **Proponents, opponents and uncommitted publics.** Groups of people are classified according to their degree of support and opposition to a company (Seitel, 1992:14). The members of these publics continuously change and are determined by the issue, campaign or programme with which a public relations professional is dealing (Angelopulo, 1997:82).

It is these different publics that financial and other organisations will have to communicate with during a crisis and this necessitates a plan.

One of the roles of a public relations practitioner should be to ensure that a crisis plan has been created for a company before a crisis strikes. Research conducted by the BPRI (1990:4) into crisis management, and the level of preparedness of companies in the United Kingdom, considered the susceptibility that organisations felt to a crisis. An interesting finding was that nearly half of the companies interviewed did not feel that they were susceptible to a major crisis. Two major reasons given by these companies was that they had sheer size which would cushion the blow and a high level of safety on their side – based on the concept of safety in numbers. The research also showed that there is a high level of passivity and complacency towards planning for a crisis and the organisations conceded that any large company was susceptible to a corporate crisis, irrespective of whether the crisis was a result of the company's own doing. This shows that one of the roles of the public relations practitioner, prior to the crisis, should also be to educate the senior management of these companies about the dangers of ignoring a crisis management plan.

The importance of a solid public relations campaign before a crisis starts is illustrated by the growth in crisis communications management to businesses in the United States and is underscored by three emergent factors identified by Gonzalez - Herrero and Pratt (1996:79-80):

1. The increasing mass media reporting of hazards and their attendant risks. This relates to the Exxon Valdez oil spill in Alaska where the news media ran rings around the oil company highlighting the natural disaster caused by the oil and the dangers that the oil spelt to the livelihood of fishermen and industry in the area. The news media also criticised Exxon for being late and lax in public positioning (Harrison, 1989:40). It was at this time that a new breed of financial journalists also started to appear for three reasons: Firstly,



because of the growth of the world economy and people's needs for more information at a quicker pace. Secondly, a growth in the financial newswire services (such as Reuters and Bloomberg). Thirdly, an expanding group of national and trade publications covering the sector (*Financial Times* in London and *Wall Street Journal* in America).

2. The phenomenal growth in the number of product liability lawsuits, particularly since 1975.
3. The pervasive, enormous impact of business crises on more than the reputations and the financial and social status of businesses.

When they are hit by a crisis, many companies may follow the accepted rules of crisis communication but still come out of it badly in terms of public perception. A continuing and routine corporate public relations program plays such a key role in insuring that the company is in a strong position before it finds itself in a crisis. This is one of the roles of public relations in the management of a crisis, to have a routine public relations program up and running (Birch, 1994:33; Castle, 1996 and Seymour, 1996).



However, Beveridge (1963:7-8) differs viewing the maintenance of a sound continuing financial public relations program as beneficial to a company, before a crisis strikes. There are six benefits, supplied by him, as to why this continuous public relations program should be maintained:

- If the name of a company is familiar to the financial community, then its stock will sell at a higher price than that of a lesser known company of equal value. This illustrates the value of the branding of a company compared to the value of its equity.
- This company will also not be hit by stock movements resulting from short term events such as a crisis.
- A company with a well maintained public relations programme usually has more stockholders.

- Well-informed stockbrokers can deliver better deals if they are better informed.
- A company in constant touch with analysts normally prepares better annual reports because it knows beforehand the questions that will be asked.
- A company with a sound public relations programme is considered a better investment.

A solid public relations programme that is in place and run effectively before a crisis strikes acts as a measure of protection (Castle, 1996 and Seymour, 1996). This will facilitate better media relations (Seymour, 1996) (Media relations are discussed in detail in chapter seven) resulting in the correct message being given out to the correct audience (or publics as discussed earlier in this chapter). The result will be the efficient management of the different publics perceptions (McLaren, 1996 and Baker, 1996).

Johnson (1994:666-669) explains that any person who is involved in the management of a crisis, from a public relations perspective, ought to have particular abilities especially when it comes to working with a chief executive officer (CEO). The CEO needs a public relations person:

- Who really understands what business the company is in and what business it is not in, allowing the accurately prediction of potential effects of any communications.
- Can put the companies' messages and vision into parameters that the media and public understand.
- Who has an objective set of eyes and ears for the CEO.
- With the ability to tell the CEO what they may not want to hear.
- Who has the effective intermediaries with the press.
- Who can plan, especially when anticipating and preparing for potential crisis.
- That can put a crisis team together and position a spokesperson.
- Who can help the CEO manage in an era of radical and frightening change

interdependence is thus crucial.

While it is important for the public relations person to work alongside the CEO and the organisation's board, there is a danger that public relations can become marginalised in a company's communications activity because public relations becomes difficult to measure (Sheldon Green, 1994a:28). This is why clear objectives need to be set out detailing what goals a company hopes to achieve and how it expects to achieve them. Public relations must also be seen as adding strategic value to the company in crisis and not seen as a tactical and technical method to get information out to the various publics.

### **3.3 How does public relations get its message across?**

A strategic part of public relations before the crisis (as well as during and after the crisis) is to positively affect public opinion in favour of the company or issue concerned. Public opinion is defined as the aggregate of many individual opinions on a particular issue that affects a group of people (Seitel, 1992:82). Cutlip, Center and Broom (1994:243) are also of the opinion that public opinion represents more than the collected views held by a particular category of individuals at one point in time. Public opinion (de Wet, 1988:28) can also be described as the opinion active in the public realm, which is expressed by a significant (large) number of persons (members of the public) on an issue of general (public) importance. There are three different classifications of public opinion:

- Solid public opinion is the steadfast conviction of the public on such issues as personal and economic freedom and rationality.
- Fluid public opinion refers to short-lived opinion, which is, from time to time, focused on topics like drug addiction and juvenile delinquency.
- The last type of public opinion is the least stable - gaseous public opinion - it is hastily formed and affected by the news of the day.

It is important for a company to know what the public opinion is of it so that support can be maintained and strengthened and negative opinion changed. The research of public opinion is also important to a company in crisis (see public opinion research in chapter four)

To change the opinion of the public, they have to be persuaded. While public opinion is a lot easier to measure, it is difficult to influence. A well-planned public relations plan can solidify attitudes, bolster beliefs, and possibly even change public opinion. In order to do so the opinions that need to be changed must firstly be identified and understood. Secondly, the publics being targeted must be clear and thirdly the public relations officer must have full knowledge of the “laws” governing public opinion.

In this context, the 15 laws of public opinion are crucial. They were drawn up by social psychologist Cantril, and Seitel (1989:88-89) discusses these laws:

- Opinion is highly sensitive to important events.
- Events of unusual magnitude are likely to swing public opinion temporarily from one extreme to another.
- Opinion is generally determined more by events than by words, unless these words are themselves interpreted as an event.
- Verbal statements and plans of action to be taken have maximum importance when opinion is unstructured and people are open to suggestions and look for some interpretation from a reliable source.
- Public opinion reacts to emergencies, it never anticipates them.
- People’s opinions are determined by self-interest.
- People’s opinions do not remain aroused for long periods of time, unless people feel that their self-interest is involved or public opinion is sustained by events.
- As soon as a person’s self interest is involved their opinions are not easily changed.

- If democracy is present and self opinion is involved, then the views of the public will be ahead of official policy.
- If only a slight majority of people have an opinion, or an opinion is weakly structured, then the presence of an accomplished fact may shift opinion towards acceptance.
- In times of need, people are sensitive to the adequacy of their leaders. The more confident they are in them, the more tolerant they are. The less confident they are in their leaders, the less tolerant they are.
- If people feel that they are part of the decision making process, then they will be less reluctant to have their leaders make the decision.
- People have more opinions on the goals that need to be attained as opposed to the methods required to reach these goals.
- Public opinion is affected by people's desire. When people's opinion is desire-based as opposed to information based, then it will shift with events.
- If people living in a democracy have a decent education and access to information, then public opinion will be based on common sense.

The public's opinion is based on what they have perceived. An understanding of how important perceptions are will lead to an understanding of the value of managing public relations. Sheldon Green (1994a:25-26) emphasises that:

- Reputation is an asset of significant value.
- Reputation is largely a function of perceptions.
- Perceptions can be influenced.
- Planned public relations activity results in the positive influencing of perceptions.
- Planned public relations activity affects an asset of significant value.
- Planned public relations activity is, itself, an activity of significance.

The media often transmit the opinions of the general public as well as moulding public opinion based on what they transmit to the public. While the media may

respond to public awareness and opinions, it is the media themselves who are the major force in creating public opinion (agenda setting theory).

There are four kinds of needs that motivate people to turn to the media (Larson, 1986:59). It is proposed that these four needs can affect public opinion as well as the success of a public relations campaign before during and after a crisis. Examples have been created to explain the concepts in better details:

- **Surveillance** – Investors may wish to read the latest business publications to watch the growth of their favourite bank in which they have invested their savings.
- **Curiosity** – Account holders at one bank may read the personal finance section in a daily newspaper to compare interest rates at other banks.
- **Diversion** – Account holders at a bank may read the comic section of a newspaper to take their minds off the fact that their investments are doing so badly.
- **Personal identity** – Consumers will read the newspapers and identify themselves with an article they read that could mention how good their bank is doing, if they have an account at the bank or even hold shares in it.

The uses and gratification approach does not take the communicator as the starting point, but considers the media consumer as the starting point (Simon, 1986:266 and Larson, 1986:59) and this media consumer, it is argued, contributes to public opinion. The recipients actively use the media content to meet their own individual needs and wants.

There is a relationship between the media, individuals and society as discussed by the media system dependency theory (Perry, 1996:60). At the heart of the theory is the concept of dependency – the satisfaction of needs or attainment of goals by one party is contingent upon the resources of another party. The theory attempts to explain the complex relationships between large sets of interacting

variables that are only crudely designated by the terms 'media,' 'audiences,' and 'society.' It is all of these variables that a public relations campaign needs to use and target to achieve its goals. As media dependency increases, people will tend to select messages that they expect to find useful and pay more attention to these messages. For example, if a bank goes insolvent, it could endure a crisis and all account holders and interested parties will pay attention to all key messaging and information distributed by the media and the bank.

To change public opinion before, during and after a crisis, the public has to be persuaded. Attitude change is but one of three possible persuasive aims in a public relations campaign, although the term persuasion is commonly equated with the process of changing the attitudes and opinion of some target audience. A second persuasive objective is to foster an attitude or condition a consistent evaluative response to some stimulus where no such response previously existed. The third important function of persuasion is to reinforce presently existing favourable attitudes (Miller, unknown:50-51).

Persuasion is a communicative process aimed at distributing information in order to change and/or sustain and/or form opinions, attitudes and behaviour (Bredenkamp *et al.* 1988:87). Larson (1986:8) defined persuasion as the co-creation of a state of identification or alignment between a source and a receiver that results from the use of symbols. Seitel (1992:87) sees persuasion as simply "... getting another person to do something through advice, reasoning or just plain arm twisting." It can be argued that persuasion is the freedom of speech used by every individual and organisation to influence opinion, understanding, judgement and action (Wilcox, 1995:264). Castle (1996); Seymour (1996) and Baker (1996) would not agree with this as a person has the ability to interpret information selectively as they are a critical thinker who can determine if they want to be influenced or persuaded.

Much research into persuasion has been grounded in a passive reception

paradigm (figure 3.1 below) (Miller, unknown:53). In this paradigm, the persuader or primary symbolising agent encodes and transmits a message to a relatively passive audience. When the opportunity for audience feedback arises, persuaders are relegated to a relatively inactive role.

The stand point of this paradigm is hardly surprising, for just as persuasion has traditionally been equated with changing attitudes and behaviours, it has largely been treated as a process where persuaders send messages and persuadees receive and respond to them. This paradigm accurately describes the typical circumstances in persuasive transactions involving large audiences. It is these large audiences that a financial company, or any other company, must persuade most importantly before a crisis to build up support. The same audience must also be persuaded during and after a crisis.

**Successful = Persuadee  
attitude and/or behaviour modification**

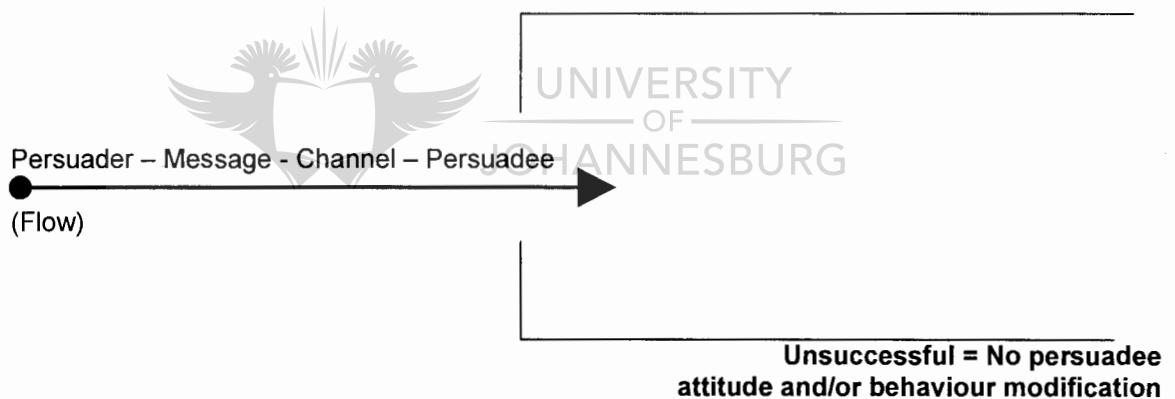


Figure 3.1 A persuasive paradigm in which the persuader is the primary symbolising agent (Passive Perception Paradigm) (Miller, unknown:53).

Using persuasion, the public relations function is of paramount importance in a crisis. It provides the interpretation of events to which everyone, inside and outside the organisation concerned, will react. Winner (1987:88) explains further that the public relations people are influencing, maybe even shaping, other people's perceptions and hence responses. They are persuaders.



To explain and understand exactly how persuasion works during a public relations campaign, Rank's 1976 Intensification and Downplay scheme or Model of Persuasion must be considered. Persuasion is made up of intensification and downplay and both are used in the management of a crisis from a public relations aspect. Although Rank's model of persuasion was created to teach people how to be critical recipients of persuasion, it can be used to illustrate how persuasion operates.

The basic tenant of this model is that persuaders (the public relations practitioners) use two crucial tactics to reach their objectives. They will either intensify certain features of their product, service, ideology or they will play down certain features. Sometimes they will do both. In managing the public relations campaign, before during and after the crisis, the public relations practitioners will try to distract attention from certain things and focus it elsewhere to make the illusion work (de Wet & Rensburg 1988:19).

Larson (1986:13-16) depicts Rank's model as:

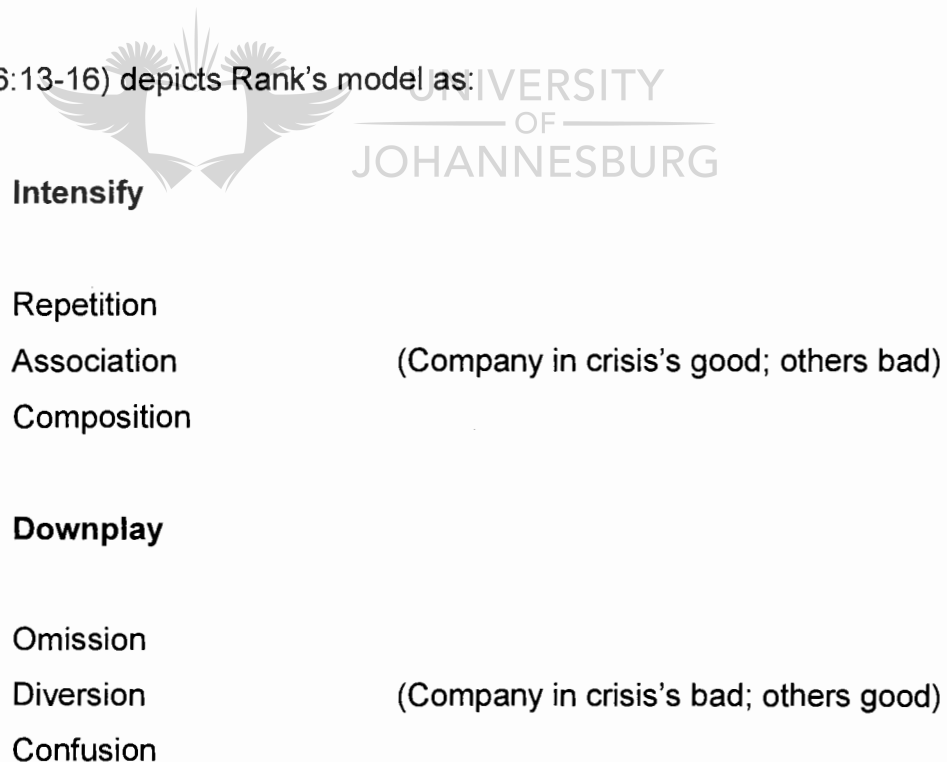


Figure 3.2 The intensify/downplay schema (Larson 1986:13)

Rank explains the aforementioned concepts of intensifying and downplaying (figure 3.2), as well as their corresponding tactics. Intensification occurs when the persuader - the company in financial crisis guided by its communications department or public relations consultants - intensifies the good points of their own products, services and publics. There are three tactics for intensification: repetition, association and composition (Larson, 1986:13-16).

- Repetition takes place when the good points of a company, and the bad aspects of its opposition, are intensified by repeating them in all methods of continuous communication during the public relations campaign via the mass media.
- Association takes place when any product or service of a company in crisis is associated with something that recipients have already accepted or rejected.
- The tactic of composition is put into play when good and weak points are intensified by analogy with something else.

Downplay takes place when, according to Rensburg, persuaders “do not want to focus undue attention on their own weaknesses or their opposition’s strength as it may thwart achievement of their aims” (de Wet, 1988:21). Therefore, the persuader/company in crisis may play down its own weaknesses or even its competitor’s strong points. The three basic strategies for downplay are omission, diversion and confusion (Larson, 1986:16-20).

- Omission occurs when the company in crisis plays down its weaknesses or its opposition’s strengths by simply omitting selected information that is to be transmitted.
- Diversions are created by purposely diverting recipient’s attention away from key issues. Public relations will divert attention away from the company’s weaknesses by concentrating on its strengths and highlighting the weaknesses of those criticising it.

- Confusion is caused by a company in crisis playing down its own weaknesses and their opposition's strengths. Confusion may be created by the public relations company using conflicting information or even over detailed jargon.

But what Larson (1986:13-16) and Rensburg (de Wet, 1988:21) do not mention, which Wilcox *et al.* (1992:240) and Wilcox (1995:265) do, is that persuasion is much easier if the message is compatible with a person's general disposition towards a subject. Persuasion's success also depends on a person's attitudes.

To understand this further, Sherif's theory of social judgement (Fauconnier, 1987:132) needs to be considered. It postulates that attitudes towards specific items are formed by comparison with points of reference, especially previous attitudes or experiences. An illustrative analogy: A person may judge the message from a bank in crisis, as formulated and transmitted by the public relations company on behalf of the bank, based on his perceptions of the bank's stability prior to the crisis. Based on the person's existing attitudes, which function as a point of reference, they will evaluate the message and adopt a margin of acceptance, rejection or non-commitment. Sherif explains that if the margins are large or small, they will be transformed by the person when receiving a persuasive message. This will be done, either by contrast, which entails the enlarging of the distance between the person's point of view and that of the message, or through assimilation, the lessening of the distance between their point of view and that of the message.

This theory is relevant for public relations from a communicative point of view as it explains exactly what happens when persuasive messages are received. It also allows certain predictions to be made regarding changes in attitude. A message from a financial company before, during and after a crisis will only promote a change in that person's attitude and perception if that message, as created and transmitted by the public relations company, falls into that recipient's margin of acceptance. If not, receiving that message will only complicate a

change in attitude, with a result that it becomes less probable. In addition, the assumption can be made that if there is stronger involvement with the message received from the financial company in crisis, then the existing rejection margin becomes bigger and the chances of the financial company changing the attitude of the recipient becomes smaller. Trying to influence recipient's attitudes is very important if the company in crisis wants to manage its reputation.

### **3.4 Managing the company's reputation**

During the day to day running of a public relations campaign, whether the company is in a crisis or not, the maintenance of a positive image of the company is very important for its own corporate image and reputation. One of the responsibilities of the public relations department is to find out what the media are saying about the company, and keep files of all the coverage (Anderson & Rubin, 1986:382) allowing the company to monitor the coverage they receive. This could be done by employing a media monitoring service, such as International Press Cutting Services in London or News Clip in South Africa, to cut all mentions of the company from the print media and record all company mentions from the electronic media (McLaren, 1996 and Baker, 1996). Analysing all the coverage received from the media is crucial as it will allow for the creation of long-term strategies for the financial company and future problems can be anticipated and potential problems can be tackled before they arise. The coverage can be analysed based on how positive or negative the coverage is or how big or small the articles or inserts are (Castle, 1989).

The analysis of coverage received is important, as large-scale financial crises usually appear within the full glare of publicity, the public usually start asking questions and need answers. Monitoring the media also entails the monitoring of information given to the public and Gillions (1996), from Fleishman Hillard, a public relations company, views the following three factors as crucial, to the role of public relations in crisis management:

The public must have information communicated to them concerning:

- What has happened?
- Why it has happened?
- What is being done to solve the problem immediately?
- Who, or what, is to blame?
- What is being done to prevent a recurrence?

The essence of the disaster must be communicated:

- What caused it?
- What are the degrees of involvement of staff or other bodies?
- Who is responsible?
- What actions are being taken?

The impact of the disaster on the following bodies (see publics as discussed in 3.2) must be communicated:

- General public.
- Emergency services.
- Employees.
- Customers.
- Suppliers/contractors.
- Local communities.
- Technical experts.
- Industry specialists.
- Government.
- Financial/business community.



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If the public relations person remains silent and unable to communicate during the period of crisis, then in fact they have failed their job. Not communicating anything during a crisis is dangerous as it may induce second-hand fact gathering about the incident, its scope, impact and cause. This all leads to

misunderstandings a misinformed public and rumours.

When facing a crisis, many managers do not communicate and tighten up control systems and increase the frequency of reporting procedures. This type of behaviour results in the loss or filtering of vital information about what is going on outside the organisation, to which it should be responding (Winner, 1987:88). Crises are thus a threat to an organisation's image and one goal of crisis management is to protect or repair the image of an organisation in crisis (Coombs, 1998:177).

The best thing to do, is to adopt a policy of open communication (as reflected in the symmetrical model). The public relations person will keep the media fully and promptly informed of the facts while providing background information to put the facts into perspective (Wilcox *et al.*, 1992:346-347). One of the keys to effective public relations is knowing when to react and when not to. Overreacting can do more damage than leaving the crisis alone (Winner, 1987:89).

This all points towards what the role is of public relations in the management of crises, including financial ones, which McLaren (1996) sees as very extensive:

Every day we get clients who think we can solve the problem because we can contain the crisis. We can not solve the fundamental problem. There are basically two aspects to a crisis, firstly there is the issue that has created the problem and secondly there is the management and communication around that crisis and the communication is the public relations practitioner's function.

### **3.5 Conclusion**

Having a good reputation before a potential crisis starts is ultimately what any company should strive for and maintaining this reputation is the role of a public relations process. If a company does not have a proactive public relations campaign before it encounters a crisis it will find the crisis and its implications<sup>\*</sup>

more difficult to manage. These implications could range from a drop in brand awareness, loyalty, the company's profile and that of its spokesperson. Ultimately it is a strongly branded company and a well-positioned spokesperson that a public relations campaign aims to achieve. This positive image of the spokesperson, the company s/he represents and its brand is attributable to how well the public relations person manages to implement the organisation's formal public relations activity.

While it is crucial for a company to communicate with its various publics, not knowing who the different publics are and their opinion is dangerous for the company in crisis because it is ultimately these publics that the company needs to persuade. In addition the company will not know how to address and deliver its message or how to monitor its acceptance or rejection by these publics.

The key to establishing and maintaining support for a company amongst its various publics is persuasion. Not having the objective of maintaining a solid public relations campaign in place will see the company facing severe damage when a crisis situation arises. The damage will affect the company's position and standing in the marketplace, cause various publics to look at the company spokesperson and the senior management in such a serious light that it could be almost impossible to rescue the company concerned.

For any company, the implications of not having a well-managed public relations campaign are too great. Pre-planning for a crisis must form part of a company's strategic objectives.

## Chapter 4: Planning to be prepared

### 4.1 Introduction

If any company could anticipate every event in its corporate history, then it would be a company that has the ability to deal with and survive anything. However, each problem and crisis is different and the more a company is prepared to deal with the crisis and the resulting media interest, the less damage will be done when the crisis strikes.

In today's world, business crises are no longer a matter of if, but when, no longer the exception, but the expected – even the inevitable. One of the most dangerous aspects of modern crisis management is that corporate crises are so much more visible than they used to be (Regester, 1989:12), and they are invariably covered by the media. This is illustrated by the following headlines: “UK probes huge losses by Japan copper trader” (Ipsen, 1996:1); “When fund management starts to resemble a soccer match” (Rees-Mogg, 1997:5); “Barclays’ shares fall 8% as chief executive quits,” (Graham, 1998:1) and “Britannia Life gets £500,000 PIA fine,” (Merrell, 1999:30). Crises are also more severe and arouse greater concern than ever before. They can damage – even terminally – a company and careers, and can produce interminable legal suits and government investigations that disrupt operations and the smooth running of a company for years (Pinsdorf, 1987:37).

Hence, the importance of advance or pre-planning for a crisis is discussed in this chapter in addition to a section on how to create a plan for a crisis. Not every crisis is of the instant variety, some crises develop over a period of time – days, weeks or months (Center & Walsh, 1985:376). A crisis may develop without warning and every corporation needs a well-prepared policy of emergency action. The avoidance of any crisis must be a central aim of all management and,



most enlightened management should recognise the importance of planning for the unexpected which fate may decide to deliver (Jennings, 1990:131).

The aspects or contents of a crisis plan are also discussed in detail, as is the value of the importance, components and attributes of a crisis team responsible for implementing the crisis plan.

#### **4.2 The value of pre-planning for a crisis**

As companies prepare themselves to deal with uncertain and destructive events, they develop various management strategies. Whatever type of business crisis or problem a company prepares itself for, it is always important to define perceptions and organisational goals that exist before the crisis, so effective and efficient crisis planning can take place. Based on sound risk management principles - the management of issues and resources to prevent a negative occurrence - management must identify areas in its company that could put it at risk and develop strategies to protect corporate assets, employees and the public because if they do not, then they could facilitate a crisis occurring. (Whether an organisation is concerned with natural hazards, technological accidents or other business interruptions, planning and being prepared can mean survival.)

It is important for a company to pre-plan for a crisis. Davel and Palmer (1982:114) define planning as "the managerial activity which determines the results that an enterprise wants to achieve in the future and chooses between alternative ways of achieving these results." Planning is strategically imperative for a company.

Davel and Palmer (1982:114) also explain the advantages of planning:

- It forces a company to monitor its environment continuously, a clear reflection of the process approach, and in so doing the management of a company

begins to play an active role in shaping the company's future. This planning, in Rensburg's (1991:118) view, ought to foresee problems before they occur, and take the view that prevention is better than cure.

- If correct planning occurs then management by crisis is avoided.
- Planning gives the company direction in the form of objectives. Divisions of the company know where they are heading and the company will know what it can and cannot do.
- Planning provides the basis for teamwork. When objectives are defined, responsibilities can be allocated to the relevant people in the company. Most importantly, planning forms the whole basis for the management process. Without objectives, staff would not have direction and control over situations would be subjective and reactive. Rensburg (1991:118), also states that a corporate policy making provision for crisis communication strategy should include, inter alia:

- \* The availability of good personnel to handle the situation.
- \* Good internal and external communication.
- \* Agreed corporate policy statements.
- \* Flexibility to cope with anything at any time.
- \* The organisation to take remedial action or even action that will help those affected.
- \* A calibre of management that will be able to conduct internal investigations that will help the official investigation and provide early indications of the corrective action necessary for future business.

Pre-planning for a crisis is very important and should form part of the company's communication strategy, business strategy and objectives. To pre-plan effectively, crisis managers must have a clear picture of corporate goals (Ressler, 1982:36). The crisis plan must be based on the company's business strategies and goals. Grunnig and Reper (Fearn-Banks, 1996:14) identified theories on strategic management, publics and issues as having two primary

propositions. Both are conducive to a study of crisis communications programmes:

- Public relations is most likely to be excellent when it is an integral part of an organisation's strategic management process as reflected in the definition of public relations. Any public relations plan needs to be part and parcel of the organisation's strategic business plan, rather than tacked on to it (Mallinson, 1996:25). Communications must be part of the corporation's total activities, and be built into long-range (long term) strategic plans, not inserted as an afterthought or peripheral activity (Pinsdorf, 1987:142). As well as the company having a crisis management plan, every division in a company, industrial or service business should also have a crisis management plan (Fink, 1986:54).
- Public relations is managed strategically when it identifies stakeholders and resolves issues created by the interaction of organisations and publics.

The principles applying to crisis management planning are broadly the same for virtually all forms of corporate crises (the framework of the crisis plan) however, the methods for implementing the plan may vary. A coherent approach to planning for a crisis begins with the identification of potential crises, including situations that may turn critical, crises that have beset the company in the past and may recur, and crises that are known to have affected comparable companies (Regeister, 1989b:100). The identification process can be undertaken by a group of middle to senior management who come together to discuss and brainstorm all aspects of the aforementioned approach. It can also be argued that the importance is not the plan so much, but the way it is implemented (Mallinson, 1996:111).

The BPRI (1990:5) randomly researched 80 United Kingdom companies, for Regeister (1990), from *The Times* (a leading London newspaper) top 1000 companies and found that at least 50 percent of the companies have written

contingency plans. All plans were of a general as opposed to a specific nature. The research also showed that although there were prepared contingency plans within these companies for a take-over bid, there was a very low preparedness for other financial crises such as a slump in the company's share price or a stock market collapse.

Besides just planning for a particular crisis, Baker (1996); Seymour (1996); Castle (1996); McLaren (1996) and Stonborough (1996) all recommend the planning for all eventualities that the organisation or company could face. One such company that planned for all eventualities was Jeffries Securities Firm (Gottschalk, 1993:130). A securities firm is a specialised organisation that deals in fiscal instruments like shares, bonds and stocks.

The planning for a potential crisis in Jeffries Securities firm in Los Angeles (USA), illustrates how even the 'luxury' of knowing in advance that a potential crisis is headed its way, a company must still prepare for several worst-case eventualities.



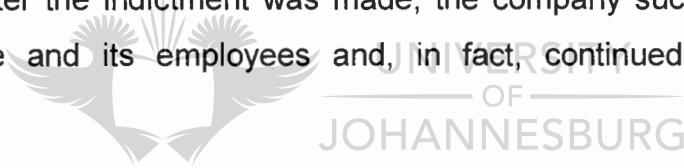
When the management team at Jeffries learned that president and founder Boyd Jeffries was under government investigation for securities violations in 1989, they retained a public relations consultancy called Rogers and Associates to develop and execute a damage control plan. The objective of the plan was to separate the company from its president in the minds of employees, clients, shareholders, and media in the event he was indicted (as he was indeed six months later).

A study was conducted of the company by the public relations consultants who felt strongly that Jeffries management could successfully handle the crisis in a convincing manner and that the majority of their employees, customers, and stockholders would stick with the company, insuring its survival. Despite these convictions, the public relations consultancy had to twist their prognosis around and ask themselves numerous questions:

- What happens if they were wrong?
- What happens if the brokers bail out and take their clients to other brokerage houses?
- What happens if new customers are scared away?
- What happens if the stock plunges – and stays there?

This meant that Rogers and Associates, as part of their tactics, had to plan separate public relations and marketing campaigns for all the different scenarios, to the point where there was advertising campaigns approved by Jeffries management and locked away ready to implement at a moments notice. Also included was a new marketing brochure touting the aggressive management team Jeffries had in place. Rogers & Associates also had three different versions of letters to employees, customers, and stockholders all finished and ready to mail, depending on the indictment and its relative harshness.

Fortunately, after the indictment was made, the company successfully retained its client base and its employees and, in fact, continued to do business uninterrupted.



Research conducted into crisis planning in both the United States of America and the United Kingdom, two of the world's most important financial centres show some unique similarities. In 1989, research conducted by Goblin and Harris (Modzelewski, 1990:13) illustrated some interesting factors. Out of the two thirds of chief executive officers (CEO), who said that their companies had experienced a crisis in the last five years, only one third said that their companies had a formal crisis plan or crisis team that met regularly to discuss the potential of a crisis. Gonzalez-Herrero and Pratt, (1996:82) also reported in their research that at least 50% of CEOs admitted they did not have a crisis management plan. Nevertheless, despite all the risks of not having a crisis plan, Woodcock (1994:8) reports that only 15% of top United Kingdom firms are thought to have an adequate crisis plan in place. Woodcock also states that the chief executives

running Britain's top 1000 companies believe that the blame for 43% of all crises should be blamed on poor management.

Planning in advance is an important element in a crisis management programme so that when a disaster does strike, the people responsible for dealing with it will know exactly what to do about it (Sheldon Green, 1994a:139). Inventing a response to a crisis as it breaks can not be done to the best of a public relation consultant's advantage under the pressure of events.

Gonzalez-Herrero and Pratt (1996:82) refer to a 1986 study by Fink which shows that 89% of the chief executive officers of *Fortune 500* companies reported that a business crisis was almost inevitable, however, 50% admitted that they did not have a crisis-management plan on-hand. Yet, 97% felt either very confident or somewhat confident that they could respond adequately to a crisis. Clarke and Company (1996) surveyed America's top 1000 companies. The results were released in 1990 and according to Delaney (1991), 80% of all respondents indicated that they had crisis plans. This shows an increase in planning of 30% on the previous study by Fink (1986). Clarke and Co.'s survey found that the average age of a crisis plan was three years. This illustrates that companies are now obviously trying to prepare themselves for the unexpected. Crisis planning has become, and will continue, to be an important tool that corporations and corporate executives must have ready if they are to take their place in the modern business world.

Research conducted by BPRI (1990:4) found that the limited amount of planning undertaken by British companies was a direct reflection that many major United Kingdom companies, including financial companies, were reluctant to admit that they may be susceptible to crises. Other factors that were identified during the course of the research was that:

- Both written crisis plans and planning for individual crises was also at a low.

By 1992 in the United States, Guth (1993:12) reports that in a survey of members of the Public Relations Society of America and the International Association of Business Communicators in the United States of America, only 56.9% of respondent's organisations had a written communications plan for dealing with emergencies or crises.

- At the time of this research being conducted, a mere 39% of companies had formally identified corporate crisis situations, which may affect their company.
- Limited communication plans had also been established for a corporate crisis.
- Of all the respondents in the BPRI research, 41% had not formally identified persons most likely to be affected by a crisis.
- Little evidence existed that companies had taken detailed measures to minimise the effects of a crisis.
- External advisors were mainly used when a crisis occurs, not when the company plans for a crisis. The external advisor was seen to have a re-active role in managing a crisis.

In addition, studies conducted amongst the 1 500 largest U.S. companies showed that only six out of 10 of these firms had a crisis communications plan. Of that number, 70 percent said they had a plan in place (preplanning) before problems developed and the remainder had developed one following a crisis (Gottschalk, 1993:285). A 1986 survey of the Fortune 500 top chief executives showed that those companies with a crisis plan reported a substantially shorter crisis duration than companies which had no plan (lack of preplanning) when they were hit by a crisis. Those corporations without a crisis management plan reported that after-effects of the crisis lasted about two and a half time longer than was reported by companies that did have a plan (Fink, 1986:67).

It is also crucial to have a positive attitude towards crisis planning (Regester, 1989a:59). Those who are alert to the possibility that any event, even a crisis, can be seen as an opportunity in which new friends and customers can be gained are well prepared to take the initiative.

### **4.3 How to plan**

The most important first step in crisis planning is to assess the potential for a crisis occurring. This responsibility will rest with the organisation's management (Nally, 1991). The formulation of crisis management procedures is vital. Following an in-depth assessment of what might go wrong within an organisation, it is then necessary to look at every potential problem area and attempt to come up with a solution.

Whether the plan is detailed or very basic, the existence of an apparatus or tool for managing a crisis is very important. A crisis can get out of hand quickly when no plan is in place and the media descends on the company (Truitt & Kelley, 1989:7). Obvious preparation is crucial in dealing with any corporate crisis. The size of the crisis plan depends on the size and type of business. Crisis plans can range in size from a few typewritten pages to a vast library of folders, prepared statements and even videos. The cost of these plans can also range from a few thousand dollars to several hundred thousand dollars (Delaney, 1991).

Failing to plan and have a well tried out plan and back up plans means that when the unexpected takes place the company can only go into a defensive frame of mind. When a company adopts a defensive position then it establishes a negative attitude, focusing on reacting to negative conditions instead of acting on its own initiative (Regester, 1989a:59). An organisation should also try to build its credibility up via a succession of responsible deeds. Companies in crisis that deal with the crisis and possible opportunities arising from it will establish a proactive posture that causes a positive attitude.

Planning for any crisis must start off with the premise that a crisis can hinder the successful achievement of an organisational goal. A contingency plan (crisis plan) is simply the process of considering hypothetical situations and alternative scenarios that might occur in a specific organisational setting (Littlejohn,



1983a:46). For the contingency plan to be effective, it must be implementable and understandable by all members of a company. The plan must also be comprehensive, approved by all staff affected by the plan, reviewed and tested and above all it must be cost effective.

A crisis plan can only be well prepared if the correct goals are kept in mind (Baker, 1996 and Seymour 1996). Crisis managers must have a clear picture of corporate goals and access to the management personnel who will authorise the whole campaign. All crisis response strategies must be designed to provide accurate information as quickly as possible (Ressler, 1982:36). In this regard, as part of an overall contingency plan for dealing with unforeseen disasters, Stevens (1985:64) concurs with Regester (1989a:143) and Delaney (1991) that a crisis plan must be well thought out allowing management to move quickly from a disorganised state into orderly contact with the press, TV, and radio.

As part of there 'how to plan methodology', companies must be able to anticipating emerging issues. This should occur between 18 months and three years prior to the issue taking place and this could be termed pre-crisis planning. Organisations must selectively identify issues as it can influence only a few issues at a time. In so doing crisis management can focus on the most important issues facing the organisation (Seitel, 1992:536). In addition, crisis managers must anticipate more, because of the pressures of instant world-wide communications, and they must take a much broader view of potential sources of trouble (Birch, 1994:31).

Companies must plan for a crisis from the outside in. This means considering all outside factors that could affect the company. One of the objectives of drawing up the crisis plan must be what Seitel (1992:539) calls "profit-line orientation." This entails defending the company while it is going through the crisis as well as enhancing its business by seizing imminent opportunities. Stonborough (1996), Baker (1996) and Seymour (1996) all agree that one of the most important

objectives in a crisis plan is to ensure that the organisation in a crisis is able to run smoothly while it is fighting the crisis.

In getting ready to plan, a full understanding needs to be had relating to the potential threats to the business (Seymour, 1996). This includes all issues affecting it being taken into account when preparing for the crisis (Baker, 1996). The internal and external communication procedures, target audiences, staff the corporate culture must also be considered. The organisation must also determine if it has the resources to cope with a crisis. Secondly, an understanding of the likely impact of those threats is needed. Finally, the groups, individuals, action groups and audiences that may be impacted by those situations need to be understood.

There is a paradox in all of this rigid planning as a plan needs to be flexible in its formative or preplanning stage and implementation, it must not be cast in stone (Castle, 1996; Seymour, 1996; Regester, 1996; Baker, 1996 and Sheldon Green, 1994a:38). On the issue of rigidity, Stevens (1985:64) warns against this as no crisis will ever adhere to a preconceived blueprint. If a crisis plan is rigidly adhered to, then at a later stage it will inhibit the taking of advantage of any advantageous situations should they arise. Carney and Jorden (1993:35) also identify the two crucial elements of a public relations plan: planning and flexibility. Crisis planning cannot be over emphasised (down to materials needed to execute the co-ordinated plan) and flexibility must not be forgotten as changes need to be made to circumstances and responses need to be made to new information. Equally, circumstances change all the time and these must be managed to the company's maximum advantage (Carney & Jorden, 1993:35).

Regester's (1996) opinion on the need not to be rigid concurs with Baker (1996); McLaren (1996); Castle (1996); Delaney (1991); Sheldon Green (1994a:38); Stevens (1985:64) and Seymour (1996). A good crisis plan, no matter how detailed and how complete, should only be used as a framework to consider

issues and make informed decisions (Delaney, 1991). Plans should never be used as a substitute for clear and firm decision making. Every plan must remain flexible enough to accommodate every possibility that may arise.

#### **4.4 The aspects of the crisis plan**

While public relations consultants and public relations departments may be aware of the importance of planning in advance, it is proposed that they be equally aware of the importance of the contents of the crisis plan. Crisis communications should not have to be a 'mad rush' as the trouble starts. Instead, it should be a well thought out and tactical approach, with planning for all eventualities (see 4.2 in this chapter) (Katz, 1987:46).

Exactly how large a public relations plan needs to be depends on the complexity of the task that needs to be tackled. It can be proposed that by dealing with large financial concerns, there will be an extended management structure and numerous key messages will have to be transmitted to various publics. In addition, many potential threats to reputation and issues affecting perceptions will also need to be addressed.

Minetos (1987:40) takes a completely different view on the crisis plan. The first step is to determine whether the plan is to be handled and conducted internally or externally. However, Cronin (Minetos 1987:41) states that the crisis should be handled internally as the internal staff has the best idea of what is going on within the company. Outside help for the public relations crisis means using external consultancies. It can be argued that external consultants have the advantage of not being emotionally part of the company, or its problems. They simply provide objective and strategic consultative advice (Baker, 1996; Castle, 1996 and McLaren 1996).

There is no textbook prescription for an effective communication strategy.

because each industry and situation has its own unique circumstances and characteristics. The numerous authors and professionals detailed below, propose numerous common elements that should be considered in developing a tailored plan and strategy for an organisation, either before or during a crisis:

**a) Gain top management support** – Support from a financial company's senior management is vital to the successful management of the crisis. This strategic function is the public relations professionals' most important task - to gain management support for a crisis plan, even when business is good. Without any top-level commitment, it is difficult to prepare fully for a crisis (Katz, 1987:46 and Seitel, 1992:55).

A preparedness committee must be established to monitor vulnerabilities and actions of the company and to act as the crisis committee in the event of a disaster. The preparedness committee should consist of key senior decision-makers in various departments such as the legal, public relations, marketing, financial and even customer relations departments. The committee should be small enough to ensure that there is a quick assimilation of information, decision making and action. The committee will also have as its objectives to establish communications systems, determine positions on issues and selecting spokespeople and contacting key audiences (Gillions, 1996).

**b) Enlist rank and file employees** - An internal corporate policy must be drawn up by management, as it is crucial for crisis planning. This corporate document must contain information regarding what employees should do and say if a crisis strikes (Katz, 1987:46). The staff in the company going through a crisis must be briefed about the events occurring and their role in the crisis (Castle, 1996; Stonborough, 1996; Baker, 1996; McLaren, 1996; Regester, 1996 and Seymour, 1996). Rank and file employees must also support the company throughout the duration of the crisis. The employees of any organisation are one of its most sympathetic and critical audiences (Wragg,

1992:267). It can also be proposed that these employees are the company's first line of defence and form an overlap with the company's investors.

**c) Perform risk assessment audits** – Before an organisation can develop a crisis management plan, it must determine which crisis or crises an organisation is likely to face (Fearn-Banks, 1996:18-20). This means that a business analysis or audit must be undertaken to identify the most likely corporate, brand and divisional crisis events that could occur.

Different formats include:

- Vox pops – asking journalists and members of the public how they view the company.
- Media coverage analysis – study the coverage received in the media for a particular company and analyse what has been said about the company to determine if the coverage has been good or bad.

Questions must be asked like where are the greatest risks? What are the implications if a crisis strikes? (Katz, 1987:46). This is done so that the team can gain a whole new framework for evaluating situations before they arise. Involved in this process is the reviewing of all previous crisis faced by the company or others in the industry (Malozzi, 1994:38). Stonborough (1996:5) feels that a media assessment needs to occur and is termed a risk audit. However, Truit and Kelly (1989:6) call this assessment the crisis audit. A crisis audit, which when properly performed, identifies a procedure for handling crisis communications that does exactly what the managing director would do if he/she had to drop every thing, become fully informed, and handle each detail personally.

The risk assessment audit (detailed below) should also be conducted to expose all aspects of the business that may be susceptible to adverse publicity or to the consequences of poor communication (Carney & Jorden,

1993:35). Gillions (1996) proposes that an important part of the risk audit is to identify tasks that could be undertaken immediately to relieve some management pressure in the event of a future disaster.

Littlejohn (1983a:41) agrees in reviewing the potential crises that can affect the organisation and he terms this a crisis audit {(also termed the business analysis or risk assessment as discussed above by Katz, (1987:46); Gillions, (1996); Carney and Jordan (1993:35.)}, which he proposes should be divided into two parts:

- Information gathering: Information is obtained internally, from worker feedback, and externally from existing published data, including newspapers, periodicals, government documents and university publications. The company can compile its own information from discussions with key people and groups within the company and even referring to corporate planning documents.
- Determining impact: This is determined by analysing the various threats that could face the organisation. The cost to the organisation and society if the crisis strikes, time needed for recovery, prospective future complications resulting from the event will also be considered.

Stonborough (1996:5) agrees with the earlier comments of Fearn-Banks (1996:18-20) and proposes that the following questions should be asked to compile the risk assessment audit. All possible answers to these questions need to be considered:

What crises could hit?

- Negligence.
- Scandal.
- Sabotage.

- Fraud.
- Maladministration.

What about underlying causes?

- Low morale.
- Customer complaints.
- Staff quality.
- Corporate arrogance.
- Changes in law.
- Complex company structures.
- Bad management.

Other peoples crises:

- Could they happen to us?
- Could they affect us?
- What happened to them?
- What is the media image of our business?
- Can we handle a crisis?
- Do we have procedures, resources and a plan for handling the media?

As part of the risk assessment audit, Gonzalez-Herrero and Pratt (1996:81) are of the opinion that identifying key issues and potentially troublesome scenarios before they become reality is also necessary for minimising the fallout from accidentally produced crises (crises caused without intent). Levine's (1993:12) opinion concurs with Gonzalez-Herrero and Pratt (1996:81), stating that, "an ounce of prevention is worth a pound of cure." Levine (1993:12) adds that sometimes there is actually time to plan how to deal with a situation that's not inherently negative, but has the potential of becoming negative if not handled properly. Such situations include mergers, some take-overs and even planned changes at the executive level. Modzelewski (1990:13) concurs with this because the best crisis plan is one

that anticipates the possibility – however improbable – of worst-case scenarios as well as expected mishaps that can mushroom into a larger problem.

**d) Conduct issues management programs** - If a company does not have a corporate position on a particular issue, a crisis can occur. The crisis planning must include an issues management program to anticipate, identify, and address issue-related problems before they become emergencies (Katz, 1987:46). An inventory of the company's strengths and weaknesses should be done to identify what the company does and how well it does it. It can be proposed that a **SWOT** analysis be carried out to identify the company's strengths, weaknesses, opportunities and threats (internally and externally). This is done to uncover existing or potential problems in communicating operational procedures to an unknowledgeable audience. Confidential interviews can be held with all staff to cover and discuss the current and past problems that the company has had with its products, goods and services (Gillions, 1996). A study can also be done of all existing contingency plans as well as all media coverage of the organisation at present and concerning previous crisis incidents (Seymour, 1996). There should also be a detailed review of the company and its structure and literature. A report of this nature will be able to highlight key issues and identify gaps in the communications system (Gillions, 1996).

**e) Public opinion research** – The importance of measuring group consensus, or public opinion (as defined in chapter two), needs to take place because company messages and actions in a crisis must fully account for the attitudes and opinions of key audiences. The public's views and opinions must also be monitored to follow its feelings on an issue (Katz, 1987:46). This monitoring can take place by doing market research into public opinion on certain issues, face to face and telephonic interviewing with clients, staff members and the general public (Castle, 1996 and McLaren, 1996). All



people who could be impacted by the crisis must be identified and grouped together so that the ramifications of the particular event can be understood (Carney & Jorden, 1993:35). These factors all contribute to the effective creation of a sound crisis management plan (McLaren (1996).

**f) A communications plan must also be developed** – This detailed plan must be developed before the crisis strikes because it is crucial to combating the crisis. The key to dealing with a crisis is speed, accuracy, thoroughness and consistency because virtually all-lasting perceptions of a company in crisis are established in the first days of the crisis (Katz, 1987:46). Preparing the communications plan involves the strategies “how” to fulfil all objectives and includes situational analysis of the position at hand, the key messages to be transmitted, target audiences and even the scope of the assignment (Seitel, 1992:55).

**g) Overview** – An overview of the crisis at hand as well as the particular plan that needs to be created must to be drawn up at the onset of writing the plan. The role of the overview is to put the public relations function into the overall context of an organisation’s operation’s and setting out all relevant objectives. Within the overview there should be an analysis of the perceptions and impressions of the organisation’s publics based on the public opinion research conducted and detailed above (Sheldon Green, 1994a:35). The problem at hand must be defined by analysing it and all information to hand, in great detail (Bredenkamp, 1988:97). Then there should be a collation of facts to determine how much was known and thought about in the public domain, the media or any other key media (Seymour, 1996). This is the introduction to the crisis plan, which must also provide an overview and background of the situation as it stands at present (Littlejohn, 1983a:47).

**h) Aims and objectives** – The crisis plan must have detailed aims and objectives detailing what the reason is for the crisis plan and what it hopes to

achieve. These goals should also be measurable, realistic in relation to the activity concerned and consistent with those of the organisation as a whole. All these factors should be considered when determining them. Above all, goals should be achievable (Howard, 1982:3). All the research conducted into public opinion research, the risk assessment audit and the potential crisis at hand will influence the aims and objectives of the crisis plan. These aims and objectives must be specifically related to the public relations programme (Sheldon Green, 1994a:35). The list of aims and objectives must be total and comprehensive as well as being concrete and workable and avoid all ambiguities (Littlejohn, 1983a:47). Having aims and objectives also entails having a background of the problem or basic situational analysis that specifies the major aims of the campaign and what the public relations planner wants to accomplish (Seitel, 1992:61).

**i) Strategy** – A crisis plan must have a strategy that sets out the overall approach to be adopted as well as where the individual tactical elements of the programme should fit (Sheldon Green, 1994a:35). Crisis communication strategies are the symbolic resources crisis managers employ in the hope of protecting or repairing the organisational image (Coombs, 1998:178). Planning and strategic objectivity thus become crucial for tackling crises that are of an accidental or organisational induced origin (Truit & Kelly 1989:6). The method to handle a crisis is to set a broad strategy in advance to protect the company and the reputation of its products (Pines, 1985:16). The reasoning behind this is that many companies spend years building their reputations and customer confidence in them. Any break in that trust will take many years to rebuild.

Coombs (1998:180), in Table 4.1, provides a list of crisis communication strategies.

<b>Strategy</b>	<b>Explanation</b>
<b>1. Attack the accuser</b>	Crisis manager confronts the person or group who claims that a crisis exists. This may include a threat to use 'force' (e.g. a lawsuit) against the accuser.
<b>2. Denial</b>	Crisis manager states that no crisis exists. This may include explaining why there is no crisis.
<b>3. Excuse</b>	Crisis manager tries to minimise the organisation's responsibility for the crisis. This can include denying any intention to do harm, claiming the organisation had no control of the events that led to the crisis, or both.
<b>4. Justification</b>	Crisis manager tries to minimise the perceived damage associated with the crisis. This can include stating that there was no serious damage or injuries or claiming that the victims deserved what they received.
<b>5. Ingratiation</b>	Actions are designed to make stakeholders like the organisation.
<b>6. Corrective Action</b>	Crisis managers seek to repair the damage from the crisis, take steps to prevent a repeat of the crisis, or both.
<b>7. Full Apology</b>	Crisis manager publicly states that the organisation takes full responsibility for the crisis and asks forgiveness for the crisis. Some compensation (e.g. money or aid) may be included with the apology.

Table 4.1 Crisis communications strategies defined (Coombs, 1998:180).

When formulating strategies to deal with crises, it is important to keep in mind the worst-scenario approach (Regester, 1989a:69). Not all crises will demand the same level of response, so responses must be measured with the impending crisis (Castle, 1996; McLaren, 1996 and Baker, 1996). If regional media picks up a small issue then the response to these media will differ to the type of response if national and international media picked up on it (Regester, 1989a:69). The concept of developing strategies for communicating policy positions to audiences is very important. The crisis team must also be sensitive to the positions of each of its different audiences. The messages to staff will differ to that of the media, which in turn will differ to

the message sent to shareholders. Possible audience reaction to all types of crises should also be considered (Malozzi, 1994:38). Media monitoring via clipping services is crucial to gain an insight into what opposition companies, activist groups and the public at large perceive the financial company in a crisis to be (Sheldon Green, 1994a:35). This could affect the company's strategy based on what is found in these clippings.

Over and above general strategies and tactics, a communication strategy needs to be worked out as well as the procedures for handling internal and external communication (Seymour, 1996). Having a strategy without a tactic (discussed below) is a sure way for a crisis plan to fail (Baker, 1996).

**j) Tactics** - Tactics form the core of all company's crisis plans. The fundamental aim of having tactics in a plan is that they dictate what will actually be done once the crisis plan is operational (Regeister, 1989b:102). Tactics facilitate the achievement of the crisis plan's key objectives (Sheldon Green, 1994a:35). The reason is that when it comes to the activation of the plan, the operating tactics or "guts of the plan" can be implemented and specific activities defined. Certain responsibilities are assigned to certain individuals and deadlines are laid down (Seitel, 1992:61).

An important part of getting ready for a crisis, as well as managing the crisis throughout its duration, is the selection of media and the respective techniques and tactics to be used. The handling of this sets the tone for all succeeding events relating to a particular situation (Carney & Jorden, 1993:35).

Media selection includes the choice of the press, radio, TV, the spoken word (by telephone) and even other means like bumper stickers (Bredenkamp, 1988:97). These can also be called media tactics or activities (Sheldon Green, 1994a:35). Selecting the medium for the message can be as

important as the message and effective communications channels to reach all respective recipients need to be devised to minimise damage to the organisation's reputation (Regeester, 1989:120).

Relating to the choice of the correct medium to transmit a message is Marshall McLuhan's phrase "the medium is the message" (Jansen, Martins, Steinberg & van Schoor, 1988:50). McLuhan believed that people relate to the media in two ways. Firstly, every medium is an extension of one of the senses or body parts and secondly, the media can change the way a person thinks about his/her world. One of the ways in which the media affects people's lives is through their form or fidelity. Some media signals are received in a complete, high fidelity form requiring little effort from recipients to put the message together and are termed hot. Cold media arrive in an incomplete or low-fidelity form requiring recipients to use their senses to convert incomplete signals into complete messages (Seitel, 1986:260). Television is an example of a cool media; newspapers, books and magazines are examples of hot media (Jansen *et al.*, 1988:51).

The best media type must be chosen correctly as this could affect the delivery of the company's message and thereby affect its ability to manage the crisis. For a crisis that appears to be slow developing in a particular community then utilising the community newspapers (hot media) may suffice as they are the best means to reach the target market. However, if it is an immediate crisis, then community newspapers, radio and TV may be the best option (a mixture of hot and cold media).

All the media should be subdivided into a friend or foe category, especially the national and local press, trade press, TV and radio. The professionals in government, the relevant departments and MPs, as well as all regulatory bodies. It is especially important to consider other audiences like bankers, competitors, customers, lawyers, insurers, shareholders, unions and even

pressure groups (Baker, 1996; Seymour, 1996 and McLaren 1996). The proposed reason is that these groups are major opinion holders and their views need to be considered and concerns and demands placated or fulfilled.

**k) Resources** - Once the whole plan has been agreed on, then all the right facilities need to be obtained and identified. The smoothness and efficiency of the operation will be improved by having the right facilities, (Stonborough, (1996:9). Both Gottschalk (1993:416) and Stonborough (1996:9) identify that there should be access to:

- A quiet room.
- Press/broadcast monitoring services.
- Printing and distribution services.
- Phone recording device.
- Portable PCs, PCs, modems and fax machines.
- All company data stored on its network.
- Press conference venue.
- TV and radio facilities.
- Rest and sleeping facilities.
- An organisational chart.
- Tape recorders and spare cassettes.

The facilities that should be available are identified as:

- A conference room.
- A podium to speak from with a microphone.
- Controlled entry.
- Adequate space and furniture.
- A whiteboard/flip charts.
- Stationary, photocopier and shredder.
- A means of logging all actions taken.

An emergency control centre should also be planned and then set up by the team if a crisis should break. This centre should have an adequate number of telephones and internal lines, stationary, a nominal roll of employees and a list of the key personnel, their addresses and telephone numbers (Regester, 1989:72). All switchboard operators need to know whom to expect calls from and to whom these calls should be routed.

**l) Target audiences** – Identifying who will be affected by the implementation of the financial company's crisis plan is an important consideration during the planning stages. All identifiable groups of value for the company to establish mutual understanding and goodwill need to be established (Sheldon Green, 1994a:35) and Regester (1989a:120) concurs when he states that the groups who will be affected by the crisis plan will need to be identified.

This works as a result of conducting public opinion research (see E above). Simply asking who needs to receive the message and where they are situated logistically will help the company in crisis identify these target groups (McLaren, 1996 and Castle, 1996). Stonborough (1996:6) concurs, suggesting a list of audience types be drawn up, showing who could be interested in the company in crisis, internally and externally, as well as friendly and unfriendly. To identify the audience during the planning stages of the crisis plan the following three questions should be asked

- Who would be affected?
- Who could affect us?
- Who needs to know?

Bredenkamp (1988:97) identifies the publics as the destination.

**m) Key message development:** Only once the target audiences have been identified can a carefully crafted message be developed before the

organisation goes public with a crisis (Castle, 1996; Seymour, 1996 and McLaren 1996). Organisations involved in a crisis situation must react to media and general public comments as this will allow the opportunity for the organisation to present their particular viewpoint on released information. Downplaying the negative factors reported on in the media and talked about in public, while proactively promoting the positive can buy time (Carney & Jorden, 1993:35).

Planning for direct communications is crucial so that the organisation can get its message across. This can be in the form of the company's comments on sensitive issues like why the crisis happened? In addition, what the company is doing about it (Katz, 1987:46). However, before any statements are made regarding a situation which could affect the company's image, a thorough analysis to prevent having to retract or alter the initial statement needs to be in place (Carney & Jorden, 1993:35).

**n) Timetable** – A timetable must be strategised over and planned so that all activity that needs to be undertaken for the management of the crisis can be placed in a program (Sheldon Green, 1994a:35). This includes the gathering of data and setting the programme up as a whole (Bredenkamp, 1988:99).

Many public relations activities are not geared to particular deadlines so it is easy to let a programme lapse if no proper timetable exists. An action timetable (detailing what action must take place while issues are being identified) must be set up, as the issues management process identifies emerging issues, policy, programs. An implementation timetable (detailing what action must be implemented once issues are identified) must be set up to deal with these issues (Sheldon Green, 1994a:35).

However, the timetable must not be cast in stone and must be just as flexible as the rest of the crisis plan to enable the financial company representatives



combating the crisis to deal with issues and events as they become apparent (Castle, 1996; McLaren, 1996 and Baker, 1996).

**o) Costs** – To successfully run a crisis management campaign sufficient funding needs to be available. The cost of implementing and running a crisis campaign needs to be taken into account pertaining to the management costs of running the campaign (Seitel, 1992:55). This would include salaries and associated overheads like travelling allowances and accommodation, or where an external consultancy is used in terms of fees, plus the consequential expenses (Sheldon Green, 1994a:36). It is difficult to predict the exact costs that will be incurred in combating the crisis, but allowance must be made for the availability of significant funds (Baker, 1996 and Seymour, 1996).

Every step and activity of the programme should be discussed. There are two identifiable types of expenses that are part of the budget. Firstly there are those related to time spent by management on the crisis and secondly there are expenses that form part of the crisis/programme itself. These are mechanical expenses and include food, telephones, stationery and all costs associated with the effective management of the crisis (Bredenkamp, 1988:98).

**p) Media training** – There must be a media training programme that forms part of the crisis plan as the financial company spokesperson (or spokespeople from other companies) will have to train for media appearances (McLaren, 1996; Seymour, 1996 and Baker, 1996). The fact that the media have a great amount of control over the public's perceptions of a company during a crisis (Katz, 1987:46) has already been established.

One of the best methods of media training is the effective development of question and answer (Q and A) sessions (Seymour, 1996). It is in these

sessions that potential questions that the media may ask the spokesperson must be brainstormed and accurate, well conceived answers must be developed to prepare the spokesperson in advance (Carney & Jorden, 1993:35).

Media training is as important as information on the most likely crises and how they should be handled so that people have a blueprint on crisis management (McLaren, 1996). People will know whom the target audience(s) is/are most likely to be, who key people are in the organisation, what the internal briefing procedures are and what the external communications procedure is. Guidelines will also have to be drawn up indicating what can be said in the first media statement (Baker, 1996). A role-play should occur where the company spokespeople are put through their paces by the public relations consultants (Castle, 1996). The role-play entails the public relations consultant adopting the role of a member of the media and putting the campaign spokesperson through a series of aggressive and strenuous interviews. This is when the question and answer session, as detailed above, will become useful as when potentially harmful questions are asked, the spokesperson should have a well thought out answer available. These aspects of media training and more will be discussed in greater detail in **Chapter 6**.

**q) Simulated crises exercises** - The fact that an organisation has a set plan to deal with a range of issues and crises does not mean it is ready to tackle any crisis. Being prepared, in the view of PANACT (1996), involves planning, training, exercises and corrective action. Once the media training has taken place, the whole crisis plan needs to be tested (Regester, 1989:120). This is done by conducting simulation and mock crisis drills to assess an organisation's state of communications readiness (Gillions, 1996).

When it comes to the crisis plans being simulated, reviewed and updated, a\*

nominated person, such as the public relations or communications manager, must undertake the responsibility of reviewing the plan at recommended intervals. Littlejohn (1983a:50) proposes ten questions that a reviewer should focus on:

- Do the objectives still support organisational goals?
- Are the assumptions still valid?
- Is the triggering mechanism still appropriate?
- Is the operating structure still workable?
- Does the risk probability still exist?
- Is the plan still practical from a functional managerial perspective?
- Is the plan cost effective from top management's perspective?
- Are all personnel who have roles in implementing the plan still in their respective positions?
- Has the plan been distributed to all personnel who need to know about it?
- Have political priorities changed?

Baker (1996), Seymour (1996) and Castle (1996) agree with these questions but add the following questions:

- What similar/same crises have happened in the industry since the last review?
- Can we cope better this time round?
- Do we have the financial ability to cope with the crisis?

A positive approach to crisis management means that the policies drawn up to combat the crisis, and placed in the crisis plan, are tested on a regular basis via audits to check policy implementation. Auditing the implementation of policies to prevent a financial crisis may involve a team taking on hostile positioning against its company and looking for tell tale signs of weakness in

the company's performance (Regester, 1989:68).

With all the above factors identified by Sheldon Green (1994a:35); Seymour (1996) and Stonborough (1996), the question can be proposed by a company's management, "are we ready for a crisis?" Not so say Littlejohn (1983a:49); Regester (1996) and PANACT (1996). All plans that are worked out also need to be tested over and over so that all errors can be worked out allowing the smooth implementation of the plan should the crisis break.

The presence of simulated exercises means that the crisis plan can be evaluated and adjusted, the abilities of team members tested, as can the preparations undertaken during the planning of the crisis plan. The drills and exercises should either be done in a non-threatening environment, or done in an environment that places participants under a great deal of pressure. The effects of a crisis will be less startling if key employees know what to do (Katz, 1987:46).

The testing of contingency plans is regarded as an extremely valuable exercise amongst those companies who have established such plans (BPRI, 1990:5).

The BPRI (1990:19) research conducted randomly into 80 of *The Times'* top 1000 companies revealed that virtually all companies who have established contingency plans for a corporate crisis claim to have tested these plans in simulated exercises over the last two years. The majority of the companies tested at least annually and two-thirds of the companies that tested their plans made changes to everything from equipment to training and even their management team.


The following are the five exercises, in PANACT's (1996) view, that can be used to enhance and test the response capability of the organisation.

- Tabletop exercise is conducted in a controlled setting like a boardroom. Different situations are created for participants to discuss. No interaction or information exchange occurs outside the confines of the boardroom.
- Response drill evaluates the ability of an individual or team to use equipment or to perform physical tasks, such as informing all members of the crisis team, via telephone, that a crisis has just broken.
- Limited exercise is complex and interactive and involves decisions that affect more people or teams than a drill. This type of exercise may, for example, be aimed at one division in bank. Simulation occurs for the involvement of outside organisations like the media.
- Full-scale exercises are broader and more complex than limited exercises. Different divisions and levels of authority may be used in this exercise which is often used to validate plans and training throughout the organisation. Senior management and outside parties like government departments are often used.
- The concept of realism is always a crucial aspect as when a drill or exercise is developed it should be tailored to the exact needs of the financial, or any other, organisation. All exercise scenarios can be drawn from actual incidents that have happened to other organisations with similar responsibilities. Interactive exercises should be utilised to make the drills come alive, reporters may even be brought in to question the executives of the company in crisis to give them a feel of what the firing line is going to be like should a crisis break.

A well-rehearsed public relations crisis plan can avoid a crisis becoming a very real disaster. Many organisations have comprehensive plans covering a variety of scenarios that may affect them. The most important principle of such plans is the need to maintain a control over the flow of information during the crisis, and to avoid unfounded rumours and misinformation from spreading (Dunne, 1990:92).

Once the above process is complete, only then can a **response manual** be developed. This manual needs to outline crisis communications systems and provide background facts and statements about the organisation for release to the general public (McLaren, 1996). The data needs to be placed in a loose-leaf folder that can be circulated to all relevant persons, not just kept in the press office (a particular office or portfolio kept dedicated to dealing with media enquiries). This manual will answer the who, what, where, when and why of crisis management and will serve as a guide for the organisation during the first critical hours of the crisis (Stonborough, 1996:6). It should contain possible questions from the press and suggested answers, standby statements on potential issues, names and contact details of all preparedness committee members and even procedures for administration staff during the crisis.

Stonborough (1996:6) supplies a short list of factors that should be listed in the crisis manual:

- 
- Crisis team, duties and phone numbers.
  - Audience contact lists.
  - Key media phone and fax numbers.
  - Pre-prepared messages.
  - Resources - (where things are).
  - Briefing notes – (processes and how things work).
  - Company facts and figures.

Also included in the manual should be a communications response list of actions that may need to be taken at the outset of the crisis (Gillions, 1996).

There should be actual crisis simulation on an annual or even semi-annual basis (Dyer, 1995:40).

**r) Post-crisis communication** - The role of the crisis team does not stop once the crisis is over (Baker, 1996; Castle, 1996; Seymour, 1996 and McLaren 1996). As soon as the crisis is over and business resumes, executive management must identify people who have supported their company during the crisis. Steps should therefore exist to identify people, like the company's staff and clients, who will require follow-up communications (Katz, 1987:46). Letters should be written to staff, customers and shareholders explaining that the company has just endured, and what the business continuity and crisis recovery plan did to maintain and restore business. They should also be thanked for their patience and loyalty. Seymour (1996) also emphasises communication with the staff. He feels thanking them for their loyalty and support is paramount. In addition, all the customers and shareholders must also be told that the company had planned for such a situation, which was under control and well managed. A similar letter should also go out to all employees and shareholders (Dettelback, 1993:30).

Levine (1993:12) agrees with Dettelback (1993:30) in sending out letters to customers and shareholders, but not with the amount of detail proposed, she simply says "once the dust has settled, say thank you." Many organisations go back to business as usual without any acknowledgement of the extraordinary efforts of staff during the difficulties. Saying thank you for a job well done builds employee loyalty and morale. Dettelback did not mention this. Castle (1996) also feels that past and future clients must also be communicated with because they either had vested interests in the company or will be part of the company's future client base.

#### **4.5 The Crisis Team**

The crisis team is responsible for implementing the aspects of the crisis plan, which has been detailed above. When the crisis strikes three key factors have to

be in place so the crisis team (the preparedness team is part of the management team responsible for identifying the crisis and aiding in information gathering and the crisis team is responsible for managing the crisis) can manage the crisis.

These factors are:

- Procedures - these need to be prepared and set up to cover all eventualities and actions that need to be taken. This is important so that specialised procedures are developed for dealing with each of the identified potential crises (Regester, 1996). Procedures were discussed earlier on in this chapter.
- Physical support systems - the continuous running of the financial company needs to occur while the crisis is being combated. The resources necessary to manage the crisis have been discussed earlier in this chapter.
- Training and rehearsal - it is crucial for this to occur as those members of the financial company in crisis will have to know their role when the crisis strikes. All emergency procedures need to be practised (Wragg, 1992:268). Regester (1996) concurs stating that people must be trained to deal with management, both operationally and in communication terms. In addition, everything must be tested and crisis exercises run where everybody (the staff and management) takes them seriously. Training and rehearsal have been discussed earlier in this chapter.

No crisis can be managed with out a crisis management team. The crisis plan, for any company should include advanced selection of a qualified representative who will issue consistent, truthful information with an awareness of media deadlines (Wilcox *et al.*, 1992:347). The empowering of employees in the field, when dealing with a crisis, is crucial as they have to be able to make the necessary decisions. If this cannot be done then the crisis plan may not be implemented (Modzelewski, 1990:13).



Being prepared and having a plan also means having a crisis team to deal with a crisis. When a crisis strikes a company, the decision-making abilities of its management can be overtaken by fast-moving events and short-circuited by all the confusion. All the details may not be clear and as a result, priorities may be difficult to sort out. People outside the financial organisation may overreact and those within may underreact, or even worse, do nothing at a time when an effective response is vitally needed to deal with the emergency and help restore the public's confidence. There is a need for everyone to know what is expected of them, and who to turn to if they need help or advice. This calls for the setting up of a crisis management team (Jennings, 1990:134).

The responsibilities for the management of the crisis and the drawing up of the plans, policies and procedures to combat the crisis, rests on the crisis management team. The appointment of the team will demonstrate the organisation's commitment to responsible management of its business (Regester, 1989a:63). If a crisis team does its job correctly, it minimises the chance that a crisis will occur and it also helps ensure that if a crisis does occur, then it can be effectively managed.

Just like a sports team is made up of different players, all with their own skills and functions, so is a crisis team. The team should be made up of relatively high-level managers who can make solid decisions and have a solid understanding of their company. It can be proposed that these high-level managers could be from the following fields: legal, financial, human resources, information technology, communications and the managing director. Team leaders should be able to recognise individual team members for their own unique traits and characteristics (Regester, 1989a:64). Stonborough (1996:8) views the composition of a team differently, because the team will do little else during a real crisis, it is not necessarily top management that needs to be involved. McLaren (1996) and Baker (1996) agree stating that the crisis team members need not be from the higher levels of the company hierarchy, but should rather contain the critically

needed skills like media relations, writing, consultation and strategic interpretation of all necessary factors.

Research conducted by the BPRI for Regester (1990:5) highlighted the fact that at least 73% of major United Kingdom companies recognised the importance of having a management team to deal with corporate crises. The research also found that:

- If a management team existed in theory, only one-third of United Kingdom companies have provided management training for both planning for and dealing with a crisis.
- A clear majority (73%) of respondents claimed that they had appointed a management team to deal with corporate crises.
- Although the need for management teams to deal with crises is recognised, the understanding of what actions these crisis teams need to do when the crisis strikes is limited.
- Two thirds of companies have no management training for either planning for or dealing with crises. This showed the lack of preparedness of management teams to deal with a crisis.
- Management teams consisted of internal staff members, typically of 6-10 senior management members.
- Just over 25% of the respondents stated that their management teams consisted of external advisors.

Working in a team is essential and once the team has been selected, the crisis manager must spend the necessary time to transform a collection of individuals into a cohesive and effective unit. Team development is a long-range philosophy of management that penetrates an organisation, and not a short-term task (Littlejohn, 1983a:32-33). This penetration takes place by consistent and continuous training with the necessary rewards for excellent performance, such as a possible pay rise (MacLaren, 1996). Team development is not a staff

responsibility, it is the ongoing responsibility of the crisis manager to transform a group of individuals into an effective functioning team. When developing and managing a team, the team manager must constantly communicate with the team and listen to the feedback given by them. It is via this feedback that the team can set new goals and settle any issues identified (Littlejohn, 1983a:32-33). Feedback during the early stages of team development will facilitate internal communication amongst team members during the crisis at a later stage (Baker, 1996).

Littlejohn (1983a:36) lists five characteristics of an effective team:

- The team should have a high level of communication within its organisation. This communication should be both vertical and horizontal, the crisis team members must be able to discuss all matters with their superiors subordinates, and colleagues.
- A high level of trust must exist between the crisis team members, this again comes from in-depth communication among the team members.
- Crisis team members must become involved in goal setting, role clarification, conflict resolution and decision making.
- By becoming involved the crisis team members develop a sense of commitment to their organisation in crisis.
- A high degree of delegation must exist. The crisis team manager can not handle every issue arising during the crisis, nor can he sign every piece of paper.

The crisis team must undergo their own training while the spokespeople undergo media training, such as stress management, decision making, strategy development, simulated crisis development and media management. All facilities for the crisis should be tested. The crisis team must also review the types and range of crises that could possibly strike financial companies. The crisis team manager/crisis communications manager must also take the initiative, by

brainstorming with his/her team, and prioritise which events or crises are more or less likely to occur (Stonborough, 1996:10).

#### **4.6 Conclusion**

A company must not underestimate the value of preplanning for a crisis. The implications of not preplanning can be disastrous for the company concerned. Preplanning provides a blueprint to be implemented once the crisis is identified and the company concerned realises that it is entering a crisis situation. Having a plan ready will also illustrate that the company has taken proactive steps to develop strategies, tactics and objectives to combat the crisis should it occur. Planning for a crisis is important as companies will be judged by the way they handle events and by the way the handling of events are portrayed in the media. The basic purpose of crisis planning is to increase managerial effectiveness in achieving organisational goals.

If the public relations person and company representative responsible for drawing up the plan cannot assess the potential for the crisis occurring, anticipate emerging issues and identify the correct goals for the company then the implications will be disastrous. The company will most certainly face immense financial damage and the corresponding damage to its brand will also be immense. When drafted, the crisis plan must be coherent and flexible so it can change as the turbulent situation it faces changes. The implications of not having a flexible crisis plan will result in the management of the crisis being a failure as the crisis plan must be able to change as the issues in the crisis change. The crisis plan is just as important for the company as its business plan because the implications of not having a crisis plan are dangerous - there is no second chance. Companies must have a basic framework to use as the foundation for their crisis plan. This will give them direction and focus. Not having a basic framework can prove to be disastrous. This advance planning by a company can ultimately help minimise the damaging impact of a crisis. Just as

a crisis can be anticipated and planned for, so can the company's response be anticipated and planned for. This is the essence of crisis communications planning. If the company cannot plan in advance and it cannot formulate its responses for the particular issues it has identified then it is a company in a very precarious situation.

A crisis plan is never fixed and it is never complete. It is a 'work in progress' for managers who face unique situations every day. Once a plan is drawn up, it should be practised and drills set up to identify the strengths and weaknesses of the plan. The consequences of not practising could compromise a company's future. The crisis team could end up being completely incompetent in their execution of the plan. A crisis team, which is not ready to implement the crisis plan, will cause major implications for their company. This could range from insolvency to loss of market share and even a loss in brand recognition for the company.

There is no use in having an excellent crisis plan if there is no crisis team to implement the plan. Not choosing the correct team members to make up the crisis team could also have negative consequences for the company concerned, the management of the crisis will not be at the level required resulting in the company in crisis suffering from major damage. The crisis team must be experts in their field, in this case financial crises, and well versed in the implementation of the plan and its contents. The ability of the crisis team to work as a cohesive unit is also vital to the day to day working of the team. The team must also communicate and work effectively both internally and externally.

One of the most important aspects of the crisis plan's implementation by the crisis team is that the normal day to day running of the company must not be hindered. If the crisis team does not meet the necessary requirements then they will not be able to implement the crisis plan again resulting in the company in crisis suffering irreparable damage.

In conclusion, a crisis must be prepared for by preplanning for any eventuality. The crisis plan must be flexible and easy to implement with a clear objective in mind. The final word should be left to Clark (1986:7) who says:

If your company or client does not have a crisis communications plan, and if that plan is not up to date, and you have not had a full scale drill or two to ensure that what looks good on paper actually works, and if you are not constantly poking at that plan to find any holes, you may be awakened some Sunday morning with more major problems facing you than there are solutions.



## **Chapter 5: The stages of a crisis**

### **5.1 Introduction**

The importance of the management of crises is spurred on by the growth of national and international media all over the world. Their use of the most technologically advanced transmission facilities results in any crisis being broadcast through time zones and crossing international borders with almost no hindrance. Gonzalez-Herrero and Pratt (1996:79) mention the phenomenal growth in the number of productivity liability lawsuits and the pervasive, enormous impact of business crises on more than the reputations and the financial and social status of businesses as factors driving the need to manage crises. Corporate crises are now more visible than ever before.

As a result, crisis management is now a crucial part of organisational life. On a daily basis companies encounter change, be it prompted by the economy, an unexpected event, or by a competitor and this change could include a crisis. A crisis presents new management challenges to corporate decision makers and company spokespeople especially the issues and factors that need to be managed during the stages of the crisis.

The issues and related concepts to crisis planning as discussed in the previous chapter are important to manage a crisis when it strikes. Each crisis has numerous stages that it must pass through. The stages are the amber stage, pre engagement stage, engagement stage, mediation stage and the settlement stage. Each stage has its own unique characteristics. Some crises develop through all the identified stages, some crises dissipate after only reaching a certain stage. This chapter will discuss:

- The characteristics of each stage,
- The management of each stage of the crisis.

The importance and concept of effective crisis management is also considered, including the principles and factors of crisis management, which includes a six stage model created by Littlejohn (1983a:13-17) illustrating a total approach to the management of crises.

The discussion of each stage of the crisis will include mention of:

- Lukaszewski (1987:45) who identified four distinct phases (table 5.1) that managers must pass through to accommodate, deal with and effectively resolve disaster situations:

Phase	Stage of crisis
Recognition	Amber
Definition	Pre engagement
Strategic planning	Pre engagement
Reaction	Engagement

Table 5.1 Adaptation of Lukaszewski's management stages

- A four-phase conceptual model for the effective management of a crisis - before or whenever it occurs - as proposed by Gonzalez-Herrero and Pratt (1995:25-29) is also incorporated throughout the chapter (table 5.2). This model is made up of the following stages:

Stage	Stage of crisis
Issues management	Amber
Planning-prevention	Pre-engagement
The crisis	Engagement
Post crisis	Settlement

Table 5.2 Adaptation of the stages of Gonzalez-Herrero and Pratt's conceptual model

Gonzalez-Herrero and Pratt's model (1995:25-29) is guided by three principles:



issues management, planning-prevention and implementation. Two assumptions in each of these principles are made: every crisis has a life cycle which can be influenced, and to avoid negative media coverage, or its recurrence, repetition enhancing socially responsible activities must be engaged in.

When a crisis strikes, some companies are ready to roll out their public relations crisis plan and others are not. The issue of what to do when a crisis strikes is also covered, including pertinent research and a conceptual model for crisis management and related theories. Information is also provided as to the chief executive officer's role (CEO) during the crisis and the necessary responses that need to be taken to address the crisis.

A key aspect of crisis management is the communication with all recipients, both internally and externally to the organisation in crisis. The importance of communicating with a company's employees is also discussed. A case history has also been used to illustrate the importance of communicating with employees during a crisis. Post crisis communications is investigated as an important facet of communication because communication from an organisation must not stop once a crisis has passed over. It is contended that the only way to test and see if the crisis plan was good enough to manage the crisis is to evaluate its successes after the crisis has dissipated or ended. This is also discussed.

## **5.2 Effective crisis management**

The issue of effective crisis management needs to be discussed before the management of the various stages of the crisis for two reasons:

1. Although each stage of the crisis has its own unique management characteristics, effective management methodologies are common through each stage.
2. Effective crisis management refers to the manner in which crisis management

is carried out and supports the management of each stage in the crisis.

Based on these two factors, a key issue as to why crises should be managed is so that the public's fears, concerns and negative feelings are adequately addressed. An angry public contributes to the erosion of confidence in the business in crisis. When important decisions must be made, especially in times of emergency, no one will give the relevant decision-maker the benefit of the doubt if the public's trust has been eroded (Susskind & Field, 1996:2). Effective crisis management includes crisis communication that not only alleviates or eliminates the crisis but also may bring the organisation a more positive reputation than before the crisis (Fearn-Banks, 1996:2). While Susskind and Field (1996:2) and Fearn-Banks (1996:2) talk about effective crisis management and the principles thereof, they do not talk about the process of crisis management. The Chase Jones management model (Seitel, 1992:536) does and shows that managing the crisis is in fact a five-step process that:

- 1) Identifies issues with which the organisation must be concerned.
- 2) Analyses and delimits each issue with respect to its impact on constituent publics.
- 3) Displays the various strategic options available to the organisation.
- 4) Implements an action program to communicate the organisation's views and influence perception on the issue.
- 5) Evaluates its program in terms of reaching organisational goals.

While each crisis has identifiable stages coupled with specific stages that also need to be managed, Littlejohn (1983a:13-17) identified a comprehensive and inclusive crisis management model that illustrates a total approach to the management of crises. His model is made up of six steps and is illustrated, as an adaptation, in table 5.3:

Step	Details
<b>Step one:</b> Design the organisational structure	In managing a crisis, use a lean, cost effective structure that is the least financially draining on an organisation. An example could be to cut back on the purchase of non-essential goods that the organisation does not depend on. When a crisis issue has been identified the person in charge of managing that crisis can choose, from various functional divisions, those people with the appropriate skills and abilities to handle the situation.
<b>Step two:</b> Select the crisis team	The crisis management team selection policies should be as similar as possible to those normally used in the company to assign people to new jobs. The permanent crisis management team will predict the skills needed for the project at hand. According to Regester (1989b:103) the crisis management team must be ready to move into action at a moments notice. Gottschalk (1993:286) adds that the crisis plan must provide for a crisis team that would take charge of the situation and report to the CEO of the organisation.
<b>Step three:</b> Develop the team	The crisis team manager is responsible for developing his team into a cohesive effective unit. The team must be able to function independently from the rest of the company and not hinder the day to day functioning of the organisation. The manager must analyse the team's goals (where the team is going), its roles (who will be doing what), and processes (how members will function as a team).
<b>Step four:</b> Design/conduct a crisis audit	The crisis audit is the basis of the management cycle, helping managers identify potential issues and assess the probable impact on occurrence. The crisis objectives are not necessarily different from the objectives of the organisation - they run parallel to each other. Crisis objectives are designed to help the organisation reach its goals by addressing the situations that would prevent it from doing so. Based on this, Regester (1989b:103) is of the opinion that the crisis management team's remit should be to conduct audits to check policy implementation. One of the most important audits is the communication audit, which will evaluate the health of the organisation's formal and informal information systems. Hamilton (1987:36) adds that this can be done in many ways from face to face and group interviews to analysis of verbal and written communication patterns and the corporate culture.
<b>Step five:</b> Develop a contingency plan	Littlejohn (1983a:16) sees the contingency plan as being made up of five component parts. (1) The introduction will give an overview of the crisis situation. (2) The objectives of the plan should be outlined and written into the actual crisis plan. This is agreed to by Gottschalk (1993:286). (3) The basic assumptions considered should be that the organisation would not have any control over, a trigger mechanism acts as an alarm that activates the plan. (4) The plan must be structured in such a way so as to prevent false alarms. (5) Finally, upon implementation, the crisis will move to the management and action stage.
<b>Step six:</b> Management guidelines	Some guidelines should also be set up as to how the crisis is to be managed. This depends on the management style of the CEO as some may want to become directly involved and others may want to be indirectly involved by having their crisis manager handle the incident. According to Pinsdorf (1987:41), company executives may palm off crisis planning to the communications department and then forget to ask what became of it.

Table 5.3 Adaptation of Littlejohn's crisis management model

Once the crisis has been identified and isolated, it becomes immensely easier to manage, since any misleading and possibly dangerous diversionary paths have been blocked off. The same tenant is true of medicine where the problem must be diagnosed prior to treatment, by isolating the crisis, the manager will be given the single mindedness required to manage it (Fink, 1986:83).

### **5.3 The stages of a crisis and crisis management**

The first essential objective is to recognise all the stages of the crisis because it is during these stages that a proper management structure, managing information in and out of the company, and co-ordinating necessary action and responses is needed (Jennings, 1990:134).

While crises have different stages that they move through, there are certain factors that need to be present for a crisis to be in existence and to signify that the first stage of the crisis has begun. In 1972 Herman (1972:187-211) proposed a crisis model that was made up of three crucial elements that needed to appear together for a crisis to be in existence:

- 1) Threat is a potential hindrance to some state or goal desired by the unit and occurs if the decision makers recognise it and believe that it will hinder attaining goals. Threat also forms part of the definition of a crisis.
- 2) Decision time is short when the situation will be altered in the near future, after which no decision can be made or the decision can be made only under less favourable circumstances.
- 3) Surprise refers to a lack of awareness by the decision-makers that the crisis situation is likely to occur, but it is not equated with the lack of a planned response to the situation. Even if a plan exists an individual can still be surprised and, presumably, a crisis created.

While Herman's crisis model proposes three elements that must be present for a

crisis to occur, he does not mention what the stages are of a crisis are.

Both Fearn Banks (1996:4-9) and Heath and Nelson (1986:204-220) agree that there are five stages in a crisis and Fink (1986:20-28) identifies four. While neither agree on the names of each crisis stage, or their unique characteristics, each stage will impact on the organisation's ability to achieve its goals (Regester, 1996).

Heath and Nelson's model (1986:204) shows that movements and crises can be monitored as they progress through five separate but interdependent stages: strain, mobilisation, confrontation, negotiation and resolution. Heath and Nelson point out that not all groups will progress through these stages. The value of Heath and Nelson's model is its ability to provide insight into the ways and places companies can intervene to prevent the crisis from reaching a position that is not desirable for their business. The five stages are to be discussed and although there is no agreement on the name of each stage by the theorists and editors, a name is proposed. After each stage, the requirements needed to manage that stage is also discussed.

### 5.3.1 Amber stage

**Strain** is the energy source of a crisis and is also the beginning of a crisis. Heath and Nelson (1986:205) explain it by stating that strain is a feeling, a comparison of what is versus what should be. Strain is most persuasive when established social, economic, or political norms are violated. Fearn-Banks (1996:4) names the first stage of a crisis as **detection**, and detecting a crisis is also a role of public relations. The detection phase may begin with noting the (**amber**) warning signs, referred to as the prodromes or the **prodromal stage** (Barton, 1993). It is during this stage when specialist groups (like investors or pressure groups) begin to worry about the company facing a potential issue or occurrence. (Regester, 1996). This stage (prodromal stage) is the warning phase of a crisis (Fink,

1986:20-28). Anytime a company is not in a crisis, they are in a pre-crisis or prodromal mode (amber stage). Operating in this mode will allow the CEO or even the communications manager to catch hold of a potential issue before it gets out of control. Fearn-Banks (1996:4) concurs, proposing an organisation should watch for prodromes and then make attempts to stop a crisis at that stage before it develops into a full-blown crisis. If it is not caught in time then an acute crisis can strike with such swiftness that so-called crisis management after the fact is, in reality, merely damage control.

When an organisation in a particular area of business goes into a crisis, then it should become a warning sign to its competitors and allies because they could be next.

Fink (1986:7) is of the opinion that, from a practical business-oriented point of view, a crisis is any prodromal situation that runs the risk of:

1. Escalating in intensity.
2. Falling under close media or government scrutiny.
3. Interfering with the normal operations of business.
4. Jeopardising the positive public image presently enjoyed by a company or its officers.
5. Damaging a company's bottom line in any way.

Prodromal crises are important to catch, as it is much easier to manage a crisis in its prodromal stage. By recognising the prodromal stage and being unable to dispose of it for whatever reason will help the crisis management team to prepare for the pre-engagement stage (stage two).

### **5.3.1.1 Crisis management during the amber stage**

Management of a crisis during its early and formative stages (**amber stage**) is

very important, as a concerted and early effort must be made to prevent the crisis from becoming uncontrollable.

The biggest liability in crises is that often all the facts are not available, especially during the early stages and also the later stages of the crisis, and the danger is to act on that lack of information (Castle, 1996). To manage an impending crisis, the crisis plans should be on hand before the crisis strikes and agreement and commitment must exist as to how the crisis should be managed before a crisis situation is entered (Baker, 1996). McLaren (1996) differs to Baker, proposing drawing up the crisis plan while the company is in crisis. It can be argued however that if the plan does not exist, then management will spend its time sitting around the boardroom table fighting how the crisis should be managed and they lose the opportunity to fight back with speed and control the damage.

In addition to managing the crisis by having the crisis plans on hand, the crisis must also be managed by having clear communication channels set up, before the crisis gains momentum (in the amber stage), between the key people who have responsibility for the crisis itself (Castle, 1996). These people must act as a team to feed information through to a spokesperson that will act as a point of contact. An agreement must be reached early on during the crisis's formative stages (the amber stage) that if there is blame to be allocated it will be allocated without getting into possible legal action (Baker, 1996). Staff members of the organisation in crisis will also need to run through the process of agreement and commitment so a mind shift is created (Seymour, 1996).

In a crisis situation, from its inception until its end, there is bound to be some tension between management, staff and the media. Festinger's (1957) cognitive consistency model (Botan & Hazelton, 1989:199) is a useful framework when dealing with tension reduction and management situations. This includes crisis communication, certain issue management problems, negotiations and other conditions where imposed behaviours and decisions demand new knowledge

and attitude change before they can be accepted.

In dealing with the early stages of a crisis breaking, Lukaszewski (1987:45) has made available the results of a survey he undertook to study the anatomy of a crisis response. The executive response highlighted by him points to four distinct phases that managers must pass through (as opposed to the crisis stages) to accommodate, deal with, and effectively resolve disaster (crisis) situations. The first phase occurring during the first stage (amber stage) of the crisis is recognition. During this phase the CEO will realise that there is a crisis on board. The recognition phase progresses in stages, which when completed lead to information control and management. The phases are:-

- *Surprise:* A sense of helplessness and irritation is immediate and frustrating.
- *Concentration:* A leader is chosen, a management group set up and all involved set to work.
- *Containment:* The internal processes of the corporation freeze as managers try to understand what has happened and what it all means.
- *Control:* The speed of actions in a crisis does not allow the media time to develop other sources, they must rely on corporate or government authorities for information. If managers are aware of this then they can use this control as a critical operational advantage for effective communication.

The first phase of Gonzalez-Herrero and Pratt's (1995:25-29) four phase crisis management model which takes place during the amber stage of a crisis is **issues management**. The first task that a public relations consultant must undertake is that of issues management. Gonzalez-Herrero and Pratt (1995:26) believe that the company must scan the environment looking for trends that may affect it in the near future (aspects of the crisis plan in chapter four). Scanning the environment will help the company to identify potential crises allowing them



to prepare for the crisis and not to be taken by surprise. A communications strategy must be developed and its efforts concentrated on preventing an occurrence of a crisis or redirecting its course. Effective issues management will allow organisations to avoid crises and it will not be necessary to implement specific contingency plans because a no-crisis situation will be reached.

It can be proposed that this be done during the crisis's amber stage.

While every crisis acquires its own scope and personality, Gottschalk (1993:123) believes that management should follow three hard-and-fast rules from the beginning (amber phase) to ensure the most effective management of the crisis:

- The crisis team must be ready to act and make decisions quickly and decisively.
- Companies that deal successfully with a crisis always try to anticipate next moves and take control of a given situation. Reactive and inactive companies prolong the crisis.
- Crisis team members should resolve to keep a sense of perspective and objectivity.
- In addition it can also be proposed that a method or set of principles should be considered and on hand at the onset of the amber stage of the crisis pertaining to the management of the crisis.

### **5.3.2 Pre-engagement stage**

When a crisis occurs, all the necessary infrastructures and resources need to go through the stage of **pre-engagement (mobilisation)**. Corporate organisation who are forced to start using their power resources - like money, staff, industry contacts and legal and financial advisors - to fight a crisis undergo mobilisation and when people mobilise against an organisation, they continue to attract attention (Heath & Nelson, 1986:210). The impending crisis will face its first test

of power during the stage of mobilisation. It is during the stages of mobilisation that corporations must continue to attract favourable attention, and this becomes difficult. Specialist international media like *Euro Money*, *London Financial Times* and the *Wall Street Journal*, who would focus on a financial crisis, could start to cover the issue at hand. A key factor at this stage is that the populist press tracks the specialist press and if they decide that it is a story, a current issue starts developing. The degree of interest shown by activists can also change an issue from emerging into a current one (Regester, 1996).

Fearn-Banks (1996:5-6) refers to this second phase of a crisis as **prevention/preparation**. Continuous ongoing public relations programmes and regular two-way communications build relationships with key publics and thereby prevent and lessen the blows or limit the duration of the crises. The crisis communications plan (discussed in aspects of the crisis plan in chapter four) is the primary tool of preparedness, without it communication with the media is dangerous. The plan is a manual telling each key person on the crisis team what his or her role is. The crisis communications plan provides a functioning collective brain for all persons involved in a crisis.

Fink (1986:20-28) saw this second stage as the **acute crisis stage** with a point of no return. Once the amber/prodromal stage has been crossed, and the acute crisis stage entered, it is almost impossible to make up lost ground. The acute crisis stage informs the company that a "hot spot is brewing." It is at this stage that an attempt needs to be made to control the crisis. If it is not possible for the PR person to control the crisis totally, some degree of influence will need to be exerted over where, how, and when the crisis erupts. The main difficulty of managing a crisis in this stage is the avalanche and speed of events that accompany the crisis.

### **5.3.2.1 Crisis management during the pre-engagement stage**

When the crisis is in its **pre-engagement stage**, the crisis manager will have to be aware of certain signs that could affect his/her management of the crisis and make him/her aware of the crisis. Seitel (1992:541) identifies seven instant warning signs that appear in the company when the crisis strikes:

- Surprise. When the crisis breaks out, it is unexpected and the public relations consultant only becomes aware of it when the media call and demand to know what is being done about the issue at hand.
- Insufficient information. This occurs because rumours start flying and it is difficult to understand everything that is happening. Seymour (1996) also identifies insufficient information as a common characteristic in crises.
- Escalating events. The crisis starts to grow, people want answers.
- Loss of control. This begins to happen when too many factors start to happen simultaneously.
- Increased outside scrutiny. The media, employees and the public in general all feed on rumours, the media want a response and all investors want answers. In addition, Seymour (1996) is of the opinion that there can also be an increased scrutiny of management in particular by the media and shareholders.
- Siege mentality. The organisation feels surrounded, legal advisers are saying one thing and the organisation may feel the easiest thing to say is nothing. Seymour (1996) states that when panic sets in, management could adopt the headless chicken syndrome and refuse to both acknowledge the fact that they are in a crisis and begin managing the issues facing them.
- Panic. The pressure mounts against the organisation and a sense of panic now pervades. It is also difficult at this stage to get management to take immediate action and to communicate what is going on.

According to Lukaszewski (1987:45), during the management of the pre-

engagement stage of the crisis, the crisis team leader will pass through two stages. The first management stage is **definition where** executives in the company will be better able to manage information they receive because an atmosphere of truthfulness is created. The reality of the situation is absorbed in preparation for action. The CEO will become scared and realise that matters are very serious and anticipate the upcoming issues of responsibility, even blame. Facts and information are crucial to the CEO as he/she needs to understand everything about the crisis.

The second management stage the crisis team leader will pass through is **strategic planning**. At this stage, all the CEO should be concentrating on is resolving the disaster with minimal disruptions in service, revenue and company facilities. Appropriate internal and external resources can be called in to help maintain the corporation's reputation. These range from the building of support amongst key audiences, controlling and co-ordinating corporate issues and messages, the media need to be monitored so that they can be informed when necessary or even bypassed with direct communications.

It is also during this pre-engagement stage that Gonzalez-Herrero and Pratt's (1995:25-29) suggest a stage of **planning-prevention** be initiated. "Planning is the bedrock of crisis management," state Gonzalez-Herrero and Pratt (1995:28). When an issue is perceived to have passed the limits of issues management and it is recognised that a crisis is imminent, the organisation should use its information gathering and warning systems to monitor it carefully. The company should also brace itself for a crisis, just in case one hits. The planning-prevention stage is in fact the starting point in the crisis-management process in those situations where surprises are inevitable. Policies need to be proactive and the company must reanalyse its links with its publics. General and specific plans must be prepared and responsibilities need to be delegated out. The message, target, and media outlets that would be used in implementing the crisis-communications plan also needs to be determined. The options that the

company can choose from in developing a specific crisis plan must also be assessed by management. The role that research plays in crisis management is emphasised as the results from the research produces knowledge that improves the quality of the crisis plan or bring it up to date in accordance with the expectations of the different constituencies.

### **5.3.3 Engagement stage**

When the avalanche and speed of events occurring increases, the **confrontation** stage is reached and the crisis is **engaged (engagement stage)**. Jackson (Heath & Nelson, 1986:212) states that “issues can’t be managed, confrontation can.” Jackson believes that there are too many participants involved in the formation of public opinion for a company or industry to reach all of them and correct or refute the points of disagreement. The most logical advice is to avoid confrontation when issues are so complex that they cannot be explained easily and quickly (Heath & Nelson, 1986:212).

This stage is the crisis issue stage where the crisis is characterised by the fact that people could ultimately lose confidence in the company and rush to remove their investments and sell their shares. It is the organisation’s ability to identify the issue, track and analyse its potential impact and deal with it tactically that will save it. This is done to avert the crisis or sometimes turn it in to an opportunity giving the company a competitive advantage (Reger, 1996). For example, when preparing for conflict the company must change its behaviour to minimise vulnerability and when the conflict begins, corporations must stick to the issue at hand and must also be able to admit that they are, or could be wrong (Jackson in Heath & Nelson, 1986:212). The organisation must not be scared to alter its position and it should try to say good things about others and their viewpoints.

It is this third stage of engagement that Fink (1986:20-28) calls the **chronic crisis stage**. This is termed the clean up stage, characterised by a period of

recovery, self-analysis and doubt as well as healing for the organisation. The chronic stage can linger indefinitely, but crisis management plans can and do shorten this phase. Fink (1986:90) also advises that organisations not in a crisis, but whose competition are, should look around and see what mistakes were made and whether or not the organisation is vulnerable to the same problems.

### **5.3.3.1 Crisis management during the engagement stage**

During the engagement stage it is important for the crisis team manager to react with solid decision making. In Lukaszewski's (1987:45) analysis of the crisis manager's process or stages of management, the final stage that managers must pass through in the management of a crisis is **reaction**. During this stage, all response strategies and specific spokespeople are finalised and execution of the plan begins. Four attributes to deal effectively with the crisis are: *Stoicism* so that those involved remain impassive to the excitement and tension of events. *Steadiness* as a solid level of concentration is crucial. *Stamina* as crises can last for a long time. Fatigue must be conquered and the edge maintained. *Sensitivity* to understand the people, politics and problems involved with crises as well as the ramifications of corporate and individual actions. These are all key to get through a crisis.

It is during the engagement stage of the crisis that the third phase of Gonzalez-Herrero and Pratt's (1995:25-29) four-phase conceptual model for the effective management of a crisis comes into effect. This stage is called the **crisis**. When the crisis strikes, the company might have lost all its proactive initiatives. If a crisis plan does not exist, or a situation is mishandled, the organisation's response will have to be limited to reacting to the events and to using contingency measures that may reduce any damage. There are three factors that characterise this stage. Firstly the company's response to the crisis needs to be evaluated. Secondly, all negative publicity needs to be pre-empted and the actions being taken to solve the problem need to be communicated to the

organisation's constituencies. Thirdly the company's message needs to be targeted to the appropriate audience, and support needs to be obtained from an expert. An internal communications programme needs to be implemented (Gonzalez-Herrero & Pratt, 1995:28).

When the crisis strikes the company, the emergency management team should declare a crisis or disaster situation and alert the corporate media spokesperson (Dettelback, 1993:28). The financial corporation's public relations manager will have to judge the situation as it arises and instigate some actions, usually before the crisis team is assembled (Stonborough, 1996:10). Sometimes the press can arrive for comment, and it is for this reason that all staff must be briefed to put all enquiries through to an appointed media person within the company. The head of public relations needs to stay at the company headquarters and send out a senior person to the site of the crisis as soon as possible. The senior person must be able to speak with authority and manage the press (Winner, 1987:93). However, a CEO's visible action and leadership during a crisis should not be underestimated. To get the CEO's presence noted, he/she should also be pointed out to the press (Modzelewski, 1990:13). Castle (1996) agrees, adding that the CEO needs to be on site to face the media.

This stage of the crisis – when it strikes (the engagement stage) is bound to be characterised by chaos which needs to be managed (Castle, 1996). The term chaos introduces jarring connotations into a public relations context (amongst others), implying crisis, disunity and loss of control. Murphy (1996:96-100) proposes the chaos theory to understand the behaviour of systems that do not unfold in a linearly predictable, conventional cause-and-effect manner over time. The chaos theory has implications for public relations, especially for crisis management and it is therefore necessary to look at it in more depth. The Chaos Theory has its own key features and terminology:

- **Nonlinearity:** Small changes in a system's initial condition will amplify so at

the end, the final result bears little resemblance to the beginning. Thus predicting a final outcome becomes impossible.

- **Feedback:** As a chaotic system evolves, each step's output provides the material for a new formulation and outcome. Initial uncertainties become magnified and the organisation cascades into disorder.
- **Bifurcation and Phase Changes:** The trend towards destabilisation in a chaotic system can lead to sudden changes in the organisation's direction, character or structure, termed bifurcations. At such points, the system rearranges itself around a new underlying order, which may come to be very different from or resemble the previous one.
- **Strange Attractors:** A system is unpredictable, this does not mean that it lacks a coherent structure. An attractor is an inherent shape or state of affairs to which a phenomenon will always tend to return as it evolves, no matter how each single moment may seem.
- **Scale:** The evolution of a chaotic system is complex and it is impossible to discern its underlying pattern by looking at a single small event at a single point in time.
- **Fractals and Correspondences:** The holistic focus of the chaos theory contrasts with modern science's assumption that single units are microcosms from which the whole system's behaviour can be deduced. The chaos theory assumes that concentration on individual units can yield insignificant or misleading information.
- **Self-Organisation and Self-Renewal:** Chaos follows an orderly inner logic and chaotic systems generate their own new forms from inner guidelines rather than the imposition of new form from the outside.

The chaos theory provides a particularly good model for crisis situations. A crisis forms as a sequence of events that seem, over time, to gather volume and complexity with increasing speed (Murphy, 1996:105). The dynamics of a crisis resemble that of a chaotic system as it moves through increasingly complex phases toward a disordered state. At the onset of a crisis, an organisation may



have power to influence events, but after a certain escalation point, it often loses this capacity. The chaos theory also suggests that uncertainty will always dominate relations with publics during volatile times.

Decision making, while in a state of chaos, is very important during the engagement stage of the crisis. Davel and Palmer (1982:130) define decision making as the deliberate process of making a choice between two or more possible courses of action and according to them, decision making is influenced by a variety of environmental conditions. These are:

- Certainty - which indicates that the decision-maker knows exactly what will happen if a given decision is taken.
- Risk - this presupposes the existence of accurate knowledge about the probable consequences of each alternative.
- Uncertainty - involving situations in which the decision-maker does not know the probable results of proposed decisions.

Davel and Palmer (1982:131) also identify five steps that are followed to make the decision:

- Identification and classification of the problem.
- Definition, analysis and diagnosis of the problem.
- Development and then analysis of alternative solutions.
- Selection of that alternative which seems most likely to solve the problem.
- Implementation of the decision.

Before deciding on any response when the crisis strikes in particular, the following questions should be asked (Stonborough, 1996:11):

- How much time have you got and what is the likely time-scale of the crisis?
- Is your company / you the main target?

- What is the crisis and underlying causes?
- What is the worst case scenario and is there more to come? Register (1996:4) agrees with this, once faced with the disaster, the worst possible scenario must be considered and action must be taken accordingly.
- Who else is involved and can the spotlight be transferred?
- What are the audiences likely to make of the crisis?
- What is actually at stake and is there a more fundamental problem?

The crisis, with all its chaos and urgent decision making, will disturb the normal equilibrium and management of an organisation. Kravitz (1987:75) hypothesises that, depending on the perceived severity of a crisis, changes will occur in an individual's "normal" preferred managerial style in such a way that a preferred technique in managing a crisis will emerge. An effective crisis management style (open to ideas, proactive and informed decision making) used by a manager to facilitate the return of a system to near normal conditions, with minimum losses of time and resources, such that the goals and objectives of an organisation or group can continue to be accomplished. An ineffective management style (failure to respond timelessly, incapable of understanding what is required for the situation at hand and poor interpersonal skills) during the time of a crisis can lead to events that can threaten the very survival of the organisation (Kravitz, 1987:75; Castle, 1996 and McLaren, 1996). Managers will also have to continuously keep on changing their management style until they find the correct management approach for handling the crisis.

The CEO can positively influence the management of this stage of the crisis and its related public relations outcome by being credible, concerned and wholly committed or break it by not being seen to take an active part in arriving at a solution (Harrison, 1989:41). Supporting this is the Persuasion/Learning effects theory. The central notion behind this theory is that an opinion or attitude becomes habitual because its overt expressions are followed by the anticipation of positive reinforcement. This means that the amount of attitude change

increases with the amount advocated when the communicator's credibility is high. The four stages to this process are awareness, comprehension, acceptance, and finally, retention (Botan & Hazelton, 1989:195). For example, if a company is facing a crisis the CEO can take an active part in dealing with the media, create awareness of what he/she is doing to solve the crisis. The media could then comprehend and understand what his/her objectives are and who he/she is. Once this has occurred, all parties concerned could accept the CEO. The media could also finally retain and remember who the CEO is and what he/she is trying to achieve.

When managing the recipients of a message during a crisis the crisis manager should determine what each group believes and how crucial that group is to the effective survival of the company. The internal recipients range from the CEO down to basic employees, and externally include all different publics. A crisis campaign must target valued audiences such as those people who have a vested interest in the success of the company and industry (Seymour, 1996). These people are stakeholders like stockbrokers, the professional finance community, especially stock analysts and brokers (Heath & Nelson, 1986:178). Consideration is even given to business supporters like local chambers of commerce. Audiences can even be identified and targeted according to factors such as gender, age, geographical location and their issue position and involvement (Heath & Nelson, 1986:179).

However, Heath and Nelson (1986:178-179) do not mention a vital recipient of information during the crisis – employees of the company in crisis. Employees are a company's first line of defence in a crisis, they must be communicated with (Baker 1996; McLaren, 1996 and Seymour, 1996). They add that if employees are not communicated with then they will be marginalising a vital audience. The impact of a crisis on employees must be taken into account as much as the effect that the crisis will have on any external audience. A crisis demands wholehearted support from employees. They may be needed to help customers

whose confidence has been severely diminished or who need advice (Wragg, 1992:266).

During the engagement stage in particular and at all stages in general, it can be proposed that communicating with ones' employees during a crisis is vital, as Drexel Burnham Lambert, one of the United States of Americas' most successful and wealthiest stock broking companies was to find out (Gottschalk, 1993:3-16). In May 1986, the American government began a two and a half-year investigation into securities fraud violations that began with the indictment of the company's prominent investment banker Dennis Levine.

During Drexel Burnham Lambert's crisis, many communications strategies and programs were developed to allow the organisation's audiences to deal with unfolding events. The organisation had programs for the press, regulators and clients. Drexel Burnham Lambert also identified its staff as being a key constituent group. Staff were regularly communicated with and were kept informed of all developments. The organisation realised early on that the communications battle to impact on public opinion would be won or lost with employees as their attitudes and dispositions would influence other key audiences – clients, regulators, lenders and the press.

When a crisis hits there is a rush to communicate externally. Gottschalk (1993:9) correctly states that “when employee morale is up you can fight back, when its not up, everything stands still.” Staff is an organisation in crisis's best ally and most of the communications should be aimed at them, as they need reasons to support the organisation, defend it and influence others.

The crisis team at Drexel Burnham Lambert identified eight key principles in communicating with employees in a crisis:

- Don't trust instincts. The Drexel Burnham Lambert crisis team listened to

what their employees were thinking – the lower level staff were concerned about the company maintaining its flow of business and their job security. The crisis team reinforced the fact that the company's clients supported them and it was business as usual. Internal news publications were used to communicate this to the staff, as well as announcing new business wins.

- Pre-empt the bad news. As soon as the crisis team from Drexel Burnham Lambert became aware of any bad news that was about to become public in the press, they communicated a response to their employees. It was decided that it would be better to hear bad news from management as opposed to the newspapers. Memos were issued and voice communication systems were used extensively (staff were communicated with telephonically).
- Keep the leader visible. The CEO of Drexel Burnham Lambert, Fred Joseph, made it a priority to show employees that the situation was being managed. He did this by having regular luncheon meetings open to all employees, meetings with senior staff and giving monthly messages in internal publications.
- Make employees insiders. A conscious decision was taken to make employees insiders as management felt that there could be no confidentiality with any group. The staff were used to pre-empt bad news (staff were told of things before the news broke) and when the company started to advertise on TV to explain its position, a big effort was made to explain to staff what the strategy behind the TV advertisements were.
- Be creative. Drexel Burnham Lambert introduced a creative employee education program that explained the high yield market. This was done to give them the ammunition to fight the myths surrounding high yield markets.
- Make employees part of the solution. Crisis team members periodically held creative sessions with their staff on how to handle the crisis and develop strategies and programs to deal with the latest news.
- Communicate the positive. The most important factor for the crisis team handling the Drexel Burnham Lambert crisis was to stop a siege mentality from forming. Small and major victories were publicised in all internal

publications. Advertisements were also run in the mass media to present all positive actions of the company.

- Don't take loyalists for granted. Crisis team members thanked staff for their support and loyalty. Special memos, advertisements and even T-shirts were used.

There was considerable proof that the programs worked. There were very few defections of critical employees while the crisis lasted. Clients stuck with the company and teamwork and morale was maintained.

When the crisis is engaged, staff who want to leave the company must be free to do so. It is possible that these staff members could be stigmatised for leaving a company in crisis, or carry the stigma of having worked at a company that had suffered a crisis. There are enough problems to cope with without having to look after less stable staff members (Regester, 1996:4). The best way of tackling the problems of employee communications is from the inside of the company with an in-house campaign, as learned from the Drexel Burnham Lambert crisis. The plan of action should be made up of three factors:

- Firstly, an immediate information distribution network needs to be set up to reach all personnel. Information must be channelled through senior and middle management who, in turn would ensure that all information reached all branches of the company.
- Secondly, exactly what has happened to cause the financial crisis needs to be explained, what has been done since the start of the crisis and what the future expectations were likely to be. Castle (1996) and Baker (1996) contend that it is simple to keep staff informed all the time.
- Lastly, the production of an in-house journal that would cater for all employees should be initiated. All press releases issued could be remodelled as an internal announcement (Dunne, 1990:88).

Dunne (1990:91.) adds:

The restoration of open lines of communication between senior management and the rest of the company's employees can help to soothe natural worries over job security and begin the process of restoring employee confidence in the future prospects of the crisis.

It is in the organisation's interests to control the conduct of others, especially their perceptual and responsive treatments of it, and this control is best achieved by giving others the kind of impression that will lead them to act in accordance with their organisations own plan (de Wet, 1988:65).

#### **5.3.4 Mediation stage**

If a crisis is to be resolved, then the stage of **mediation (negotiation)** must take place. Sometimes corporations are able to come to an agreement with agitators, without the fight spilling out into the public domain. If a corporation gets into a negative situation, it can be made to look guilty by the media, its staff members or even opposition companies. Negotiation is the only way out and each side will try to gain as much as it can and lose as little as possible (Heath & Nelson, 1986:218).

In the announcement for the outcome of the negotiations, the corporation in crisis can characterise the situation to its advantage by illustrating, in the media, what they have achieved and how much has been saved. The negotiation phase is viewed by Fearn-Banks (1996:8) as the **recovery** stage, which refers to the efforts to return the company to business as usual. Organisations will want to leave the crisis behind and restore normality as soon as possible. It may mean restoring the confidence of key publics, which means communicating this return to normal business.

#### **5.3.4.1 Crisis management during the mediation stage**

During the mediation stage of the crisis, intensive negotiations will occur to arrive at a resolution. The negotiating and mediating will call for intensive management skills. The issue arises of the possibility of the company turning the crisis into an opportunity so it can divert the focus of negativity away from it.

McLaren (1996), Regester (1996) and Castle (1996) all felt that the crisis can be turned into an opportunity. In particular, McLaren (1996) contended that this can be achieved by simply thinking creatively around the crisis, and from a public relations practitioner's perspective, this is where the consultant's role is most crucial. The consultant also has the ability to stand back from a crisis, because it is not their crisis, and manage it more objectively. From Regester's (1996) perspective, a major disaster for an organisation may be turned around and an organisation's reputation can be left intact if that organisation is seen as effectively managing the dissemination of truthful information and not holding back on it. This manages the media by stopping the media from going out and looking for further points against the organisation in crisis.

Seymour (1996), Stonborough (1996) and Baker (1996) do not feel it is possible to turn a crisis into an opportunity. Seymour (1996) felt that based on how the crisis at hand was managed this might enhance a company's reputation and minimise the effects of the crisis. Stonborough (1996) postulated that turning a crisis into an opportunity occurs with great difficulty and is not that likely to happen. Baker (1996) had the strongest criticism of all stating, "it is absolute rubbish if you believe that you can turn a crisis into an opportunity. The only thing that you can do is manage it so that your company's reputation is not damaged and it remains intact."

Issues cannot be managed, but confrontations can (Nagelschmidt, 1982:212). Jackson, (Heath and Nelson, 1986:212), proposes that too many people become



Lukaszewski (1987:45-47) concentrates more on what happens during crisis management culminating with the reaction stage in the crisis management plan, where the execution of the crisis management plan starts. He ends off with this last stage a manager must pass through to deal with a crisis. Gonzalez-Herrero and Pratt's four phase model (1995:25-28) is more comprehensive. They see the crisis through, from when it was first an issue right the way through its transition into a crisis and then into the post crisis phase.

Once the crisis is over, the role of the crisis team does not stop. Crisis management during the settlement phase is very important for the effective management of the whole crisis. As soon as the crisis is over and business starts to return to normality, Dettelback (1993:30) feels that:

Executive management should write letters to customers and shareholders explaining what has happened, and what the business continuity and crisis recovery plan did to maintain and restore business. Thank them for their patience and loyalty.

All the customers and shareholders must be told that the bank or financial institution, in this instance, had planned for such a situation and the situation was under control and well managed. A similar letter should go out to all employees and shareholders as well (Dettelback, 1993:30 and Seymour, 1996). Castle (1996) agrees, but also feels that present, past and future clients must also be communicated with. Levine (1993:12) would agree with Dettelback (1993:30), but not with the amount of detail he proposes in the letter. She feels once the dust has settled, saying thank you for being loyal and supporting the company through its difficulties is enough. Many organisations go back to business as usual without any acknowledgement of the extraordinary efforts of staff during the difficulties. Saying thank you for a job well done builds employee loyalty and morale. Dettelback (1993:30) does not mention these actions at all.

Through the media, everyone must be told that it is business as usual. When the

dust has settled a post-mortem should be held to analyse what went right and what went wrong in the implementation of the crisis management plans. The necessary adjustments will need to be done to ensure that “lightning does not strike twice” (Dettelback, 1993:30).

Castle (1996); McLaren (1996); Seymour (1996); Baker (1996); Woodcock (1994:8) and Dettelback (1993:30) all start their post crisis stage when the crisis is formally deemed over.

Once the crisis has passed, there is often the temptation to relax and wind down (Woodcock, 1994:8). Advertising, public relations, and promotions programmes must be restarted, possibly with temporary modification and reassurance. Relevant associations that supported the organisation in crisis must also be communicated with (Woodcock, 1994:8). A process to evaluate how the crisis has been handled needs to be implemented (Seymour, 1996 and Woodcock, 1994:8). During this evaluation period, the emergency team should come together to review the organisation's contingency plan. Improvements must be recommended and vulnerabilities identified. — The next emergency must be prepared for because it could be around the corner (Reinhardt, 1987:44 and Seymour, 1996).

Mallozi (1994:42) provides a useful guide to the evaluation of crisis management during the settlement stage. He suggests the following five steps should constitute the evaluation process:

- The team should sit back and assess the situation. If the crisis is to get worse, a proactive communications programme must be initiated to convey the company's viewpoint to all affected audiences (Mallozi, 1994:42). The ability of the crisis team to deal with the demands and stresses they faced must also be investigated (Woodcock, 1994:8).
- When the crisis has passed, the team should take steps to rebuild and

enhance the company's reputation. All the communications should refer to the crisis in the past tense and should indicate that the company has put the situation behind it and is looking to the future (Mallozi, 1994:42).

- A post-mortem should be done to determine which actions the crisis team performed well, and in what way the company's response could have been improved (Mallozi, 1994:42). The team could also use a focus group or conduct an attitude survey to determine what the impact of the crisis has been on key audiences.

The post-mortem is also done to identify and change all irregularities (Baker, 1996). It is during this post-mortem that alterations or additions to the crisis plan must be done to improve responses to possible future crises (Woodcock, 1994:8). Modifications should be made to the crisis plan in those areas where improvements are needed. After the modifications are made, the plan should be redistributed, and practised, with the changes (Gottschalk, 1993:425). There should be a concerted campaign to implement any change that will result from the crisis, re-establishing employee and customer confidence, which will entail the employee heavily influencing the customer satisfaction (Wragg, 1992:273).

- The evaluation phase should also involve examining the actions the company can take to prevent crisis situations from arising in the first place (Mallozi, 1994:42).
- After the crisis has passed, the crisis team must continue to build equity with key audiences - corporate actions that demonstrate concern for the industry, the environment and the local community will help to create a positive image for the company (Mallozi, 1994:42).

Doing a post crisis analysis presents the following advantages for the public relations department of the organisation in crisis (Pinsdorf, 1987:53):

- Elevating the public relations function.

- Focusing public attention on matters of critical concern and reaching audiences otherwise unavailable.
- Building credibility.

#### **5.4 Conclusion**

While there are many debates over the different stages that constitute a crisis, there is consensus that a crisis is made up of different stages each with its own characteristics. Each crisis has a beginning, middle and an end. Not all crises will pass through each stage, some crises may dissipate, and others may remain at a particular stage for a long time. Each stage has its unique characteristics, felt and identified by the crisis team, the company and some of its publics.

Effective management of a crisis can only occur if all structures are in place, including management guidelines, the public relations crisis plan and a crisis team to implement it.

The implications of not managing a crisis or its stages can be disastrous for any company. If a crisis plan is not available then the efficient and effective management and transfer of information between various departments in the company and different bodies, like the media and customers, outside the company will be compromised. The result is a group of uninformed publics, which again will compromise the company.

The crisis team must strive, for the duration of the crisis, to allow the company to function as near perfectly as possible without allowing the crisis to interfere with its day to day running. The consequences of not helping the day to day functioning of a company to take place without any hindrances could result in further crises developing. Organisational survival is thus the goal of a crisis management programme.

The media must also be monitored and worked with, if they are not then the perception could develop that the crisis is worse than it actually is. There must also be a free flow of information with the media as they are the key conduits for the company to get its messages out during the crisis. Failure to work with the media could have dire implications for the company in crisis, ranging from the media drawing their own conclusions to the media sourcing their own commentators at all stages of the crisis.

Once the crisis is deemed over, the communication process does not end. Post crisis communications is a vital part of any company or organisation that has emerged from a crisis situation. If loyal clients and staff members do not receive some form of communication explaining to them what happened and what was done to bring the crisis to an end then an element of trust has been lost due to lack of communication. The company must also indicate what steps have been implemented to prevent any future recurrences. A company that does not communicate with its staff and clients after the crisis could possibly see all its crisis management efforts go to waste as a new crisis of confidence starts. A business as usual attitude must be created to signal to staff, customers and the media that the company is back on track with its business goals and it has its doors open for business as usual.

After the crisis, an evaluation process must also take place to see how well the crisis was managed. Failure to do this will mean that the company will not be able to see which aspects of the plan worked, which did not and which need to be retained or changed. The crisis team's ability to manage the crisis will also need serious consideration as will the manner in which the media was treated. Ignoring this could result in the same team members making the same costly mistakes the next time a crisis occurs. The key during the post crisis stage is to see that the organisation in crisis has its reputation rebuilt and enhanced. All faults in the crisis plan must be identified and corrected and the new plan retested.

## **Chapter 6: The importance of media training**

### **6.1 Introduction**

A company that is in a crisis situation will, depending on the nature of its crisis and prominence of the company, face potential media interest. Coupled with the media interest is the possibility that the company will receive negative or positive coverage. The fact that the media are interested in a company, in crisis or at any time, necessitates the company spokesperson undergoing media training to equip them to communicate the correct message to the correct public which is not made up only of the media. Other publics that the company spokesperson will have to address messaging to will include staff, shareholders, the general public, suppliers and even competitors and peers.

This chapter considers the importance of media training and why company spokespeople need to be trained to deal with the media and use the media as conduits to reach different publics. The contents and factors making up media training are also discussed, including specific principles like verbal and non-verbal communication. Of particular significance in this chapter are the comments from business and financial journalists interviewed in London and business and financial journalists interviewed in South Africa on media training in practice.

Although what the spokesperson says in front of the media or any other audience is important, it is how they say it that is the most important factor. For a spokesperson to communicate effectively to manage the media and the message that needs to be sent out, they will need to be media trained in advance of any issue or event. In managing the media in a crisis situation, ensuring that a coherent message is transmitted to affected consumers requires a carefully crafted and adhered to script (Nealon, 1998:12).

The aspects of media training are discussed in this chapter. In addition, the concepts of verbal and non-verbal communication are also discussed as are the techniques for the preparation and conducting of interviews and dealing with the public in an open forum.

## **6.2 Media training**

During all the stages of a crisis (5.3 in chapter 5) it is argued that there will be the constant possibility of the company in crisis encountering the media who will want to interview a company spokesperson. In order to confidently deal with the media the company spokesperson will need to be media trained.

When a crisis develops and spills over into the public eye, it is the media who deliver the story to their readers who constitute the general public. Invariably there will be a spokesperson from the company concerned that will have to face the media and give an opinion on a particular issue or crisis and as such, business must assume the risks of heightened exposure and accessibility (Pinsdorf, 1987:19).

In most public controversies, the news media therefore becomes the medium for negotiation but are not the forum to resolve public debates (Susskind & Field, 1996:221). But the media's concerns, interests and needs must be taken into account by all parties in the crisis. The media can add value by not only reporting, but by also helping to resolve difficult and complex conflicts. The media are in fact opinion formers (Wragg, 1993:11) as reflected in the agenda setting theory.

By simply treating the media with the respect that it deserves and giving it the information that it needs, will not ensure accuracy by the news media, but could go a long way toward building a solid and symmetrical media relationship (Adams, 1992:29). The impact of an effectively media-trained spokesperson can

not be underestimated.

To understand how the spokesperson should communicate effectively, it is necessary to understand the nature of interpersonal communication. This involves making implicit personal theories explicit (conscious) and integrating personal theories with existing knowledge about interpersonal communication (Gudykunst; Ting-Toomey; Sudweeks & Stewart, 1995:7). This is why it can be proposed that company spokespersons should be media trained – so they can accurately predict how to communicate and interact implicitly with the media without offending them or damaging critical media relations.

Communicating in the midst of a disaster begins, almost invariably with the only constant in every crisis - the media (Gillions, 1996). According to Nicholas (1995:41), journalists would rather talk with someone who knows what they want and how to give it to them, than a 'media virgin' who is too terrified to say anything at all. This is supported by Stovin-Bradford (1998) who contends that it is key that the spokespersons know exactly what the journalists are after. As journalists Planting (1998); Gordin (1998); Pengelly (1998) and Cicutti (1998) all support this statement. They reinforce the fact that it is important for financial company spokespersons to be media trained, with the emphasis being on the fact those spokespersons will be expected to answer both aggressive and friendly queries from the media. They will need to know when being open and honest is advantageous and when it is in the company interest to deflect a line of questioning. Without training, a spokesperson may be too honest or too cautious in their statements. This can be problematic (Planting, 1998). Effective communication involves minimising misunderstandings.

Journalists need to deal with someone who understands the issues and pressures facing journalists and is potentially more capable of meeting their needs (Cicutti, 1998 and Gordin, 1998). Over and above this, most of the spokespersons do not understand the basics of the workings of newspapers and



their needs in terms of required information for editorial (Gordin, 1998 and Stovin-Bradford, 1998).

Seymour (1996) takes a different view on the media training of a client. He believes for any client to be prepared, a portfolio of spokespeople is needed as opposed to a single spokesperson, and these are different spokespeople that could be required for a media interview. It is essential for the CEO's to be media trained so they can understand how journalists think and work. This is done so they can learn the process of delivering information to a journalist in a way that the journalist can understand it, can handle it and produce it in a way that the organisation in crisis is getting coverage.

Stonborough (1996) does not agree with Seymour (1996); Andrew (1990:34) or Fearn-Banks (1996:33). For him, media training is not seen as the most important part of managing the crisis. Media training is only part of the whole media relations process. It is not the beginning and end of communications, it is merely one tool out of a number of tools available. The most important part of the whole media relations process is ensuring that the press understands who the organisation is and what it does. The press needs to be educated as well.

Baker (1996) differs to Stonborough (1996), claiming that media training is vitally important because as good as the client is, if they cannot handle a media interview; they can come across totally lacking credibility and honesty. The extra media skills make the difference.

According to Castle (1996), there are many reasons why it is important to media train a client. The typical client's mentality is that the media is a different entity. The media has its own agenda and do not have to put out a story that the company will like. The media wants the truth and often the conveyance of the truth can get lost in the way the individual communicates it to the media. One of

the real goals in media training is the demonstration to the trainees that their own individual performance directly affects the content of media reports.

McLaren (1996) views the media training process differently. As a public relations practitioner she explains to her client what the media training is and what it is going to do, so they are aware of it. The client must also understand what the crisis is and how the media training is going to work in the context of the crisis plan. Conversely, Register (1996) takes a more logical and practical approach. He feels it is important to media train a client because the media is the most important conduit to a company's key audiences, and it can influence people's options about which way the crisis is handled. Register (1996) also felt that "managers of businesses are good at managing business, but they are lousy at communicating".

It is these training programmes, including media training, that are important to the companies. While media training remains at the core of crisis preparation, this discipline is changing. To prepare clients for the intensity of the media onslaught, agencies such as Hill and Knowlton and The Communicators (both London based Public Relations companies) not only handle face-to-face interviews, but provide training on press conference techniques and down the line (telephonic interviews specifically for radio) radio interviews (Nicholas, 1996:13).

In any type of interview situation, media training not only helps people to identify exactly what their story really is, but also gives them the confidence to get their side of the story across, "which believe it or not, is what journalists want," (Nicholas, 1995:41). Stonborough (1996:16) also adds to this by stating that speaking to the press or TV is all about messages that a company spokesperson will want aired.

When the media come knocking on the financial corporation's door, preparation for the media is critical. In dealing with the media, Moncrieff, manager of media relations at the Insurance Bureau of Canada (Prasky, 1994:17) says that reporters can be effectively dealt with as long as the person being interviewed is aware of some important aspects.

These aspects entail the interviewee knowing the subject - prior to an interview occurring, the topic, facts and key messages must be considered. The key messages must always be remembered and added in while answering questions asked (Baker, 1996 and McLaren, 1996).

Having key messages prepared also positively affects the company spokesperson. The basic signs of a company spokesperson being media trained are a confident manner and willingness to deal with the press (Planting, 1998 and Stovin-Bradford, 1998).

The company spokesperson will also show that they have been media trained based on their approach to questions asked by journalists, and they should not lie (Gordin, 1998). The journalists are not interested in 'fluff,' they simply want to know how, why, where, when and who. The spokesperson needs to be a facilitator and help the media get the facts for a story as well as background information (Stovin-Bradford, 1998).

The company spokesperson must not view the media as the enemy, it is not really against the corporation in crisis but it is also not a friend of the company in crisis (Baker, 1996 and Seymour, 1996). If the media should carry a story of the financial company in crisis, the company spokesperson should not 'get mad' as the media are just doing their job (Brickman, 1989:7). All that the reporters need is to ask the questions to get the answers. The best defence is an "armload" of facts. By not giving the journalist any facts, the financial company's spokesperson could be surprised to find the journalists writing speculative stories

(Nicholas, 1995:41). In Gillion's (1996) Internet article "*Crisis: The Communications Imperative*" he states that no matter where or how reporters get involved with a crisis, the company must prepare to deal with three basic questions: what happened? why?, who or what is to blame?

### **6.3 Factors that make up media training**

Media training is made up of numerous aspects that if implemented by the company spokesperson, can affect the way the media and the different publics (chapter three 3.2) view them.

Some journalists are able to tell if a financial company spokesperson has not been media trained. Queries may be deflected, questions can be briefly answered or not answered to the fullest extent of the spokesperson's ability (Stovin-Bradford, 1998; Pengelly, 1998 and Cicutti, 1998). Pengelly (1998) also identified a lack of confidence in speaking to the press as a sign of poor or no media training.

Cicutti (1998) was the only journalist who felt that he could not identify who had been media trained. All he could tell is if the person is efficient and helpful in meeting the needs that he as a journalist has. In a negative context, Cicutti (1998) added that there are times that he wonders if financial company spokespeople have been media trained. He says this because they use every possible skill in order not to reply to the question that he has asked. He also has no way of knowing if that is a consequence of media training or not.

Table 6.1 details some of the most important contents and aspects of media training programmes as mentioned by selected proponents in the course of their in-depth interviews.

<b>Proponent</b>	<b>Contents Of Media Training</b>	<b>Important Aspects Of Media Training</b>
<b>Seymour (1996)</b>	<ul style="list-style-type: none"> <li>• How the media works.</li> <li>• The various media.</li> <li>• The process of developing key messages.</li> <li>• The principles of a question and answer session.</li> </ul>	<ul style="list-style-type: none"> <li>• Practise techniques.</li> </ul>
<b>Stonborough (1996)</b>	<ul style="list-style-type: none"> <li>• Performance techniques in front of the media.</li> <li>• Pre-empting questions.</li> <li>• Brainstorming possible questions and related answers.</li> </ul>	<ul style="list-style-type: none"> <li>• Never make management decisions on the spur of the moment.</li> <li>• Be aware of the audience.</li> <li>• Have the right spokesperson available.</li> <li>• Never practice destructive techniques in media training and destroy the spokesperson's confidence.</li> <li>• Never over rehearse the spokesperson.</li> </ul>
<b>Baker (1996)</b>	<ul style="list-style-type: none"> <li>• How to project the financial company's spokesperson in the media.</li> <li>• Temper control.</li> <li>• Preparation for all types of questions including the brainstorming of answers.</li> </ul>	<ul style="list-style-type: none"> <li>• Keep things general.</li> <li>• Stick to approved statements and show concern.</li> <li>• Project credibility and be prepared to apologise if necessary.</li> </ul>
<b>McLaren (1996)</b>	<ul style="list-style-type: none"> <li>• Handling hostile questions.</li> <li>• Staying calm, responding coherently and consistently.</li> <li>• How to use prepared answers.</li> </ul>	<ul style="list-style-type: none"> <li>• The media must be seen as an ally, not an enemy.</li> <li>• Have all necessary facts on hand.</li> </ul>

Table 6.1 Contents and aspects of media training

In analysis of table 6.1 all the proponents consider the preparation of answers for anticipated questions as well as techniques to prepare the company's spokesperson for dealing with the media. Baker (1996) and McLaren (1996)

anticipate the company spokesperson could possibly lose their temper under pressure and therefore offer some form of training to teach the spokesperson how to prevent this from happening. Seymour (1996) is the only proponent who takes the company spokesperson through a process of explaining who the various media are and how they work. This is arguably a very important factor neglected by the other proponents. It will be very beneficial for the company spokesperson to understand how the facts that they have just mentioned to the journalist go through a process and end up in the media so that they can comprehend how stories are written and or produced after an interview. This will also facilitate the company spokesperson understanding how they can “spin” the messages they communicate to manage the visibility and profile of their organisation.

All proponents mention different yet important aspects of media training. They do not mention the importance of selecting the right person to act as the company spokesperson. The company in crisis will more than likely have its own designated spokesperson, yet the proponents should have mentioned that it is important for the spokesperson to be evaluated to determine if in fact they are the best person for the issues at hand.

Another aspect ignored by the proponents in table 6.1 is identified by Castle (1996). He feels that the most important aspect of media training is to find out what the client's past experiences have been with the media and what their perceptions and misconceptions of the media are. Then the client can be trained along these lines.

Castle (1996) uses the QACK principle for the media training of his clients. In the case of a financial organisation's spokesperson, he would ensure that **Quotability** features in the interview. The spokesperson would be trained to be enthusiastic and positive about the interview and give short and concise answers. Castle (1996) also suggests that the spokesperson prepare a list of quotes that could be introduced during the interview. Short newsworthy quotes

called sound bites could also be sent through to various radio stations. Visual soundbites can be sent through to TV stations. **Assertiveness** must be prominent in the interview and Castle (1996) would train the company spokesperson to be in the interview by reiterating a vital point that needs to be made. Any word that is indecisive and uncertain should not be introduced into the interview. All misleading questions that the journalist introduces should be pushed aside by the spokesperson.

**Clarity** in the interview is important. All answers given and analysis done by the spokesperson need to be direct and all answers given need to be succinct, relevant and honest. If the journalist requests an explanation, then the spokesperson should give one and ensure that he/she is not being side-tracked by the journalist's questions. **Knowledge** is key in any interview; all market figures, statistics and prices should be quoted during an interview because this will lead to a greater credibility in front of an audience. The spokesperson should also offer background information, company experience in certain incidences and if necessary even asks the journalist a question.

Once the QACK principle has been taught, Castle (1996) puts his client face to face with an independent person who assumes the identity of a journalist, and asks questions over a specific issue. Two people usually observe the happenings and analyse what is being said, if key messages are clear, and what changes need to be made.

When the spokesperson has completed their media training it is important to test the spokesperson's abilities within the wider crisis plan. A simulated crisis (4.4 in chapter four) could then be created, including camera crews arriving and phone calls from disgruntled customers so that the organisation and spokesperson can be put through their paces for real (Regeester, 1996). Simulated interviews are advocated as a method to prepare company spokespeople to face the media. This involves bringing in a journalist for some simulated interviews and is one of

the most popular forms of media training (Castle, 1996). Exposing the spokesperson to real reporters, in mock situations, gives them a better understanding of how and why journalists operate (Seymour, 1996). However, Chris Wood, Countrywide Communications deputy managing director feels that simulated interviews are more hindrance than help. "Often they succeed in demonstrating their journalistic prowess while demoralising their victims." (Nicholas, 1995:41.)

The spokesperson and their media training can be evaluated to determine the success. Then an immediate verbal debrief can be done followed by written recommendations. All gaps will be identified and filled. Before any media contact can occur, including testing the success of the spokespersons media training, the spokesperson must be made aware of all their verbal and non-verbal communicative attributes. These attributes are used in all media encounters ranging from face to face, a radio, television, and telephonic interviews.

It is via non-verbal communication that management and workers continually send messages to those around them. Many of these messages are sent verbally and intentionally and many sent non-verbally and without intent. Non-verbal communication is all intentional and unintentional messages that are not written or spoken (Rensburg, 1991:21). Non-verbal communication is also termed bodily communication (Kinesics) and takes place whenever one person influences another by means of facial expression, tone of voice, gestures and spatial behaviour (Argyle, 1993:2). This points to the fact that non-verbal communication conveys non-linguistic messages (Tubbs & Moss, 1991:137). Journalists not only listen to a financial company spokesperson's verbal messaging, they also listen to what is said non-verbally (Planting, 1998; Gordin, 1998 and Pengelly, 1998). The journalists then expose their readers to verbal and non-verbal messages that they have received.

All these non-verbal aspects of communication are important factors (Regester,



1996). While sometimes there is a need to have a male or female spokesperson the most important aspect is still to have clear understandable messages (Seymour, 1996). Understanding that some people look and sound awful and choosing the right spokesperson is an important function. A company spokesperson needs to be ready for the media when a crisis appears and the media is on their doorstep (Regester, 1996).

The aspects of non-verbal communication are:

**Personal appearance:** People do not have control over body elements like height, skin and hair colour, people do have control over clothing, hairstyle and jewellery. Appearance does provide visual clues to age, gender, status and even personality (Steinberg, 1994:65). One of the most important aspects of personal appearance is clothing. In the professional and business worlds, what the company's spokesperson thinks of his clothes and appearance, is not nearly as important as associates, the media and members of the different publics think of the spokesperson. It is impossible to wear clothes without transmitting social signals (Morris, 1978:213). Facing the press, the company spokesperson's appearance and clothing will help to assess their status, credibility and power of persuasion (de Wet & Rensburg, 1989:53). In a crisis situation the spokesperson will need to be appropriately dressed wearing dark clothing, which will demonstrate authority and control (Castle, 1996). This can be called impression management or power dressing. The spokesperson should look smart, sophisticated and elegant and should steer away from shining jewellery, baggy or tight clothes and bright colours (de Wet & Rensburg, 1989:53).

Stovin-Bradford (1998) and Cicutti (1998) both place a different emphasis on non-verbal communication. Both are influenced more by a person who knows what they are talking about compared to a person who dresses well but can impart little factual value.

**Kinesics:** According to Steinberg, (1994:60), Birdwhistell was one of the first theorists to suggest that communication is not restricted to verbal communication and that there is a significant connection between physical behaviour and spoken language. He termed body movement, gestures, posture, facial expression and eye contact as kinesics, which fall within the broad field of non verbal communication. Communication occurs all the time through gestures, eye, facial expressions and posture (Montgomery 1979:4). All of these are types of body language that communicate something to other recipients. The following factors form part of non verbal communication:

- Eye contact - this can be used to control the flow of communication, by breaking eye contact with one journalist will indicate that it is time to accept questions from another. The image a financial company spokesperson wishes to communicate is one of honesty, integrity, professionalism - eye contact plays an important role in this. In any interview and social situation where a journalist deals with a company spokesperson, eye contact is very important because it affects the journalist's opinion of the respective spokesperson (Planting, 1998; Stovin-Bradford, 1998 and Cicutti, 1998). The more eye contact between the spokesperson and journalist the better as this promotes trust and believability (Planting, 1998; Gordin, 1998 and Pengelly, 1998).

It is important to maintain direct eye contact with the reporter and keep facial expressions pleasant, no matter how provocative the questions are (Diamond, 1996:12). A direct gaze with strong eye-to-eye contact can demonstrate anger, or by avoiding eye contact, an association with shifty and untrustworthy behaviour can be made (Rensburg, 1991:21). For some journalists, having no eye contact becomes untrusting, especially if the financial company's spokesperson looks away all the time (Pengelly, 1998 and Cicutti, 1998). It is also contended that in western communication encounters, not maintaining eye contact can be interpreted as being rude or

untrustworthy, yet in Africa, for example, not maintaining eye contact is seen as a sign of respect (Heydenrych, 2000). Eye contact is important because it is a message of wanting to tell the truth and implies that there is more than just an impersonal imparting of information (Stovin-Bradford, 1998 and Cicutti, 1998).

In an interview or public address situation, speakers build rapport with their audience by communicating directly with them (Seymour, 1996) and this requires the speaker to maintain direct eye contact (de Wet & Rensburg, 1989:52). Maintaining eye contact will allow the speaker to perceive the interaction of the audience and pick up their non-verbal communication such as frowns, shaking of heads and even whispering. Maintaining eye contact with the audience is also important to manage nervousness because by looking at them, the spokespersons own nervousness will at first go unseen, and then disappear (Janner, 1986:65).

- Body movement, body language and gestures – gestures are movements of hands, feet or other parts of the body. Gestures are a medium of communication (Bryant & Wallace, 1969:22). Some are intended to communicate definite messages, others are involuntary social cues, which may or may not be correctly interpreted by others (Corner & Hawthorn, 1993:31). When the company spokesperson feels tense during a press conference or interview, they will give this away by rubbing their eyes, back of the neck or even the nervous touching of the forehead. These actions are called gestures, which send a visual sign to an onlooker (Morris, 1978:24). Body movements should not be extreme or unnecessarily cold (Planting, 1998; Gordin, 1998 and Pengelly, 1998).

The combination of numerous gestures is termed clustering, which occurs out of context to verbal sentences (Pease, 1992:132). It is important for the financial company's spokesperson to be aware of his gesture clustering as it

can provide a detailed message to those watching the interview. Perceptive recipients of a non-verbal message or clustered gesture can accurately read and match them against the person's verbal sentences (Pease, 1993:14). It is important for the spokesperson to realise that their gestures must not undermine their speech (Bryant & Wallace, 1969:236).

Hands, fingers and feet that move all the time are non-verbal indicators of tension (Hamilton & Parker, 1990:134). This is supported by Seymour (1996) who adds that effective gestures are an integral part of the communication process and they should not be unnatural, distracting or irritating. The way that a speaker responds with his body and face to the introduction and the way that he approaches the lectern or speaking area are already part of his speech (de Wet & Rensburg, 1989:51).

During an interview, the face of the company's spokesperson and their body telegraphs their emotions. The answer is to be relaxed and lean forward to improve believability (Diamond, 1996:12). Facial expression is an important determinant of the impact of a message upon an audience and facial expressions should co-ordinate what the speaker conveys verbally (de Wet & Rensburg, 1989:52). The correct body language sends off the correct message, the speaker at a media conference should adjust their clothing and then wait for silence prior to speaking (Janner, 1986:12). According to Argyle, (1993:188) there are three main types of body language used in business and social interactions:

- \* *Emblems* are non-verbal acts like hand movements that have a direct verbal translation.
- \* *Illustrators* are movements directly tied to speech and illustrate what is being said verbally.
- \* *Self-touching* is body focused movement which supplement facial expressions.

**Paralanguage:** Paralanguage, also termed paralinguistics, is the vocal cues that accompany spoken language (Steinberg, 1994:65). In any interview situation, the financial company spokesperson will have to verbalise their views and opinions. Verbal and vocal communication refers to communication through the spoken word (Tubbs & Moss, 1991:136). The manner in which this is done will affect the spokesperson's message.

The spokesperson needs to reflect the credibility of the organisation they represent. As such their presentation is extremely important. Vocal ability will add to an impression of honesty, confidence and integrity and reflect the culture the organisation wishes to reflect. It will also show that the spokesperson knows what they are talking about (Planting, 1998; Stovin-Bradford, 1998 and Pengelly, 1998).

Gordin (1998) would like all spokespeople to be articulate but realises that not everybody is. Some journalists find the concept of spokespeople's vocal abilities ironic because they expect to be able to speak any way they choose, but they also expect a company spokesperson to speak to them correctly (Cicutti, 1998).

The spoken language is more than words and sentences. The company spokesperson's voice must allow him/her to be heard and understood and he/she must also be aware of these factors before addressing a press conference. The company spokesperson can improve their speech by concentrating on the following factors of delivery (de Wet & Rensburg 1989:50 and Hance, Ralph & Wiksell, 1975:256):

- Articulation and pronunciation - articulation is the production of clear and distinctive sounds in words while pronunciation is the acceptable method of sounding words.
- Loudness - loudness is the intensity and strength of the sensation received by the audience and the amount of breath that the speaker will use to get his/her

message out. A journalist can make the financial company spokesperson angry by asking certain types of questions. By increasing the loudness of certain syllables is a give-away to the journalist that they have hit a nerve (Argyle, 1993:144). The loudness of a spokesperson's voice is interpreted, by recipients, on a scale from soft to loud (Bryant & Wallace, 1969:251).

- Pitch - the highness or lowness of the voice is the spokesperson's pitch, which can reveal their emotional and physical condition. If the financial company spokesperson becomes anxious during an interview, his raised pitch may give him away (Argyle, 1993:144). The pitch of a spokesperson is also interpreted, by recipients, on a scale from low to high (Bryant & Wallace, 1969:251).
- Quality - vocal quality can be harsh, nasal, dull, husky and even flat. The quality of a spokesperson's voice is also termed their 'timbre' and it is interpreted as that which makes a voice recognisable, distinctive, pleasant and unpleasant (Bryant & Wallace, 1969:251).
- Time - the spokesperson should never speak too quickly, while speaking he should consider the audience's familiarity or unfamiliarity with the subject matter.




In addition, Steinberg (1994:65) also identifies vocal interferences as aspects of paralanguage. Vocal interferences are the sounds and words used when in conversation when there is hesitation or the right word can not be used. These interferences, like the use of "well", "uh", and "you know" become problematic if they are used too often and interrupt the listeners' concentration.

The speech type used by the financial organisation's spokesperson during a crisis situation should be persuasive and informative to influence the opinion and behaviour of an audience. In doing so, the speaker suggests that the audience should accept their view (Bryant & Wallace, 1969:18).

**Proxemics:** Proxemics refers to the study of people's perception of how space

communicates information (Steinberg, 1994:61). Distance and personal space – the space between a spokesperson and their audience/s can carry a message (Tubbs & Moss, 1991:143).

The use of interpersonal space or distance helps individuals regulate intimacy by controlling sensory exposure (Gudykunst *et al.*, 1995:316). The company spokesperson will speak at a public distance, which involves the speaker and a large audience, possibly made up of journalists and media representatives (Rensburg, 1991:21). If the company spokesperson needs to speak to a journalist it may also be at a social distance, which is 4-12 feet, compared to public distance which, is 12-25 feet (Argyle, 1970:144). Speaking to a journalist could be in a one on one situation or in a public place like a company function room. The social distance is used for formal business purposes and the people interacting speak louder and have very visible body movements. Personal space must be observed. These factors are all-important and affect the message (Planting, 1998; Gordin, 1998 and Pengelly, 1998).



**Chronemics:** Chronemics refers to the manner in which human beings communicate through their use of time (Tubbs & Moss, 1991:147). Time is an important non-verbal communication factor in the business world. If the company executive is late for a press conference then this could indicate to the media that either the company is not serious about dealing with the crisis or there is an issue that had just arisen (Rensburg, 1991:21).

It can also be proposed that time varies from culture to culture. In some countries it may be acceptable to arrive late for a meeting, while in other countries it is expected that participants will arrive early. In societies that are flexible about time, the emphasis is more on social relationships than on productivity (Steinberg, 1994:63).

All these non-verbal aspects of communication are important factors (Regeester,

1996). While sometimes there is a need to have a male or female spokesperson the most important aspect is still to have clear understandable messages (Seymour, 1996). Understanding that some people look and sound awful and choosing the right spokesperson is an important function. A company spokesperson needs to be ready for the media when a crisis appears and the media is on their doorstep (Regester, 1996).

#### **6.4 Press conference and public address preparation**

While the company spokesperson will train to speak to the media, they should also undergo training on how to address large groups of people. The company spokesperson could encounter these groups of people in the form of a large amount of disgruntled employees and shareholders or just members of the public. Arguably one of the most difficult groups to address is a full media contingent of journalists from the various newspapers, magazines, radio, TV and the Internet publications.

Some of the issues that the company spokesperson may encounter and will have to prepare for are:

**Speech fright:** Tension, nervousness and speech fright are all natural phenomenon in the speech-making situation. Nearly all speakers experience speech fright, which is basically helpful as it gets the adrenaline going (de Wet & Rensburg, 1989:53). This is natural for all speakers to feel before addressing an audience and the solution offered by Montgomery (1979:4) is to put the tension and nervousness to work by getting into action – by using the feelings of tension and nervousness to drive the speaking opportunity forward. The calm and controlled speaker is in fact acting and is disguising nervousness in a practised simulation of indifference because if the spokesperson was not nervous, there would not be any energy to talk (Turk, 1997:101). The term speech fright is endorsed by Zimmerman, Owen and Sibert (1980:233) as it characterises the



anxiety and nervousness in speech making. This anxiety is an emotional response to a situation based on the anticipation of negative consequences (Gudykunst *et al.*, 1995:75).

There are numerous causes of nervousness in speakers and these range from the size of the audience to the issues being discussed, the difficulty of the subject matter and especially the vulnerability of the speaker's public persona (Turk, 1997:104). Speech fright can be managed by preparing well for the speech (Montgomery, 1979:5), knowing the specific audience, rehearsing the speech well and using physical techniques like muscle releasing, stretching and even breathing (de Wet & Rensburg, 1989:54). "The key to confidence is to know both your subject and your audience." (Janner, 1986:66.).

**Fidgeting:** Clients should be trained not to fidget during an interview. Playing with a pen or pulling an earlobe are all distracting mannerisms (Cole, 1981:166). The company spokesperson should relax and be themselves during the interview. They should, however, not be too conversational because they are not there to engage in conversation (Baker, 1996). The speaker must keep still and know what they want to do with their hands. The financial company spokesperson's fingers can be pressed on the table or lectern, and hands can even be placed behind their back (Janner, 1986:67).

Fidgeting is not seen by all journalists as a major issue of concern (Gordin, 1998 and Stovin-Bradford 1998). However, fidgeting may also be seen as a signal that there is something to hide (Pengelly, 1998) and this could cause some journalists to react by closely analysing the situation (Planting 1998).

**Dealing with the heckler:** Montgomery (1979:72) defines a heckler as someone who badgers with questions, jibes, insults and comments. The heckler is actually quite rare in public communication. The company executive must know how to deal with a journalist or member of the public who may try to heckle,<sup>f</sup>

embarrass or destroy him (de Wet & Rensburg, 1989:54). The worst thing that the financial company spokesperson can do is to lose control of themselves, if they do, then the loss of control of an audience is a real possibility (Janner, 1986:158). Montgomery (1979:72) agrees with this and cautions against trying to compete with the heckler as it detracts from the speaker's image. Zimmerman *et al.* (1980:339) offer the following solutions to manage hecklers:

- The financial company spokesperson has the legitimacy to speak, the heckler does not. The financial company spokesperson thus has the psychological power.
- While the financial company spokesperson is heckled, the heckler often embarrasses the audience. Often the financial company spokesperson can count on the audience as an ally.
- Some hecklers may not be aware of the inappropriateness of their behaviour. The authors suggest that a brief remark from the speaker may be all that is necessary to quiet them down.
- The speaker must be firm and attempt to maintain reasonable control.

The best thing a speaker can do to prevent heckling is to keep the speech moving, use visual aids and be alive and active. Points of agreement must be concentrated on, and points of disagreement must be stated. The speaker should never show that he is irritated, as this will only bait the heckler (Montgomery, 1979:73).

**Answering the questions:** Once the financial company spokesperson is finished addressing the media, he may want to allow for a question and answer session, and he needs to know exactly how to answer these questions. According to Turk (1997:237), the four most common reasons for disaster during question time are:

1. Failing to repeat the question so the rest of the audience can hear it.

2. Answering the wrong question, and failing to see the point of the question that was asked.
3. Talking for half as long as the original talk in answer to one question, and almost giving a new talk when everyone else is ready to go home.
4. Failing to be fair to people in the queue to ask questions, and letting the discussion become a riot with everyone talking at once.

To give an effective reply, the financial company spokesperson should make sure the following factors form part of the question and answer session (Samovar and Mills 1986:249, in de Wet & Rensburg, 1989:55):

- Politeness: Regardless of how naive, irrelevant or poorly worded the question is, the speaker should always treat the question with dignity.
- Straightforwardness: Audiences are quick to sense evasiveness, if a speaker does not know the answer to a question, it is better to say so than to try to divert the issue elsewhere.
- Brevity: The company executives must ensure that his answers are as brief as possible, but complete. The company executive must not answer questions that are not even asked.

There are some specific rules for answering questions, (Ross, 1977:393; Baird, 1981:284; Hasling, 1976:24-25 and Hance *et al.*, 1975:300):

- The speaker must anticipate as many questions as possible.
- When a question is asked, it must be repeated loudly enough for all to hear to determine if he and the rest of the audience heard it correctly.
- Questions that are long or convoluted should be shortened and clarified with everyone by the speaker.
- Questions that are loaded should be rephrased and labelled by the speaker
- If the speaker does not understand a question, he must say so. People that ask pertinent questions must be congratulated.

- If the speaker does not know the answer to a question, then he should say so
- Answers to questions must be addressed to the person asking the question, and the whole audience.
- The speaker must remain in control and not allow the session to become a discussion forum.
- The speaker may want to take his time answering easy questions to stall the more difficult ones.
- The speaker must also get the last word in.

In getting the last word in, Montgomery (1979:69) proposes that the speech is not over until the last question is answered and the speaker sits down. He suggests:

- Concentrating on the individual asking the question.
- Listening to the content and intent of the question.
- Acknowledging the question when the audience is large.
- Asking for clarification if the question is not clear.
- Answering the question clearly, specifically and briefly.
- Verify the listener's satisfaction when it isn't obvious the question has been answered clearly.
- After the question has been acknowledged, look at the whole audience when answering the question.
- If you do not have an answer to a question, admit it.
- Be factual and accurate.

Dunn (1993:68) advises against using professional jargon and technical terms and advises to be prepared, not scared. Whenever a question is asked the main message of the company in crisis must be worked into the answer (Fink, 1986:114).

A technique that might be used to deal with critical questions is called "put the boot on his foot" (Pease, 1989:120). This technique proposes the financial

company spokesperson asking the interviewer what they would have done had they been in the same crisis situation. Fink (1986:113) would not agree with this method as he proposes that people are more inclined to remember an answer given as opposed to a question asked.

Lexis PR joint managing director Bill Jones (Nicholas, 1995:41) identifies a vital issue that Ross (1977:393), Baird (1981:284), Hasling (1976:24-25), Hance *et al.* (1975:300) failed to identify and that is that clients must be convinced not to take questions personally.

## **6.5 Conclusion**

The importance and value of media training must not be underestimated. Facing and managing the media are one of the bridges between a company, whether in crisis or not in a crisis, and its various publics. Being media trained will facilitate the company spokesperson in getting the company's messages out to its various publics. The media must be seen and used as the key conduits to reach all the relevant publics. Not being media trained will result in the media being ineffectively used to reach key publics as well as an uninformed public. The consequence will be serious damage being done to the company in crisis.

The media carry the company spokesperson all over the world and are met and received by the recipients as if the spokesperson is in a circle of their peers. The result of poor or no media training is a spokesperson that does not know how to manipulate their non-verbal communication to complement their verbal communication while in the process of communicating to different publics.

The fact that the media can carry a spokesperson's or their company's image world wide in a split second, impacts on the recipient's judgement of the situation at hand, making media training so important. Failure to communicate at any time, especially after media training, will result in a public who are poorly

informed about a company before a crisis, thus affecting the perception about the company even more when a crisis occurs.

The implications of not being media trained for any situation, inclusive of a crisis situation could prove to be disastrous for any company, potentially changing the future of their company forever. The perceptions of the media and various publics that surround the company could be negatively affected to such an extent that the company, in addition to unrolling its crisis management plan, may also have to unroll a plan to win back lost and prospective clients and rebuild its image within the media. Not having a media trained company spokesperson could effectively inhibit the growth of a positive image for a company concerned and cost its owner/s their business.



## **Chapter 7: Managing the media**

### **7.1 Introduction**

The previous chapter discussed media training and all its related concepts and this chapter examines the importance of managing the media. The basic tenant being that if a person is media trained, they should be able to manage the media.

One constant in commercial life is the threat of bad publicity. The way communications with the public and the media is to be handled must form an essential element of any plan. Dunne (1990:92) is of the opinion that the media invariably puts organisations experiencing a crisis under a spotlight, and these organisations must be prepared to respond and defend themselves against unfair criticism. It is also true that organisations must be prepared to act when fair comment is made. For example, if the media start to state that a particular company has the best products available or offers the best customer service, that company must seek to reinforce what the media is saying. The media either initiates attention to a particular company or issue, perhaps as a result of an investigation, or more usually, they respond to something that has happened within that organisation (Stonborough, 1996:2).

This chapter considers all the key aspects that make up media management. The agenda setting theory, gatekeeping, hypodermic needle theory, two step flow theory and multiple-step model are discussed to illustrate how the media work. The theories considered are not analysed in order of their chronological order of development, the theories are considered based on the context of relevant media issues.

The strength of the company's relationship with the media depends on how closely the company has worked with the media prior to the crisis. The establishment of a close working relationship with and understanding of the

media prior to a crisis situation will facilitate the management of the media during a crisis. Media management and media relations are also discussed in detail.

The media also need information to be transmitted through to them via information dissemination as well as press conferences and interviews. These are also discussed.

The final aspect discussed contends if the media can be used by a company undergoing a crisis, can this use of the media, “spin doctoring”, occur without the media being aware?

## **7.2 Media theories and effects**

To understand how important media management is in a crisis situation, it is proposed that the methods used by the media to transmit their messages need to be understood, from a theoretical perspective.

The media dominates the avenues of public information, serving as filters through which the public receives news and interpretations of incidents. The media does not create the crisis, but can move it to centre stage or out of public view (Nelkin, 1988:341). The information it conveys, its visual and verbal images, and the tone of its presentation can define the significance of events and shape the attitudes of the public. The timing, content and tone of media coverage can upset or reassure the public or even create fear and complacency. This is termed agenda setting and is one of the methods that the media uses to persuade. According to the agenda setting theory, the public agenda, made up of what people discuss, think and worry about, is powerfully shaped and directed by what the news media chooses to publicise. The media does not tell its recipients what to think, they tell them what to think about (Larson, 1986:272). Fourie (1988:17) explains this further by stating that every day, the media releases a list of topics – similar to the agenda of a meeting – which purport to be



most momentous events in the world. The omission of certain events and discussions, and the overemphasis of others, in the long run establish a particular conception of the world in the minds of recipients.

Closely related to the agenda setting theory is the idea of a gatekeeper who selects a certain story and puts it in a news broadcast or in the newspaper (Larson, 1986:273). Gatekeeping can be defined as the process by which a news item has to pass certain checkpoints (gates) before it is finally accepted as news material. Gatekeepers are the people or groups within the newspaper organisation that ultimately decide what is going to appear and how it is going to appear in the media (Oosthuizen & Faure, 1988:98-99).

Every day, these gatekeepers all over the world the media receive, transmit and disseminate information and messages. To manage the media it is important to understand how what is transmitted affects recipients. Many researchers have tried to adapt and negate their theories on the effect of the media. In the thirties and forties, it was generally accepted that the media has an astounding effect on the behaviour, thinking and attitudes of media users. Fourie (1988:8) and Heath and Nelson (1986:41) site the hypodermic needle theory. This theory equates the influence of the media with the effect of an intravenous injection: certain values, ideas and attitudes are "injected" into the individual media user, resulting in a particular behaviour. Anti-business advocates, like trade unions, have been somewhat successful in creating an image of public relations manipulating the press and public by injecting them with propagandistic information accepted (for the most part) unthinkingly (Heath & Nelson, 1986:41).

The hypodermic needle theory also ignored the interactive aspects of media communications as did the agenda setting theory.

The two step flow theory is an interactive model arguing that a dynamic, two-way relationship exists between sender and receiver; the source-receiver relationship

is thus interactive or interdependent. Rather than merely treating the process as going from sender to receiver and looping back through the feedback stage - as was originally thought in the hypodermic model - the more contemporary model treats the receiver as an active participant rather than a passive vessel (Fourie, 1988:11 and Heath & Nelson, 1986:41). Following on from the two step flow theory is the multiple-step model of diffusion which is similar to the two step flow theory in that it simply admits to more complex possibilities (Littlejohn, 1983b:275). According to this theory, the ultimate number of relays between the media and the final receivers is variable. By way of example, when the media transmit news about a crisis, some people will hear it directly from the media, others will be many steps removed and potentially hear the news based on third or fourth hand accounts.

While the two step flow theory and the multiple-step flow theory considers the media user being active participants in the perception of what they want to see and hear it is also postulated that the media reflect on what news events are taking place all over the world. In addition there is the perception amongst industry groups that the major role of the media is to monitor the world (watchman), and report back (Schramm, 1964:37). There is a strong belief in the business community that an anti-business bias exists among journalists and reporters that prevents business from getting fair, objective public exposure. This bias is believed to be particularly true of television news, which business strongly distrusts. A Harris survey of 600 high level executives revealed that 73 percent of the executives believed that business and financial coverage by television news is prejudiced against business (Anon. 25, 1982:26).

This could lead to the perception in an organisation and the media of an 'us' and 'them' relationship. This is disputed by Jennings (1990:126) who sees the company and the media as being interdependent. Corporations often presume that the press can and should be controlled and manipulated. For them communicating with the media involves disseminating information to their liking

(Susskind & Field, 1996:199).

While there may be criticism of public relations and media theories, any study on the effect of the media should also consider the following factors which co-determine human behaviour and attitudinal change (Klapper 1958, in Fourie, 1988:10):

- Media users are not at the mercy of the media, but selectively expose themselves on the basis of their own knowledge, experience, education and culture (uses and gratification theory).
- Users perceive selectively, they see what they want to see.
- The group (family, colleagues and fellow pupils) acts as a buffer against one-sided information.
- Societies have certain opinion leaders (parents, teachers, religious ministers) to whom media users defer when making a decision.
- In a free market capitalist system, the media itself provides divergent and competing interpretations.

### **7.3 Managing the media**

While the media theories have provided an understanding of how the media works it is the effective management of the media that is so important in crisis management.

The media must be managed because if a company does not manage the media, the media will manage the organisation in crisis (Castle, 1996). From a different perspective, Fearn-Banks (1996:3) says, "the media that you have tried to pitch ideas for news stories, the media who toss 'perfect' news releases in the trash, the media that never return phone calls – THAT MEDIA will call only on you in a crisis." In addition, it is also important to manage the media because in the real world, a crisis is a public happening and it is public because of the media

(Gottschalk, 1993:405). Public communication through the media is the most compelling tool the organisation has in a crisis. The media are essential for a company, as it is a conduit for communicating with a wide range of audiences. The media is the link between the organisation in crisis and the public (Castle, 1996).

The media can irreparably damage a company in crisis, or even positively help the company in crisis. If the media never existed, a crisis would still become public knowledge, but only on a very small scale (Baker, 1996). This is why controlling the nature of messages from the company is a key ingredient that is likely to limit damage. A company should frequently rate its skill in communicating with the media by considering the messages that the media have carried about the company in crisis as well as the incidences not covered by the press or broadcasting media (Jennings, 1990:135).

It is the news reporter that will carry the company's messaging in news reports. Dealing with these "news hungry" reporters certainly differs from talking on a day to day basis with a friendly features writer (Nally, 1991:64). Irrespective of what they are told, the reporter and media have the full right to report on any story that they wish (McLaren, 1996 and Seymour, 1996). By being easily accessible as well as open and honest to the media, it can easily be managed (Castle, 1996).

If the crisis should break (whether there is a company spokesperson or not), Pinsdorf (1987:52) offers five tips to "fight a media firestorm:"

1. Know how reporters work. Understand what their agenda is, what they know, what they think they want to know, and it must be decided whom the company in crisis wants to communicate with through the media. Just answering the media's demands is not enough. What needs to take place is actually deciding how to manage the media with a clear objective of delivering a message to the audience who needs to receive it. This could include,

briefing or preparing spokespeople, providing statements, information or even having a press conference (Seymour, 1996).

2. Organise for turmoil the same way a strategic plan is developed.
3. View the organisation as others would.
4. Be sure that the organisation is clean and in order. If not, tell the truth up front.
5. Maintain a healthy personal balance, objectivity, and if possible, a sense of humour.

The specialist media and press must constantly receive attention and information during a “media firestorm” as well as periods of calm, before, during and after the crisis. The generalist press and media must have simple information readily available to prevent them from sourcing information from third parties or relying on ignorance and prejudice (Stonborough, 1996). Baker (1996) differs from Stonborough (1996). She diversifies from the media as being a central factor in the crisis. She views the importance of managing the media during a crisis as vitally important, but secondary to managing the staff at the company in crisis and “nobody ever thinks of that.”

One danger is that very often the media will not be managed in a crisis as some organisations may adopt the objective of keeping the media away and out of the crisis situation. Often when the media come “knocking” there is very much a siege mentality in the way that organisations view their relationship with the media (Dyer, 1995:38). Management often sees journalists as unreliable people who continually ignore the facts and may feel that that if the media is not spoken to, it cannot do any harm. This is termed “ostrich management” and in times of crisis, too many organisations consciously hide from the media (Asprey, 1993:16). This can be prevented by establishing contacts with the media, and making sure they know the company and understands who the corporation is and what it does (Baker, 1996). Then when the crisis does strike, the company has the credible footing to start resolving it (Baker, 1996 and Montgomery, 1979:76).<sup>†</sup>

If the company is caught on the back foot it will be fighting the media defensively far longer than the actual crisis.

Therefore the solution for a company at the centre of a crisis managing its own communication is to quickly and firmly establish itself as the authoritative source of information about what is going wrong and the steps being taken to deal with the situation. It must be seen as willing and able to co-operate with the media and other external groups from the outset (Regester, 1989b:106). Should the organisation involved in the crisis not be able to respond promptly and effectively by providing as much information as possible to the media, then the consequences will be dire (Nally, 1991:68). These consequences could range from closure to law suites to a loss in sales and key clients. The fundamental difference is that the media do not know the crisis as well as the crisis team, and it has a responsibility to explain the facts in context. The media must be given information on time and to make sure that the company in crisis is not withholding information that it is credible and proactive. The management of the media must also be done consistently and transparently (McLaren, 1996).

Often the media are not in possession of the full facts, and if the facts are not given, then it will go to third parties or the next best source for information and commentary, which the crisis team cannot control. This is why the media needs a point of contact where it can get hold of a representative of the company in crisis (Castle, 1996).

In a crisis (and non crisis) situation, public relations practitioners may try to manage journalists to prevent them from going to these third parties for further information. Planting (1998), Cicutti (1998) and Gordin (1998) believe that public relations consultants have the ability to manage journalists to prevent them from looking to third parties for information. This was evident when Lloyds of London, a global insurance organisation, faced unprecedented negative media coverage

on TV, radio and in the print media and effectively managed the media onslaught (Farish, 1997:30).

In the period 1988 to 1992, when the bottom fell out of the insurance market, total losses at Lloyd's, a global insurance company, amounted to eight billion pounds. Lloyd's 34,000 members, or Names (written with a capital), acting as sole traders with unlimited financial liability, had to foot the bill.

Many could not pay, and some that could refused. A 14,000-strong members action group sued their Lloyd's members' and managing agents. Predictably, the crisis "kicked up a storm" in the media. With its own central resources under severe strain, Lloyd's very existence was under threat.

In May 1995, a new management team launched a reconstruction and renewal (R&R) programme. This aimed to end the litigation surrounding Lloyd's and bring an affordable finality to members' affairs by reinsuring all their 1992 and prior year liabilities into a specially-created reinsurance company called Equitas.

To ensure members' acceptance and the success of R&R, Lloyds and The Maitland Consultancy (Lloyds PR consultants) launched a world-wide communications and media campaign, recruiting members known to be in favour of R&R to speak to journalists. It kept in daily contact with key journalists. To counteract adverse coverage from opponents of R&R, the team sent letters and articles to the media to correct any misconceptions that appeared.

Focus group research provided information on members' attitudes to the settlement offer and prompted changes in tactics at critical points in the campaign. Media evaluation was crucial, and enabled specific targeting of media response efforts.

On 23 August 1996, the whole rescue bid looked in danger of derailment by a ruling against the R&R package by a Virginia judge before it was overruled only two days before the deadline. By the 28 August 1996, 95 percent of the total membership had accepted their offers. On 4 September, the Lutine bell rang three times, to mark the unconditional acceptance of the settlement offer and the formal authorisation of Equitas.

One of the key principles in managing the media is thus the perception the company wants the public to have versus the reality. The more the media, their objectives and their needs are known, the more insurance a company is going to have to minimise the risk in a crisis situation (Prasky, 1994:16). The fact is that the media wants to publish a story about the issue at hand and it is much better that the story comes from the financial institution's perspective and not someone else's – it is all about seizing and maintaining the initiative (Stonborough, 1996).

While Castle (1996); Baker (1996); McLaren (1996); Stonborough (1996) and Gottschalk (1993:405) all use the term "manage the media," Regester (1996) does not like to use the word "manage" when dealing with the media. He believes that the media is never managed, what is managed is the information being sent to it. The key is to manage the message sent to the media, and it must be done openly and honestly. Managing the message must be done quickly. The people responsible for getting the message across must undergo the most vigorous training before facing the media.

#### **7.4 Media relations**

Managing the media refers to the process in which the media and messages sent to them are controlled and media relations refers to the building up of a relationship between the media and a company spokesperson or public relations practitioner.



Being able to manage the media means having effective relations with them. Management who understand the importance of an open communications policy are enlightened management and senior people in industry must accept that, by talking regularly to journalists, their perception of the organisation and attitude towards it can be influenced (Asprey, 1993:16).

Dettelback (1993:27); Castle (1996); Baker (1996) and Sheldon Green (1994a:45) agree with this as a good and open relationship with the local media will pay dividends under any circumstances. Crisis communications built on well established relationships with key audiences stand a better chance of protecting, even enhancing company reputations in times of difficulty (Seymour, 1996; Planting, 1998 and Stovin-Bradford, 1998). The corporation in crisis will also have access to a key channel for distributing information. Without a relationship, there is no possibility of taking advantage of this relationship to limit potential damage or to do a small favour for a client (Planting, 1998). Media relations are thus one of the most important public relations activities (Wragg, 1992:255). It involves taking news to the editors, taking the editors to the news, creating relevant news stories and managing the news (Adcock *et al.*, 1995:264). Media relations are also geared towards achieving maximum publication or broadcasting of information in order to impart knowledge and secure an understanding of an organisation (Bredenkamp *et al.*, 1988:94). Levine (1993:15) agrees, stating that the press should be courted so that their "hot buttons" can be learnt before the crisis arises.

Seymour (1996) supports this with his comment:

Targeting the media is a high priority for the financial company. One of the givens is that you must have a relationship with the media. A company that chooses not to have a relationship with the media is wrong; you do need to have a relationship with the media. I always say I do not understand how you can conduct business without communications or how you can conduct business without the media, so you do need a relationship.

While Seymour (1996) may advocate the building of relationships with the media, there are companies who chose not to interact with the media at all (ostrich management), infact these companies avoid the media. One of the best methods to prevent the desire to hide from the media is to also manage an effective media relations program. The objective is the maintenance of regular contact with journalists so they will know the company and its (senior) staff members. It therefore also becomes apparent that two way communication is an important facet of media relations. Many organisations do not consider two-way communication, where the organisation influences and is open to influence. The public's concerns are brushed aside in order to maintain a good image regardless of what is happening in the organisation. Media relations are stripped of any consensus-building role it might play and is instead narrowly defined in terms of advocacy for the company's view (Susskind & Field, 1996:199).

In Seitel's (1992:362) interview with, Andrew Edson, senior vice-president and managing director of Padilla Speer Beardsley, Inc., a leading Minneapolis-based PR consultancy (in the United States of America), Edson viewed contacts (individuals known to the public relations consultants) in the media as very important and highlighting the concept of two way communication. He commented "... basically it is a two way street. The newsperson wants your help when he or she needs it. Conversely, there will come a day when you will need something in return. Good media contacts are invaluable in practising public relations."

A prime requirement is therefore to know the media market, and how to work constructively with it (Williams, 1989:1). The company that takes the trouble to understand the different priorities of the different types of media, from trade and business, to local, regional and national has an invaluable tool which can be used quickly, is flexible and can work extremely well in the company's interests. Effective media relations can certainly help to get the company's message across and the secret of good media relations is to take the trouble to find out

how the media works and to identify who the key journalists are. Then an open and honest relationship created by working constructively with journalists whether the news is good or bad (Williams, 1989:5). It is the journalist's responsibility to get the news, no matter how good the relationship is that they have created (Jennings, 1990:127).

When it comes to the media getting their stories, Adams (1992:30) states:

- The news media will generally ignore an organisation's experts in favour of government and activist sources. The solution is to establish credible outside sources, which have knowledge of the organisation and its risk management programme. These sources should meet respective journalists as often as possible. The danger here is that the journalists could treat these people as tools of the organisation in crisis.
- Journalists often lack knowledge of anything past "who, what, when, where, why and how." This often makes them susceptible to pro and anti arguments. The solution is to prepare objective and simplified background materials for the media.
- Journalists tend to personalise stories by focusing on people facing real decisions. In this case the solution is to prepare answers, make use of good solid comparisons.

Commenting on media relations at a time of crisis, Torn of Paragon Communications (in Farish, 1996:7) said that "you can manage your relationship with the media but you cannot manipulate it. Those who think you can are sadly mistaken." The more an organisation tries to understand the media, their likes and dislikes, the more success an organisation is likely to have.

There is no way that a company can prepare itself for every eventuality, and there is no guarantee that a company will emerge from its own "nightmare" unscathed. There are some very basic media relations principles that can be

followed to - at the very least - minimise the damage (Diamond, 1996:12):

- **Provide media access to top executives:** When faced with a serious crisis, it is effective to have a senior executive talk to the media. Having access to the CEO of a financial company in crisis is very important as he/she signifies the company and speaks with the most authority within an organisation (Planting, 1998 and Stovin-Bradford, 1998). The media should never be stonewalled, nor should the company executive be inaccessible to them (Adams, 1992:29).

The words of a senior officer, especially someone who makes policy, carry more import than the same statement from a designated communications specialist or an employee at the scene (Stevens, 1985:64). If the CEO of a financial company is nowhere to be seen then many journalists could reflect this in articles they write, even advising readers to sell their shares before it is too late (Stovin-Bradford, 1998). This CEO needs to be willing to take the blame or “calm the seas” (Pengelly, 1998).

Spokespeople should not be changed midstream. These spokespeople should also be carefully chosen, as they alone should speak publicly (Stonborough, 1996:16). Nothing makes the media more frustrated than not being able to get to a source in a timely manner. The top executive of the financial company therefore needs to arrange his/her schedule to include accessibility to key media representatives. A three minute interview on a top local news show can often do more for the company's health than three hours in boardrooms and offices (Levine, 1993:11).

Shell (1993a:11) refers to a 1993 survey conducted by Porter/Novelli, a New York Public Relations firm, in which only 9% of respondents trust company executives and only 23% of the public will trust a journalist while a company is in a crisis. The informed businessperson would make themselves readily

- **Provide information from the viewpoint of the public interest, rather than the company's interest:** Executives are accustomed to think in company terms and may find this difficult. This is precisely the time when it is most important to report events in the context of public interest (Stevens, 1985:64). When a financial company spokesperson provides information on a crisis, it should be given from the public interest. The man in the street is the company's lifeblood. Whatever information and answers are given have to be tailored in such a way so that they can be understood by the person in the street because that is ultimately the only way the financial organisation can hope to survive (Cicutti, 1998).

Adams (1992:29) agrees with this when he says, "do not disseminate self-serving information," this is called "taking it to the people", which means that the company in crisis must never lose sight of the fact that its ultimate audience is its customers (Levine, 1993:11). This is called piercing the corporate veil which amounts to thinking like the person affected by the financial crisis and is a way to understand what people who are affected by the crisis will feel like (Delaney, 1991).

The information given to the media must be tailored to suit the company's client base, this will show that the company is "ethical and impartial" (Stovin-Bradford 1998 and Pengelly, 1998). The organisation in crisis should not be promotional when dealing with the media because a crisis is not the time for a company to pitch its products or services (Reinhardt, 1987:44). Concern should be stressed for the public - the people who read watch and listen to the news and the audience should be thought about (Brickman, 1989:7). First impressions do count and the financial company spokesperson must make sure they show that they care and are taking whatever positive action is possible (Diamond, 1996:13). The company's concern must be demonstrated and it must be shown that the company is upset by the emergency, without causing panic (Reinhardt, 1987:44). However, if the implications are

significant for the company concerned, but with few ramifications for non-shareholders, then the information needs to come from a company perspective (Planting, 1998).

- **Respond to all media inquiries:** When a company in crisis starts getting media requests and enquiries, it should reply to all of them (Planting, 1998; Stovin-Bradford, 1998 and Cicutti, 1998). Media inquiries should never be dodged and a record of all media inquiries should be maintained so that management can honour every request (Stevens, 1985:64). Journalists will see the fact that their inquiries are not answered and will identify this as a possible delaying tactic (Gordin, 1998) that sends out a signal that the company is indeed in a crisis situation that is out of control (Stovin-Bradford, 1998).

Financial company spokespeople should also be available to all journalists (Stonborough, 1996:16). If the company at the centre of the crisis is seen to operate professionally under pressure, keeping interested parties informed, it can only help to safeguard its reputation (Regester, 1989:117). If all media inquiries are answered, this will send out a signal of transparency that can only work to the company's advantage (Planting, 1998).

If a reporter is promised further information then it should be delivered as soon as possible. Conveniently forgetting to answer a request may return to "haunt" the organisation when the interview is printed (Seitel, 1992:350).

- **Avoid making "no comment" statements:** Saying "no comment" can be interpreted as an admission of guilt. Saying no comment to a journalist highlights two facts to them. Planting (1998) and Stovin-Bradford (1998) see the financial organisation's spokesperson as being either unnecessarily incommunicative, acting in a defensive manner for some reason and having something to hide. As journalists, when Pengelly (1998) and Gordin (1998)

get a “no comment” answer, they see this as the spokesperson having something to hide, which attracts them to the crisis even more. Some journalists will find a person who can tell them what the no comment is about. In the financial sector, journalism is a tactics game (Gordin, 1998 and Stovin-Bradford, 1998).

Cicutti (1998) differs completely. He does not read into anything specifically when he is given a “no comment” answer. The no comment has to be in the context in which the question is asked and the answer is given. He would not really hold the “no comment” against the person saying it.

The statement “no comment at this time” is an acceptable response until all facts are known, analysed and ready for dissemination. The media must be told that all these processes are in fact going ahead, and the organisation will respond as soon as possible (Dettelback, 1993:28 and Nicholas, 1995:43). Planting (1998) stresses the need for the company spokesperson to explain to the journalist why they cannot comment and when they will be able to.

Edwards of Poole Edwards, a Public Relations consultancy in the United Kingdom, in an interview with *PR Week* (Farish, 1996:7) comments, “as for just refusing to say anything, that is usually a recipe for disaster, its an invitation for the media to try other routes.” In the same interview, Thorn of Paragon Communications says that, “... in the face of potential negatives, hiding in the hope they will go away, or resorting to no comment will give the media free reign to draw their own conclusions.”

Merdian-Lareau (1993:11) also refers to the 1993 survey conducted by Porter/Novelli, a New York Public Relations firm, in which 65% of respondents said that if a spokesperson says no comment, it means the company is guilty of wrongdoing. Saying “no comment” will leave the media to draw their own conclusions, unless a valid reason is given why there is no comment

available. Saying no comment to the public is an admission of hiding information or even guilt and if the company has not responded the public does not hear their side (Wragg, 1992:63). When it becomes known that a company spokesperson was unavailable for comment it is seen as an open invitation being issued to the media to pursue their line of questioning by any means, fair or foul (Nally, 1991:65). The result will invariably be inaccurate, speculative reporting which bears no resemblance to the truth. By saying “no comment” makes it appear that whatever the interviewer is asking is being confirmed (Dunn, 1993:69). Saying no comment will always be translated into two messages – “we are guilty as charged,” and “screw you” (Gottschalk, 1993:406).

- **Give the media the full story:** The facts and story about the crisis must not be dribbled out, because each new fact will bring a new headline (Reinhardt, 1987:44). It is best to get all the bad news out at once, instead of having it leak out in fragments that only prolongs the negative story in the news and damages the organisation’s credibility (Klepper, 1992:15). By getting all the bad news out early, the focus is shifted from the tragedy to the remedy and by providing as much information as possible will prevent information seekers from thinking a company is holding information back from them (Minetos, 1987:41).

At the time of a crisis some journalists believe that the media should be given the story as quickly as possible because the media attention will go away much more quickly (Gordin, 1998 and Pengelly, 1998). Technically Stovin-Bradford (1998) would not expect the media to be given the full story because he knows that the company in crisis will not want to divulge all the facts, but in an ideal world he would expect them to tell him all the facts.

With a story that has public consequences in the financial sector, the longer the story is going to drag itself out, the more trivial and potentially damaging



the information that is published becomes. Cicutti (1998) suggests telling what the story was, what happened, why it happened and why it will never happen again. It should all be done as quickly as possible. In doing so, markets and customers are being reassured.

Planting (1998) does not agree, believing that the crisis should be managed, so as to bring it under control or implementing change management procedures first. In this way negative news can be balanced with proactive steps. If the story breaks first, this must be managed by providing selected and trusted media with the facts - if not, reports could be exaggerated in the media.

- **Never speculate:** It is not advisable for a financial company spokesperson to speculate publicly about that which they do not know (Reinhardt, 1987:44). It is inappropriate for management representatives to be involved in guesswork or speculation about any aspect of a crisis or about policy. Speculation is sure to backfire and guesswork can mistakenly be reported as fact, leading to misconceptions difficult to counter (Stevens, 1985:64). This is why speculation and untruths should also be avoided (Regester, 1989:121). Speculative and unconfirmed information may be construed as fact (Dettelback, 1993:28). An alternative is if the answer is not immediately available to say so and agree to discover the answer and let the journalist know. Then the spokesperson must keep their word (Sheldon Green, 1994a:69). The media also speculate and in their article entitled "Prepare for business related crises," Carney and Jorden (1993:34-36) advise that media speculation can be avoided, during a crisis, by the company communicating quickly, honestly and frequently with its various audiences. It is a mistake for any company to issue speculative information during the early stages of a disaster. It is absolutely crucial that factual information is imparted to the outside world as soon as possible (Nally, 1991:65).

- **Be Honest:** Honesty as the best policy is not always best – as the journalists advise. From a company perspective it may be. However, if there is one journalist making an inquiry, then it may be seen as acceptable to use truths that could convince the journalist that a story does not exist (Planting, 1998). From the public relations side, journalists would always like the financial organisation's public relations consultants to be honest with them. Journalists know they are not and can understand why and also do not always believe it best for the company while it may be best for the journalist (Cicutti, 1998).

However, "wise honesty" is seen as the best policy because if the media are lied to then the truth will come out at one stage or another (Gordin, 1998). If the financial institution or their public relations consultancy sends out the incorrect information the wrong story gets out and then the whole issue is compounded and complicated (Stovin-Bradford 1998). All journalists need is to be treated with respect and if they are spoken to openly and honestly they will give the company in crisis a fair show (Pengelly, 1998).

The spokesperson does not have to tell everything they know, but whatever they say must be the truth (Diamond, 1996:12). Journalists must never be lied to nor must the company spokesperson fall out with one because ultimately the company spokesperson cannot win (Nicholas, 1995:43). Once one reporter is lied to, a financial company spokesperson will have destroyed their reputation with all of the reporters covering the crisis (Patterson, 1993:48). Furthermore, it is very important that the truth is told as soon as possible (Tuggle, 1991:28).

It is advisable not to use propaganda tricks - when the public sees through them, they do more harm than if they had not been presented at all (Heath & Nelson, 1986:181). Telling the truth is thus the cardinal rule and journalists are generally perceptive and can detect a fraud. Spokespeople must be positive and be truthful (Seitel, 1992:350). Merdian-Lareau (1993:11) refers

to a 1993 survey conducted by Porter/Novelli in which only 19% of respondents felt that companies are totally truthful in a crisis situation and 95% said they were more offended about a company lying about a crisis than the actual crisis itself.

- **Speaking on the record:** What ever is said to a reporter must be considered “on the record”, off the record statements must never be made (Reinhardt, 1987:44; Patterson, 1993:48 and Stonborough 1996:12). If the spokesperson needs to say that something is off the record, then they must stress the fact that it is off the record before they make a comment or statement, not afterwards (Nicholas, 1995:43 and Sheldon Green, 1994a:69). But Seitel (1992:350) sees it differently, he does not believe in the concept of “off the record.” He feels that a person who does not want to see something in print should not say it.

Establishing a relationship with the media during a time of crisis is the wrong time and under the wrong circumstances (McLaren, 1996 and Baker, 1996). The time to work with the media is when things are running normally and when it is possible to create a reservoir of goodwill (Fink, 1986:96). What is needed more than anything when going into a crisis situation is high credibility and a good reputation. None of these attributes can be generated during a crisis. They need to exist in advance (Gottschalk, 1993:405).

To remedy this situation the organisation in crisis must set the record straight and nine times out of ten, a response is a good idea. But first the source of the problem must be considered (Brickman, 1989:6). The mistake may come from an ignorant/biased reporter.

### **7.5 Information dissemination to the media**

A key part to any media interaction, including the setting up and maintaining of

media relations, is supplying information to the media. Reinhardt (1987:44); Regester (1989:125) and Dettelback (1993:27) all recommend that the organisation in crisis be proactive and have complete information kits available for the media as soon as possible. Crisis planning usually involves the preparation in advance of information packs for the media, standard news releases, background information and photography. These information packs should not only be kept at the organisation's headquarters, but also at each branch that may be at risk (Regester, 1989:125).

Holding statements, prepared statements quoting the company spokesperson on the crisis at hand, should also be issued when the crisis breaks (Wragg, 1992:269 and Fearn-Banks, 1996:65). The holding statement must be issued internally to the company and to the media, giving as many known facts as possible (Wragg, 1992:269). As the situation changes, all the up-dated information must be made available to all parties and the fastest means of distribution must be utilised, including e-mail, faxes and the news agencies like Reuters. The presence of a holding statement will prevent wild speculation by the media and other interested parties. According to Fearn-Banks (1996:65) the contents of the holding statement should contain the facts that the media will want to know, this includes:

- What happened?
- What is the extent of the damage?
- Why did it happen?
- Who or what is responsible?
- What is being done about it?
- When will it be over?
- Has it happened before?
- Were there any warning signs of the problem?

The objective is to prepare all possible answers to all sorts of questions that the

media may raise during a crisis. "Gee-whiz facts" about the organisation in crisis and good news stories about satisfied customers and positive acts should be prepared and updated (Stonborough, 1996:4). Many corporate executives fear the media. The preparation of statements, which focus on the issues to hand, can do a lot to enhance the image of the corporate executives in the organisation (Regester, 1989:118).

In all aspects of managing the communications function in a crisis it is important to respond to all enquiries. It is essential to ensure that the company is in a position to anticipate what the media wish to know. They will naturally require information, which is factual, where accuracy is assured, which is comprehensive, easy to digest and where the sources are authoritative and identified (Jennings 1990:136). Castle (1996); McLaren (1996) and Baker (1996) all support the issuing of press releases to give the media firsthand factual information.

Press releases are often issued at times of crisis. The press release may be a source of basic information, but if the story is an important story, it is never the primary source of information, nor is it considered a necessity (Planting 1998). The purpose of a news release is to put across a certain client's point of view, and has to be meticulously constructed (Pengelly, 1998). Journalists should be considering alternative opinions other than those in the press release.

The press release is the barest outline of information (Cicutti, 1998), and is likened to an aircraft carrier on which planes take off for different missions. It is only a basis for an article and a signal that something is happening (Stovin-Bradford, 1998).

Sheldon Green (1994a:51-52) offers some advice as to the content and structure of press releases:

- Tell the story clearly in the first couple of paragraphs and do not bury it in the body of the release. Castle (1996) is more specific stating that the first paragraph must contain the who, what, where, when, why and how.
- Present information factually. Baker (1996) adds that the facts must be clear and concise.
- Structure the story so that information of decreasing importance is carried in the latter part of the release. McLaren (1996) and Castle (1996) both comment that the journalists cut a press release from the end – they remove the least important information first, usually located at the end of the press release and then use the rest of the information as a basis for an article.

The press releases should reflect the corporate communications policy, which have been reviewed and approved by executive management, and can be released when necessary with only slight modifications (Dettelback, 1993:27). Although all these preparatory stages have been complied with, the majority of press releases are discarded because they do not contain news, or appropriate news to the publication that receives them (Beveridge, 1963:35). It is also argued that the press releases may not be written in “journalist speak” which also means that the press releases are discarded. While it is not possible to control what the press writes, it is possible to control the information given to them (Regester, 1996). The media should therefore be provided with a press release as it will allow the organisation in crisis and its staff to describe the situation at hand rather than a situation arising where they will spend their efforts defending the financial organisation and correcting misinformation (Seymour, 1996).

Future problems are anticipated and those journalists who could be helpful to the financial organisation need to be identified. They must be encouraged to take an interest in the financial organisation for a later date (Stonborough, 1996). Often clients will complain that they do not understand the journalist's questions, probably because the journalists are not properly informed. This is why McLaren (1996) always prepares the media for a client:

We would hope that the media would understand our clients before the crisis, and if they did not, then we have not done our jobs correctly to create that understanding of the company amongst the public. When the crisis starts and we are dealing with a company not well known to the media, we always prepare the media with background information, facts and even photography.

Seymour (1996), Castle (1996) and Regester (1996) all agree on the importance of preparing the media for a client. When it comes to an interview or press conference, the media should also be prepared for the client. Many journalists do not know much on the topic that they are writing on. Fact sheets and background information needs to be written because the media needs to be given all the help it needs to do its job (Seymour, 1996).

The media can be prepared for an interview with the spokesperson for the financial company in crisis (Planting, 1998; Gordin, 1998; Stovin-Bradford, 1998 and Pengelly, 1998). Cicutti (1998) feels that the public relations people would have to do this preparation in any case. This means that the journalist has the time to prepare and put down a number of questions that they know will interest their viewers or readers. If the company is well informed and open, then it will have answers to those questions. The key is to have an idea about the media's area of questioning, so that when a press conference occurs, the company in crisis can address those areas of concern for the media. The result is the media gets its information. If a crisis does hit then the media which specialises in that area will have a basic knowledge of the company concerned (Regester, 1996).

The media need to know what the client is going to speak about and what issues will be raised at a press conference and during an interview (Castle, 1996). The media will also need to know what areas it can and cannot speak about, and reasons should be given why.

As soon as the crisis breaks, when developments are moving quickly, the

chances of interacting with the media increases as will the media's demands for information. As a result, the spokesperson's function must be centralised. The best person to act as a spokesperson is in fact an independent third party who is not directly implicated in the crisis and who can address the company's various publics. Then the negative publicity that is being generated must be responded to and quickly. If statements are issued too late then the subsequent stories never catch up with the original. All spokespeople should be trained in advance so that when they have to deal with a crisis they can handle it calmly and professionally (Pines, 1985:17).

When the media calls it is important for the organisation to know whom it is dealing with. Stonborough (1996:10) offers the following advice to the relevant parties who take the call:

Make no instant statements and do not get drawn into conversation. It is important to be polite and get the name of the reporter and their paper(s) or programme(s). While doing so, all the callers' details should be taken down as well as their replies to all questions. A promise should be made that the inquiry/phone call will be replied to and the information should be handed over to the relevant parties.

Castle (1996) also advises that the public relations consultants should tread warily when the media call.

The next step is for an authorised person to call back and confirm all details such as what information is required and why. What is the publication deadline and, what is the thrust of the article? Which other parties are involved and what allegations are being made? What type of article or programme is going to be created? (Stonborough, 1996:11). These questions are vital as they will help with the creation and dissemination of information (Baker, 1996 and Seymour, 1996).

Once these factors have been established and based on the replies, if the



situation appears to be serious, the press officer will need to centralise all information gathering and convene the crisis team. Management will need to be notified and a level of response will need to be assessed. Then the necessary actions or statements will have to be decided on as well as outlining a strategy (Stonborough, 1996:11).

A press centre should also be set up (Regeister, 1989:126). This helps to demonstrate to the media that they are not going to be pushed aside by the organisation at the centre of the crisis. In this press centre, there should be adequate furniture and space, flip charts, stationery and whiteboards. Chairs should be provided for all reporters and space allowed for TV crews to set up cameras (Stonborough, 1996:10). The speaker at the conference should preside from either a table or a lectern, so that microphones and tape recorders can be placed nearby (Seitel, 1992:355).

Facilities also need to be available to take the influx of incoming calls. This room will need to have dedicated phones, faxes and mobile phones and also be near the main 'war room' so as to facilitate the movement of information from one room to the next. Switchboard operators should also be specifically briefed on whom to expect calls from, and where to re-route them to (Stonborough, 1996:8).

A quiet room should also be present. It is in this room that press releases can be written, personal phone calls made and facts collated (Stonborough, 1996:10 and Regeister, 1989:129).

## **7.6 The press conference**

One of the best ways to transmit a message and to manage the media is to hold a press conference. The press conference is an event held in order to brief members of the media about a major news event (Adcock *et al.*, 1995:265).

Press conferences are held for various reasons. Generally, some journalists find the majority of press conferences unproductive as they are used merely as opportunities by companies to market themselves or their products and rarely have a hard news angle to them (Planting, 1998). The main reason for holding a press conference is that one is handling a news situation where the needs of the journalists can only be met by a dialogue between the journalists and the source of the news story (Janner, 1986:183). The press conference is also an effective means of publicising to the media an important development within a company or organisation (Dunn, 1993:51). The pros and cons of a press conference need to be considered carefully before it is decided to go ahead with one (Dunn, 1993:51). A press conference should never be held unless it is inevitable or if certainty prevails that the event is important enough (Wragg, 1993:112).

Press conferences do provide some information, in a very general way. The conference does serve as the foundation for a journalist's story and will convey additional information very seldom contained in the press release (Planting, 1998). But many competing publications may have journalists at the conference which could result in journalists losing their particular way or angle in covering a story (Gordin, 1998). As a result, some journalists will not show their cards or leads to the other journalists at the conference (Stovin-Bradford, 1998). It is when all the journalists ask questions, that each individual journalist gets an idea of what approach the different publications are going to take (Cicutti, 1998). Listening to all the background information given at press conference and asking pertinent questions will often provide a journalist with ideas for an original news angle or line of questioning (Planting, 1998).

Some journalists would attend a press conference and also wait for media information to be sent to them. Press conferences are very important because a lot of information can be gleaned from a company's CEO, who has to stand up in front of a vast amount of media, to say, "this is what is happening." The journalist

can listen to the way the message is delivered, look at eye contact and listen to the spokesperson's voice (Pengelly, 1998 and Cicutti, 1998).

Press conferences are ideally suited for major events, including announcing details of a crisis, but should not be used to criticise a media story (Wragg, 1992:63). If a press conference is used by the company in crisis to target the media, then this is when the media will "go all out to get" (look for revenge) the company concerned (Baker, 1996 and McLaren, 1996). Journalists attend the press conference to meet someone from the company who will talk to them about the financial crisis situation (Pengelly, 1998 and Planting, 1998). This could set the scene for the crisis and lend a bit of urgency to it as well as providing photo opportunities of the financial organisation's spokespeople for photographers (Gordin, 1998; Stovin-Bradford 1998 and Cicutti, 1998).

If the weight of media interest, sheer size of the story, urgency of the situation or complexity of the issues involved justifies setting up dialogue in this way, then the press conference is an appropriate method for dealing with media interest (Sheldon Green, 1994a:54). The press conference can strategically be used as either an offensive or a defensive device, depending on the client's need. Most press conferences are positive in intent. When an organisation becomes embroiled in difficulty that is embarrassing and incriminating the press demands an explanation (Wilcox *et al.*, 1992:610). A basic printed statement is not enough to satisfy the clamour. This is the moment for a news conference that is defensive in nature, an effort to defuse the situation with the least damage possible.

The press conference is also important for a whole number of reasons, some of which are not even connected with a crisis itself. It basically gives the journalist an idea of what the key points are that are going to be raised in tomorrow's papers, TV news broadcasts and radio bulletins (Cicutti, 1998).

A golden rule for any organisation, which is considering a press conference, is to avoid holding one if the news can be conveyed to the media by any other means. The term press conference is not an endorsed term by Rensburg (1991:111), who prefers the use of the word news conference because press conferences tend to ignore the electronic media.

There are five good reasons for holding a press conference (Regester, 1989a:136):

- The press may have gathered outside the company's headquarters, demanding more information and interviews where they can ask questions.
- Holding the press conference allows the company to recap on the previous few hours and ensures that the media understands what has happened and what steps have been taken to remedy the situation.
- The organisation has a forum allowing it to express concern and regret for what has happened by putting human faces to words.
- Television and radio can obtain actuality - filmed footage or taped sound for use in broadcast news bulletins.
- The most important aspect is that by holding the press conference, the organisation can seize the initiative and manage the flow of information about what has happened.

In addition, Fink (1986:109) adds that at the press conference:

- There is more of a chance to be proactive rather than reactive.
- There is a better chance of controlling the message.
- There is a 100 percent greater chance of correcting misinformation than if the media is not spoken with.
- Not meeting with the media sometimes makes the spokesperson look as if they are not in control of the situation and are arrogant.

The speaker should always be kept away from reporters before the conference because by allowing the speaker and reporters to mingle, a reporter could have an advantage over the rest of the reporters (Seitel, 1992:355). Then the press conference should be started by introducing the hosts of the conference and their roles in managing with the situation. Then company in crisis must start with its side of the story. An explanation should occur detailing what has happened, how the situation evolved and what is being done to rectify it. Janner (1986:183) would also indicate to the media how long the news conference would last. Regrets and concern for those who have suffered should be expressed and people should be placed before property if both are involved (Regester, 1989:137).

The company spokesperson should be trying to persuade the audience with a formal speech. This is an oratory setting that has a style of language termed hortatory (de Wet, 1988:69). This style of language is viewed as being reassuring and creates the impression that large and important issues are being discussed. In a press conference there is communication occurring between a speaker, from the organisation in crisis, and the media within a setting.

“Always act in charge at a press conference,” said Brand, the MD of London based TRT as he addressed the Association of Insurers and Risk Managers in Industry and Commerce (Shapiro, 1991:39). The communications at a press conference is two way and the person speaking for the company or cause submits to questioning by reporters, usually after a brief opening statement (Wilcox *et al.*, 1992:610).

The floor should be opened to questions, and it is imperative to make sure that each question is answered fully before moving on to the next one (Regester, 1989a:137). Often in a press conference a journalist's questions are ignored, answered incorrectly or attacked. When this happens, most journalists ask the question again or take the issue up with the financial company spokesperson

after the interview (Planting, 1998; Cicutti, 1998 and Gordin, 1998). The fact that a journalist's questions are ignored, answered incorrectly or attacked by the company spokesperson is also seen by some journalists as being unprofessional (Pengelly, 1998).

All answers should be clear and simple and all statistics should be explained and analogies used to clarify them. A good company spokesperson will always give an answer, the spokesperson who does not have all the answers might be someone who is incorrectly briefed and may not know what is going on in the company. Some journalists may think that something is amiss with the company who called the conference (Stovin-Bradford, 1998). For a journalist to be attacked on the basis of a question that they have asked is highly unusual. If the question asked was serious enough, other journalists at the press conference would realise that it had only been half answered and would try to follow it up (Cicutti, 1998).

When the spokesperson gets to the end of the allotted time, they could use a phrase like "I have got time to take just one more question." (Montgomery, 1979:75.) Seitel (1992:355) would disagree with this, as he is of the opinion that some journalists, specifically from the broadcast medium may want to ask follow-up questions on an individual basis. This should be allowed to proceed only if all reporters have the opportunity to share in the interview. Sheldon Green (1994a:55); Regester (1996) and Seymour (1996) also suggests having a chairperson, selected by the organisation, present at the press conference whose role is one of management and control.

A final statement should be issued to show how the crisis was resolved and what the company will be doing to prevent a similar occurrence in the future (Minetos, 1987:42).

At the end of the press conference the company executives and spokespeople\*

should have an escape route so that they are not chased by people still asking questions. It is at this stage that executives are at their most vulnerable. The executive must not look as if they are trying to escape from the press conference but must simply use a different exit from that used by the press (Regeister, 1989:138).

### **7.7 The interview**

While press conferences are important mediums to directly reach a large audience of media representatives, it can be proposed that the interview be used as a medium between an interviewer/s and interviewee/s to extract and gather information for dissemination via the mass media. The word interview comes from the French and means to exchange views (Angelopulo, 1997:62).

The type of interview being conducted depends on the information the interviewer wants and the circumstances of the interview. Boyd (1994:70-91) identifies three basic types of mass media interviews, each with its own specific function:

1. The purpose of a hard-exposure interview is to investigate a subject – to deal with important facts relating to a major topic and/or to investigate the cause of a major event.
2. The informative interview puts the audience in the picture. The interview gives background to events that are happening or are about to happen.
3. The emotional interview reveals an interviewee's state of mind, providing, for example, a personality profile of a well-known person, which outlines what the person does and why they do it.

Having been asked to participate in an interview, a speaker should orientate themselves towards the interview by obtaining the following information (Hurst, 1992:185-189 and Rafe, 1991:13):

- The topic and the type of interview,
- When, and on what programme the interview will take place,
- Whether or not the interview is related to a specific news event,
- Why he or she has been selected as speaker,
- Whether other speakers are also being interviewed and who they are – rivals or supporters,
- Whether an audience will be present who may be allowed to ask questions,
- Whether the interview is live or recorded,
- Who will conduct the interview,
- What areas of the specific topic under discussion will be covered,
- How long the interview will be, which may range from ten seconds to half an hour.

In criticism of Hurst and Rafe above, it can be contended that it is not the responsibility of the interviewee to obtain all the above points, it should be the head of communications/public relations of the financial company (or any company) in crisis, or their external public relations consultants. Once the information has been obtained, the company spokesperson can then work out their residual messages that they want to leave with the respective audiences.

During any interview or media/press conference solid media relations are key to the survival of the organisation.

### **7.8 Spin doctoring the media**

Only when the public relations consultant understands the effects of the media and the different media types, has initiated an effective media relations campaign and can manage the media, can the media possibly be used to his/her advantage.

An important part of managing the media in a crisis is having the ability to use the



media. If a company ignores the media and press, they do so at their own peril. Stonborough, (1996) said:

I consulted for Barings Bank's Asset Management (the Fund Management Division of Barings Bank) who had no part to play in the crash of Barings Bank. They did not know what was happening, they were merely the victims who went down with everybody else) on the eve of the crash brought about by Nick Leason. My first question to them was who are your friends in the media? The reply was we do not speak to the media. We had a simple job to do, which was to inform key audiences that they were not a part of the incident and also that client's money was safe. Due to the fact that they had no relationship with the press at all, because they actually did not talk to the press, we had to do a lot of work very fast to try and tell the press whom they were. This was to a press who did not want to hear who they were. Had Barings Asset Management had more friends, I think that particular side of the business would not have been as damaged as it was.

A media trained professional will only know what a journalist is after once they get to know them, and this will facilitate using the journalist to the benefit of the company in crisis. Extra information is what journalists look for and spokespeople must give this (Stovin-Bradford, 1998 and Gordin, 1998). If a good relationship exists with a journalist and a company, then they will come to the public relations consultant for a quote from their client. The result is the media are more likely to speak about certain issues and target the public relations consultant's client giving very positive stories (Pengelly, 1998).

It is important because the company spokesperson is far more likely to get the kind of story that they want from a journalist who knows and likes them than from a journalist with whom a "spotty" relationship is held (Cicutti, 1998).

To use the media effectively, all media requests must be respected so that the message can reach the relevant people at the pre-planned time (Castle, 1996 and Baker, 1996). Credibility must also be established but unfortunately telling the truth does not automatically guarantee credibility. The good and the bad

ought to be made known to protect the integrity of the organisation. Sensitivity and judgement is important as the company in crisis must know its relevant public and their concerns and experiences (Haberman & Dolphin, 1988:71-77). Knowledge about the company itself is important as whoever is responsible for communication and establishing good media relations must know the organisation backwards (McLaren 1996).

To escape a public relations disaster without permanent injury, and use the media, there are three principles, which the company must follow. Firstly, the organisation must distance itself from the crisis by disassociation. Secondly, the crisis should be positioned within all positive contributions the financial institution has made over the year. The more aggressive strategy of miss-association calls for the company under siege to group all critics and adversaries under one umbrella of dispute, thereby contaminating them. Finally, the best tactic for an organisation in crisis is that of association. The company makes itself immediately available to the media and takes full responsibility for its deeds. Guilt is admitted immediately and the moment of admittance is used to reassure the public (Klepper, 1992:14).

If the media is given all the help possible for its story, and if the public relations consultant has total knowledge of the media, can the media be used to the advantage of the company, without the media being aware that they are being used? Not so says Seymour (1996):

You would be very naive if you think the media will not know that they are being used. This is an increasing problem. The best route to take is to see what information we can give to the journalists to achieve our required results, and what are the risks in doing so.

Also in agreement is Regester (1996) who also does not believe that it is possible for the media to be used to the advantage of the company in crisis, without the media being aware that it is being used. However, the media can be

used to the advantage of the company in crisis, for example if it is told about the availability of an emergency number for the public to call for further information, and the media is asked to publish it. A request to the media to keep something confidential can also be made, providing a valid reason is given and on the promise that once the crisis is sorted out, it will be given all the core facts and details.

Planting (1998) disagrees with both Regester, (1996); Seymour, (1996) and Stonborough (1996). She is of the opinion that the media can definitely be used without being aware. Manipulation and using the journalist without the journalist's being aware depends on the skill of the practitioner and the alertness of the journalist.

McLaren (1996) supports Planting (1998), stating that:

We do it all the time by creating a perception shift amongst the media. Sometimes this can be done quickly, other times it takes a long time. A crisis is in fact no different to anything else. You need to start off with a strategy and then manage the crisis with it. If the media perception needs to be changed then the management of the crisis will do this.

Baker (1996) agrees with McLaren (1996) but adds that to use the media without it being aware that it is being used, "you have to be extremely skilled to do so." Being skilled also means that the journalist does not think critically about the information sent through to them (Planting, 1998).

However, skilled journalists are able to realise that someone is trying to use them to their advantage but will trust the information given to them by a company in crisis, because it is not in its interests to lie (Stovin-Bradford, 1998 and Pengelly, 1998). If there is a company in crisis facing a media frenzy, nothing that the public relations consultant does, other than tell the story honestly, is going to help (Castle, 1996; Seymour, 1996 and Cicutti, 1998). If however, it is when a crisis'

first starts to develop, then a public relations consultant can help and hold the information away from a journalist. In doing so, by not giving the journalist the full picture, and allowing the journalist to have a different view of that company, may lead to a truthful view (Castle, 1996 and Seymour, 1996). The problem with this approach is that the closer a journalist gets to the point where the company is in dire trouble, the more likely they may discover the facts. The result is that the journalist may see what the public relations consultant is doing is merely a holding operation, and trying to use them, and therefore mistrust anything else that the public relations consultant tells them. This will mean that the journalist will hold the public relations consultant in contempt (Cicutti, 1998).

### **7.9 Conclusion**

There often is, and probably always will be, a natural adversarial relationship between the media and the subjects it covers (Fink, 1986:96). Negative perceptions occur in the media when a crisis is occurring, and most of these are based on misunderstandings. This is ultimately why the media need to be managed.

The consequences of poor or non-existent media management could be disastrous for the company concerned. The results could be irreparable damage to the corporate image, to the profit line and ultimately affect the existence of the company. In addition, the company spokesperson and CEO could be associated with the crisis, further damaging their business profiles.

By not managing the media means that the media will manage the company by almost bullying it. When journalists request information the company in crisis must not turn its back, rather see the request as an opportunity for the company to get its message out to the widest market of recipients. The implications of not working with journalists will result in the wrong information going into the media, as the journalists will look for alternative sources of information, which could be

wrong resulting in further complications.

Part of media management is media relations, which are also central to public relations. Correctly handled, with expertise and adequate executive commitment, they are capable of influencing the views and reactions of key corporate audiences. The implications of not having an effective media relations programme will alienate a company in crisis from the media and consequently from the various publics it needs to reach. Inclusive in the methods to reach the media are press conferences and interviews. These two methods must be used by the company in crisis as conduits to reach the media and keep them, their viewers and readers informed. Failure to do so will result in the media finding other sources to get their stories from and the general public making speculative assumptions about the facts or the lack thereof.

The media can only be used when the public relations consultant:

- Understands the media.
- Can manage the media with the company in crisis's spokesperson
- Establish media relations for the company in crisis.
- Can effectively disseminate information to the media as well, and the company spokesperson can conduct press conferences and interviews.

The consequences and implications for the company in crisis can also be huge, and affect it for a long time, if it makes no attempt to use the media. It could also take a long time for the company to build up its reputation and its business.

## **Chapter 8: Methodology.**

### **8.1. Introduction**

The last seven chapters have focused on crisis management as an aspect of public relations. The key objective has been to build up a body of knowledge dealing with crisis management.

This chapter starts with a methodological overview detailing the differences between qualitative and quantitative research. Qualitative research was chosen as the research methodology because the case study and the individual event needed a rich description.

The research goal is stated and the non-probability, purposive research sample is discussed. The research design is then laid out, followed by an overview of the method of data collection used for this section. The research conducted occurred in two phases to make data interpretation more manageable. In the first phase, qualitative data is used in the form of field research and specifically a case study, which is then presented together with the series of benchmarks, based on chapters two through to seven of this dissertation, to evaluate the effective management of the crisis. The processing of the data is also elaborated on and in addition, the data is processed according to these benchmarks.

The case study chosen detailed three Swiss banks and the public relations crisis they faced (which concerned the Swiss banks' refusal to pay out money from dormant accounts to legitimate account holders or their heirs) and the manner in which the crisis was managed. The topic was chosen due to its global media coverage and due to the fact that no other financial crisis of this type had happened. In addition, the crisis also had a prominence in western corporate financial circles.

The second phase used Internet articles coupled with interviews to facilitate the investigation of the case study. A media search was conducted to find coverage that corresponded with the events in the case study. In addition, media coverage was sourced that contained issues and events that developed after the case study ended to show what the effects were of decisions and actions made during the period the case study covered. Comment was also obtained from the South African Jewish Board of Deputies to further facilitate interpretation of the case study. The Swiss bank's public relations consultants were also approached for comment. They refused to answer any correspondence.

In conclusion of this chapter, the limitations of the case study research as well as the reliability and validity of its results is also discussed.

## **8.2 Methodological context**

This section will illustrate the characteristics of both qualitative and quantitative research techniques. A comparison between the two is also provided. The section ends, mentioning how the two research methodologies complement each other.

According to Wimmer and Dominick (1987:499), qualitative research can be defined as a description or analysis of a phenomenon that does not depend on a measurement of variables. According to Joppe (2000), qualitative research is defined as in-depth research into the motivation, attitudes and behaviour of respondents or into a given situation. Qualitative research refers to several methods of data collection, some of which include focus groups, in-depth interviews and case studies (Wimmer & Dominick, 1987:49). Conversely, quantitative research can be defined as a description or analysis of a phenomenon that does involve specific measurements of variable studies (Wimmer & Dominick, 1987:499). Joppe (2000) defines quantitative research as

research into information in the form of numbers that can be quantified and summarised.

### **8.2.1 Qualitative research methods**

In order to illustrate why qualitative research was undertaken, an overview needs to be given explaining the differences between qualitative and quantitative research.

It can be argued that those who judge qualitative research using quantitative standards are often disappointed. Qualitative research is often rich in description, contains colourful detail and unusual characters instead of formal, neutral tone with statistics. The qualitative researcher pays much greater attention to individual cases and the human understandings that feature in those cases (McBride & Schostak, 1999).

Neuman (1997:328) is of the opinion that qualitative research gives the reader a feel for particular people and events in concrete social settings. The same author is also of the opinion that some researchers feel that qualitative research is easier to do than quantitative research, which he contends is a myth. In addition, Neuman (1997) also contends that a view exists that the qualitative researcher simply wanders into an intriguing area of social life, keeps their eyes open and generates an insightful and fascinating report.

Qualitative researchers rarely begin with a formal theory and view qualitative data as intrinsically meaningful. The qualitative research style values qualitative data, its entire orientation is organised around theorising, collecting and analysing qualitative data.

When data is in the form of words, sentences and paragraphs rather than numbers, researchers will use different research strategies and data collection



techniques. Qualitative researchers will rarely use the tools of quantitative research such as variables, reliability, statistics, hypotheses, replication and scales. According to Neuman (1997:329), qualitative researchers focus on subjective meanings, definitions, metaphors, symbols and descriptions of specific cases. In doing so, McBride and Schostak (1999) feel that they give special attention to the subjective side of life. Qualitative research also adopt assumptions about social life, objectives for research and ways to deal with data that are often at odds with a quantitative approach (Neuman, 1997:327).

The interpretation of qualitative research involves the researcher presenting information in the form of words, quotes descriptions and numerical information is supplementary to the textual evidence. The qualitative researcher interprets data by giving it meaning, translating it or making it understandable (Neuman, 1997:333-335). McBride and Schostak, (1999) point out that considerable sophistication can be brought to bear upon the analysis of each new instance of previous similar cases.

Qualitative data is empirical (data that can be perceived, classified or measured), involving documenting real events, recording what people say (with words, gestures and tone), observing specific behaviours, studying written documents or examining visual images. "This evidence is just as hard and physical as that used by quantitative researchers to measure attitudes, social pressure, intelligence and the like." (Neuman, 1997:328.)

According to Wimmer and Dominick (1987:50), qualitative research has certain advantages:

- It allows the researcher to view behaviour in a natural setting without the artificiality that sometimes surrounds experimental or survey research. Mouton and Marais (1985:165) agree, viewing qualitative research as letting the phenomenon speak for itself by observing it – it is thus descriptive (Grobbelaar in Conradie, Naude, Stevens and van der Hoven, 1986:186).

McBride and Schostak, (1999) also support this, stating that many qualitative researchers have long criticised laboratory based research as 'artificial' and noted that people react differently in other contexts. In addition, the qualitative research has stressed concepts and constructs, because it analysed the terms as they were, and in the process enhanced the researcher's conceptualisation of a phenomenon (Cloete & Naudé, 1986:175).

- Qualitative research can increase the researchers depth of knowledge in understanding the phenomenon under investigation. Previously, McBride and Schostak (1999) endorsed the opinion that qualitative research increases the researchers depth of knowledge when they commented that qualitative research allows the researcher to pay more attention to individual cases and human understandings. In addition, Neuman (1997:331) is of the opinion that qualitative research uses more logic in practice, relying on the informal wisdom that has developed from the experiences of researchers.
- Qualitative methods are flexible and allow the researcher to persue new areas of interest.



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The disadvantages, identified by Wimmer and Dominick (1987:50) are that:

- The samples studied are too small to allow the researcher to generalise their findings.
- Reliability of the data is a problem as single observers are describing unique events.
- If qualitative research is not planned properly it may produce nothing of value.

Based on the above discussion on qualitative and quantitative research, the research conducted in this chapter was analysed using a qualitative approach. One key motivating factor in the choice between qualitative and quantitative research methodologies was the question and answer page on the Qualitative Research Consultants Association web site (Anon. 28, 2000) on the Internet. In this question and answer page it was stated that one of the best reasons to use

qualitative research is when public relations and advertising campaigns need to be analysed. The essence of this study falls under the broader field of public relations.

Now that an overview of qualitative research methods has been given, quantitative research methods will be discussed.

### **8.2.2 Quantitative research methods**

While the qualitative research methodologies have been discussed, quantitative research methodologies will now be discussed. Quantitative research requires that the variables under consideration be measured. This type of research concerns itself with how often the variable is present and generally uses numbers, obtained from tables, graphs and charts to communicate this amount (Neuman, 1997:333). In addition, according to Wimmer and Dominick (1987:50) quantitative research also facilitates the indication of an increase or decrease in a phenomenon. The researcher also gives meaning to the numbers and tells how they relate to hypotheses (Neuman, 1997:333). The quantitative researcher might seek to know what percentage of people do one thing or another (McBride & Schostak, 1999). Quantitative research aims to produce reliable statistical evidence working with large samples of typically 500-5000 people rigorously selected to represent the population under study (Anon. 26, 1999).

Quantitative forms of research can employ questionnaires and attempt to remove the individual, the particular and the subjective (McBride & Schostak, 1999). A quantitative researcher may assume that they can conceptualise sociological concepts like variables and that they can develop objective precise measures with numbers that capture important features of the social world. The strength of quantitative research is also its weakness – the questions and answers must be tightly controlled in form, and this inevitably limits the quality and richness of communication with respondents (Anon. 26, 1999). It is contended that

qualitative research can allow respondents to give their own views and opinions in a much more open environment and in one that is controlled, but not as stringent with arguably parameters found in quantitative research.

Quantitative research is usually described as using reconstructive logic in which quantitative researchers describe the technical research procedures they use (Neuman, 1997:330). Quantitative research remains more interested in what people do without a very complete understanding of those actions. It tends, therefore, to be concerned with behaviour as an end in itself without paying sufficient attention to understanding that behaviour, this is behaviourism (McBride & Schostak, 1999). Quantitative researchers follow a more linear path than qualitative researchers and as such qualitative research is more non-linear and cyclical (Neuman, 1997:331).

According to Neuman (1997:334) a quantitative researcher gathers data after it has been theorised, develop hypotheses and create measures of variables. However, initial hypotheses tend to be poorly informed and that after a period of 'immersion' in a situation the researcher is better able to draw hypotheses which emerge from experience in a setting (McBride & Schostak, 1999). Based on the above information, it is possible to contrast qualitative and quantitative research. A version thereof is contained in table 8.1.

It is important to realise that qualitative and quantitative research is complementary (Anon. 26, 1999). At the methodological and technical level, most researchers accept that quantitative and qualitative tools of research are compatible and that the choice for their inclusion in a particular problem is determined by the specific research problem (Mouton, 1996:40).

Quantitative	Qualitative
Test hypothesis that the researcher begins with.	Capture and discover meaning once the researcher becomes immersed in the data.
Concepts are in the form of distinct variables.	Concepts in the form of themes, motifs, generalisations and taxonomies.
Measures are systematically created before data collection and are standardised.	Measures are created in an ad hoc manner and are often specific to the individual setting or researcher.
Data is in the form of numbers from precise measurement.	Data is in the form of words from documents, observations and transcripts.
Theory is largely causal and is deductive.	Theory can be causal or non-causal and is often inductive.
Procedures are standard and replication is assumed.	Research procedures are particular and replication is very rare.
Analysis proceeds by using statistics, tables or charts and discussing how and what they show relates to hypotheses.	Analysis proceeds by extracting themes or generalisations from evidence and organising data to present a coherent, consistent picture.

Table 8.1 Differences between qualitative and quantitative research (Neuman, 1997:329).

Qualitative research was selected as a research methodology because the data in the phenomenon that will be analysed was in the form of words from documents, articles and the Internet. The focus will be on the meanings, definitions, metaphors, symbols and descriptions of the particular phenomenon (Neuman, 1997:329). Qualitative research also aspires to an 'insider' view and this requires the researcher to mix in some way rather than adopting a detached stance (McBride & Schostak, 1999). The phenomenon was also an investigation concerning the role of crisis management (as an aspect of public relations) and was not statistical and numerically rich and thus not suited to a quantitative research methodology. In addition, the knowledge gained needed to be rich and descriptive and increased the researcher's depth of knowledge in understanding the event.

The phenomenon was therefore more suited to a qualitative research methodology.

### **3.3 Research Goal**

The research goal or objective gives a broad indication of what the researcher wishes to achieve in their research (Mouton, 1996:133). Research goals allow the researcher to gather data so that refined research questions could be formulated if necessary (Wimmer & Dominick, 1987:246).

The research goal also determines the research approach and techniques, research methodologies and methodological paradigms because these three factors take their lead based on what the objective/goal is of the research project (Mouton, 1996:37-38 and Wimmer & Dominick, 1987:30).

In order to provide a contextualisation for the research goal it is necessary to provide an overview of the intended study so that it is clear where the research goal will be drawn from. The research goal was selected due to the fact that the issue developed from an event that resulted from World War Two. In the lead up to the Holocaust, many Jews from Germany crossed the border into Switzerland to open up secret bank accounts to deposit their money. When the Holocaust ended most of these account holders were no longer alive and the few who were, fled Germany to rebuild their lives. It became evident, based on the facts, that over fifty odd years, specific Swiss banks had denied the surviving account holders, as well as the heirs of the deceased account holders, access to the money in the dormant accounts. The banks claimed that they could not pay out the accounts if they did not have proper proof that the accounts existed. The media picked up on this, started to cover the events extensively on a global scale, and as a result a crisis developed.

Based on this, the purpose of this study is to determine the role of crisis management in the Swiss bank's dormant account crisis. In order to achieve this, a sub goal is to identify what did happen, in this regard, thereby enabling the

proposal of what the Swiss banks could have or should have implemented to facilitate the strategic management of their crisis.

This research goal was decided upon for three reasons:

Firstly, this crisis is important for historical reasons. This type of crisis had never occurred before under the same or similar circumstances. A crisis of this nature and magnitude had also never occurred on an international scale.

Secondly, it was important to understand the way in which the Swiss bank's dormant account crisis was managed from a crisis management perspective as an element of public relations and what crisis management's role was in the management of the crisis. The way in which the crisis was managed had a great impact on the type of coverage the Swiss banks involved in the crisis received. Since 1995, the Swiss banking crisis has been on the world media's agenda. To date the current level of coverage the crisis has been receiving in the world's media suggests that it is a crisis that affects international business communities, religious groups as well as the citizens of one of the world's most financially important countries - Switzerland.

Thirdly, the Swiss banks dormant account crisis has dominated the broader international financial landscape. The global image of the Swiss banking industry had always been clean, efficient and precise, now it was tainted by the events and aftermath pertaining to World War Two. The media were responsible for transmitting the image of the Swiss banks and the dormant account crisis emphasised Switzerland's position as a neutral country that apparently profited from the policies of Nazi Germany. The dormant account crisis also broke the stereotype of what a financial crisis could be.

The research goal has been approached using exploratory research with an objective of determining the role of crisis management.

According to Neuman (1997:19), exploratory research concerns the exploring of a new topic or issue in order to learn about it. Exploratory research can also be the first stage in a sequence of studies and addresses the 'what' question as very little previous research has been conducted into the topic concerned, and, it seeks to explore the phenomenon under consideration to arrive at a conclusion, not prove it. The literature review will continually be used for a basis for interpretation to enable the realisation of the conclusion. Wimmer and Dominick (1987:246) state that exploratory research takes place because investigators have no idea what may be found. According to Mouton (1996:102-103), the aim of exploratory study is to establish facts, gather new data or even to determine if there are interesting patterns in the data.

#### **8.4 The Sample**

The following section deals with the population and sample necessary for this study.

- **Population.** One goal of scientific research is to describe the nature of a population, that is a group or class of subjects, variables, concepts or phenomena. The process of examining every member of such a population is called a census and in many situations, the chance of examining an entire population is remote, if not non-existent, due to time and resource constraints (Wimmer & Dominick, 1987:69).

The population was determined by identifying the banks involved in the Swiss bank's dormant account crisis. Based on this criterion, only the three Swiss banks - Credit Suisse, Swiss Bank Corp. and Union Bank of Switzerland (The Swiss banks) – were involved in this crisis. These were the banks that featured prominently and specifically in the dormant account crisis on radio, TV, the Internet and in the printed media. These banks had the only profile throughout the crisis.



The usual procedure in working with a population is to select a sample from it. A sample is a subset of the population that is taken to be a representative of the entire population (Wimmer & Dominick, 1987:69). In addition, sampling is also the systematic selection of cases for inclusion in a research project (Neuman, 1997:201).

- **Sample.** There are two types of samples, probability and nonprobability sampling. Probability samples are selected according to mathematical guidelines. Nonprobability samples do not follow the guidelines of mathematical probability (Wimmer & Dominick, 1987:70). According to Neuman (1997:208), the area of applied mathematics called probability theory relies on random processes. Random sampling allows the researcher statistically calculate the relationship between the sample and the population. Mouton, (1996:133) supports this saying that probability samplings, from a strategic perspective, are called generalised strategies and involve social objects or larger bodies being studied for their representative values of a larger population. Neuman (1997:204) also adds that sampling based on probability theory lets a researcher say precise things about sampling and use powerful statistics.

According to Wimmer and Dominick (1987:72), nonprobability sampling does not follow the guidelines of mathematical probability. Mouton (1996:133) looks at and calls nonprobability sampling, contextual strategizing. In this strategy, something is studied because of its intrinsic and immediate contextual significance. Contextual strategizing is found in the historical disciplines where the focus is on a particular event. The specific type of sample chosen from the population, for this research, was a nonprobability sample because this study focuses on a very specific and particular event.

The international media agenda focused at the time on the issue of human rights and has been and will continue to be a 'watchdog' when human rights

are abused. This illustrates the media's global agenda setting principles. It has a strategy of identifying and publicising world-wide violations of human rights. It is in this climate and culture that the Swiss bank's dormant account crisis was catapulted into the international media agenda.

To illustrate this point of the international media agenda, global human rights organisation Amnesty International must be considered. By way of an example, according to the organisation's 1999 report (Anon. 27, 1999), which covers 1998, there were numerous cases for concern on the European continent alone, one of which occurred in Switzerland:

- \* Alleged ill treatment by police officers in Switzerland often concerned foreign nationals — in March 1998, the UN Committee on the Elimination of Racial Discrimination expressed concern about "serious incidents of police brutality in dealing with persons of foreign ethnic or national origin,"

This is of contextual significance because the world's media focused on Switzerland and the idea of human rights.

The specific nonprobability sample chosen for this research was a purposive sample. This sample which refers to particular subjects (Credit Suisse, Swiss Bank Corp. and Union Bank of Switzerland) was chosen based on a specific characteristic (they were the only three banks implicated in this particular crisis in Switzerland) that it was 100 percent representative of the specific population (only these three Swiss banks were involved) (Wimmer & Dominick, 1987:72).

According to Neuman (1997:206), purposive sampling is appropriate in three situations:

- \* Firstly, a researcher uses it to select unique cases that are especially informative. The Swiss bank purposive sample is particularly informative because as far as could be ascertained this specific study has not been done before. The particular sample was also chosen based on events that were happening as the last century drew to a close. Numerous public broadcasters like CNN, SKY TV, BBC and the SABC TV have referred to the last century as the most violent and bloody of all. The Swiss bank's dormant account crisis was unique in the sense that to date these were the only banks to be involved in a crisis with such sensitive origins in the Second World War. The Swiss bank's dormant account crisis was developing slowly until the mid nineteen nineties when it peaked due to the extensive media coverage that it received. Based on the complexities and emotional contentiousness of the crisis, it would appear that it is set to drag on through the first decade of 2000. The findings of the Swiss bank's dormant account crisis could also not be generalised to all Swiss banks.
- \* Secondly, when members of a difficult to reach specialised population needs to be selected. It is not easy to do any research on banks within the specialised Swiss banking institution. The concept of specialisation refers to the fact that many of the accounts that are held in these banks are accessible only through secret account numbers. These banks are secretive and do not make themselves available for comment (faxes sent to the Swiss banks were ignored and e-mails to their public relations company, Rudder and Finn, went unanswered).
- \* Thirdly, when a researcher wants to identify particular types of cases for in depth investigation. In this instance, it is to investigate the role of crisis management in the Swiss bank's dormant account crisis.

## **8.5 Choice of research design**

The qualitative research design chosen was field research. According to Wimmer and Dominick (1987:145), field research is more concerned with description and explanation than it is with measurement and quantification. Field research is not conducted in a laboratory setting. Its two advantages are its external validity and non-reactivity. As an aspect of field research, indirect observation study, also known as non-participatory observation or personal communication is used in qualitative research projects such as this (Cilliers, 1973:45 and Van der Walt, Cronje, Smit and van der Westhuizen, 1977:228).

The type of field research chosen for this research was the case study method.

A case study is defined by Wimmer and Dominick (1987:493) as an empirical inquiry that uses multiple sources of data to investigate a problem. They also state that the case study is used for systematic investigation of an individual, group, organisation or event. The case study was chosen, as a research methodology for three reasons (Wimmer & Dominick, 1987:156):

- Case studies facilitate the researcher obtaining a wealth of information about the research topic.
- The case study technique can suggest why something has occurred. Only from objectively analysing the information collected from the case study, interviews and various articles could it be proposed what crisis management's role was in the management of the crisis.
- Case studies afford the researcher with the ability to deal with a wide spectrum of evidence. Documents, historical artefacts, systematic interviews and direct observations can be incorporated into the case study.

Most field researchers use case studies on a small group of people for some length of time (Neuman, 1997:32). In this particular research, the small group was restricted to the three banks centrally involved in the crisis.

The main criticism of a case study is its general lack of scientific rigor and that it is time consuming to do. This case study has taken over two years to compile and assess. The case study method, as a field research technique, is often regarded as qualitative research because multiple sources of data are used to investigate a communication phenomenon, such as this research project, in a real life situation (de Wet *et al.*, 1989:57).

A quantitative researcher usually gathers specific information on many cases (e.g., respondents or subjects), in contrast a qualitative researcher may use a case study approach (Neuman, 1997:331). Case study research must employ variables of theoretical interest for purposes of description and explanation. The researcher must carefully define the class or subclass of events of which the individual case study is an instance. Bennett (1997) proposes that the case for a given study must be an instance of only one of either of the following: deterrence, coercive diplomacy, crisis management, alliance formation or whatever else the investigator wishes to study. Based on this and in this particular study the case study is one of crisis management.

The case study was made up of a series of chronological events and the qualitative research methodology was able to consider the sequence of events and pay attention to what happened first, second, third and fourth and so forth. Due to the fact that a qualitative researcher is reading the same case study or set of cases over and over, they can see an issue develop (Neuman, 1997:333-334).

The Swiss banks were not removed from their natural environment and were studied via a case study and a selection of media reports while they managed their crisis. The Swiss banks were not aware that they were being studied and

evaluated for this research study and the Swiss banks were analysed without the researcher becoming involved in their day to day operations. The Swiss bank case study facilitated an understanding on how the Swiss banks managed the crisis, how the media reported on the facts and issues and how the dormant account holders claims were managed by their representatives. The Swiss bank case study was read many times to identify key issues and events and as a result, the crisis and its development was easy to identify.

### **8.6 Method of data gathering**

At the outset, a general search was conducted looking for a case study that detailed a western corporate financial crisis. A chance listening to *Radio 702* in early 1998 profiled the Swiss bank's dormant account crisis. Following from this, an in-depth reading was undertaken to create a background of understanding about the Swiss bank's crisis. Public relations magazines (*PR Week*), business publications (*The Economist* and *Financial Mail*) and the general newspapers (*The European Wall Street Journal*, *Business Day* and *Business Report*) were searched looking for a relevant case study.

The case study was then found on the Internet after a detailed search using the Microsoft search engine on August 15<sup>th</sup> 1998 by typing in the words "Swiss bank crisis." The search yielded a whole range of potential articles and sites, the first twenty were selected and browsed and rejected because they did not contain case studies. The PR Central site, located at <http://www.prcentral.com/>, was found and accessed. It contained a series of case studies all with a logical flow detailing the development of selected crises from inception to conclusion. The site was then searched by typing in the words "Swiss bank crisis" and the particular case study found. "PR Central is an accredited and objective site used by public relation specialists the world over," said Heydenrych (2000).

The primary source was the Swiss bank case study obtained from the Internet, which formed the foundation of the study into the way the Swiss banks managed their dormant account crisis.

### **8.6.1 The Swiss Bank case study**

The following section contains the detailed Swiss bank's dormant account crisis.

### **8.6.2 Historical background**

In the 1930s, Adolf Hitler's National Socialist government introduced increasingly repressive laws in Germany. As anti-Semitic rhetoric grew more heated, many prominent and prescient Jews began to funnel their fortunes out of the country, most commonly to neighbouring Switzerland, with its world-renowned banking system and its long history of neutrality.

In the next decade, an estimated 27,000 German Jews fled to Switzerland to escape Hitler's death camps. The Swiss also turned away 30,000 Jewish refugees, at one point requesting that the Nazis stamp the letter "J" into Jewish passports to make them easier to identify at border crossings. At the same time, the Swiss banks had no problems with holding on to the funds deposited by those denied asylum. Much of that money remains on deposit today. Many of the initial depositors were murdered in the Holocaust. Any paperwork connected to the deposits was destroyed, leaving the relatives of Holocaust victims no documentary evidence to support their claims of ownership (PR Central, 1996).

When the 50<sup>th</sup> anniversary of the end of World War Two was commemorated in 1995, eastern European archives were opened to the public triggering a discussion in Switzerland about the dormant accounts of those who had faced Nazi persecution. In late 1995, the Swiss Bankers Association (SBA) ombudsman asked for all Swiss banks to report on dormant assets.

Multiple investigations were initiated and are now being undertaken to find out how much of the banks' dormant accounts may belong to the heirs of Holocaust victims and to decide who should receive the funds in those accounts. The Swiss government authorised a commission of historians to search for the truth about Switzerland's wartime record. Former U.S. Federal Reserve chairperson Paul Volcker, working with the World Jewish Congress, was heading a team from six accounting firms that is to examine bank records to try to identify owners of dormant deposits. Meanwhile, a multi-departmental group in the United States searched American records on the same subject (PR Central, 1996).

The tension between the two sides has escalated over the past five years, with Jewish groups having suggested that the Swiss are dragging their feet and perhaps even engaging in a cover-up. The Swiss have in turn accused Jewish leaders of engaging in an orchestrated campaign to undermine confidence in their banking system. There has also been considerable discrepancy between the two parties when it comes to the amount of money involved. The banks have conducted two internal audits and come up with about \$30 million in dormant accounts. Jewish organisations, such as the World Jewish Congress and the South African Board of Jewish Deputies, say they believe the actual amount is in the billions.

### **8.6.3 The evolution of the crisis**

The Swiss banking crisis evolved over a period of five years starting in September 1995. The roots of the crisis were in the period dominated by the Second World War. The crisis only started to gain media coverage when the extent of claims from Holocaust survivors and their families all over the world became apparent to the media including the global magnitude of the crisis.

One of the key areas the media picked up on was the alleged refusal of the Swiss banks to honour the claims for ownership of the dormant bank accounts.



As the crisis began to unfold and more and more claims were issued, the Swiss banks began to dig their heels in and initially refuse to pay. This was compounded by the fact that certain German companies admitted they had committed war crimes against the Jews and other ethnic minorities and started to pay restitution. The focus shifted back to the Swiss banks with the question being indirectly asked by many (and in not so many words) "Why have the Swiss banks not paid?"

#### **8.6.4 The Crisis**

The following case study (PR Central. 1996) gives a perspective of how the crisis unfolded, thrusting the Swiss banking institution on to the world's media and social awareness stage. Of interesting note at the outset is that there was not one serious crisis, the whole crisis was characterised by a series of crises that developed from planning and management on the side of the Swiss bankers and their government. The case study is set up in a chronological order and an integration of numerous sources from the print media, the interview with Saenger and Bethlehem and a vast amount of articles from the Internet.

**September 1995** - The crisis had its roots in September 1995 when billionaire businessman Edgar Bronfman, president of the World Jewish Congress, had heard complaints from hundreds of heirs that the Swiss were making it difficult for them to retrieve money from the accounts of Jewish holocaust survivors. Bronfman flew to Zurich to meet the Swiss Bankers Association. There he was taken to an empty room.

"I was stunned, we were all standing there in a room with no furniture - it was rather rude behaviour on their part," Bronfman recalled later in his autobiography. When he asked the bankers for an accounting, they read him a prepared statement saying that the big three banks - Credit Suisse, Swiss Bank Corp. and Union Bank of Switzerland - were ready to hand over about \$30 million to settle

the matter. Bronfman replied that he would rather discuss the creation of a process to address his constituents' concerns. The bankers appeared surprised and disappointed.

**May 1996** – In the May of the following year the Swiss banks had become vulnerable to adverse publicity in the United States because North America was and is both a growth market for their lucrative asset management business and the base of some of the world's biggest institutional investors.

Amid mounting pressure, a committee of prominent Jewish and Swiss leaders was formed to search for the unclaimed Swiss bank accounts of Holocaust victims. Paul Volcker, former chairperson of the U.S. Federal Reserve, was named as chairperson of the committee (PR Central, 1996).

**September 1996** - Switzerland ratifies a decree suspending banking secrecy regulations, in an attempt to facilitate investigations into the origins of certain deposits (PR Central, 1996).

**October 1996** - Frustrated by lack of progress, a New York law firm files a class action lawsuit on behalf of Holocaust victims and their children, seeking restitution for those heirs unable to retrieve assets deposited before and during the war. A second suit follows, alleging that the Big Three Swiss banks collaborated with the Nazi regime by laundering stolen money, jewellery and art treasures. Lawyers estimate that thousands of people might be entitled to damages and that the value of stolen assets could range from a few hundred million dollars to a billion dollars (PR Central, 1996).

It is clear that the Swiss are beginning to feel the sting of bad publicity overseas. During a parliamentary debate on the issue, foreign affairs director Flavio Cotti says that "what has been said about Switzerland, especially in the foreign

media... has been shattering, on the very edge of the intolerable" (PR Central, 1996).

Then at a news conference at the Swiss Embassy in Washington, D.C., Ambassador Carlo Jagmetti acknowledges that Swiss banks have made mistakes but proclaims "the total commitment of the Swiss authorities to establish the truth and nothing but the truth, insofar as witnesses, records and documents will permit." At the same time, he says, "we must avoid the trap of hasty conclusions" based on "alleged revelations" (PR Central, 1996).

**November 1996** – During November 1996, Volcker panel gives auditors free reign to look for embezzlement, record tampering and Nazi war spoils. The agreement allows the panel to penetrate the traditional secrecy of Swiss banks for the first time, allowing "unfettered access to relevant Swiss bank files and personnel." The audit will be conducted in two phases. A first "pilot" phase will involve inspection of four Swiss banks. The second phase will begin in May of 1997 and end before 1999 (PR Central, 1996).

**December 1996** – At the end of 1996, Thomas Borer, head of the special Swiss government task force, tells the House banking committee that Switzerland views it as "a moral imperative" to return all gold and other assets belonging to Nazi victims. "If it is determined that assets that belonged to victims of the Holocaust are still being wrongfully held in Switzerland, my government will make every effort to return them to their rightful owner," he said. "If they cannot be traced, we will make the money available to relevant charities" (PR Central, 1996).

In the same month, senate banking committee chair Alfonse D'Amato says that Swiss "stonewalling" was continuing, while Bronfman said, "Until now, the pace has been slower than that of a snail," and asks Borer to ensure that it accelerates (PR Central, 1996).

Increasingly frustrated by what it saw as Swiss foot-dragging, the World Jewish Congress considers calling for a boycott of Swiss banks, but in the end postpones any decision until late in January 1997.

**Tuesday, December 31, 1996** – On the last day of 1996, with international pressure for a settlement mounting, Swiss president Jean-Pascal Delamuraz dismisses as "blackmail" calls for his country to establish a compensation fund for Jews. In a newspaper interview, Delamuraz accused foreign critics of trying to undermine Switzerland's role as a world financial centre. "Economic competition is fierce and this affair proves it," Delamuraz tells the Tribune de Geneve newspaper (PR Central, 1996). "This is nothing less than extortion and blackmail. This fund would make it much more difficult to establish the truth. Such a fund would be considered an admission of guilt.

Delamuraz continued to add that:

No one appears to see that apart from dogged research into historical truth there is also a strong political desire to destabilise and compromise Switzerland. This has one link in Washington and another in London, where it is a matter of nothing else than trying to demolish Switzerland's status as a financial centre. (PR Central, 1996.)

Reaction to the remarks is swift and unsurprising. Delamuraz "has shown shocking insensitivity to the moral concerns of the Jewish people as well as others who feel deeply the tragedy of the Holocaust and those terrible years," says Jewish Congress vice president Kalman Sultanik (PR Central, 1996).

**Monday, January 6, 1997** – Early in 1997, in response to the remarks of outgoing president Delamuraz, the World Jewish Congress is once again considering calling for a boycott, as pressure mounts for the Swiss to make some kind of gesture that would convey their good intentions. The Swiss Bankers Association says it hopes Jewish groups will continue to work with the joint commission set up in May of 1996.

In a terse statement, the bankers said, "the Swiss Bankers Association does not regard sanction and boycott threats or ultimatums as an appropriate means to foster the work already started" (PR Central, 1996).

**Wednesday, January 8, 1997** – Two days later, Swiss Bank Corporation CEO Marcel Ospel insists that any talk of a "generous gesture" should wait until the results of the official investigation are known (PR Central, 1996).

**Tuesday, January 14, 1997** - A security guard at the Union Bank of Switzerland, the largest of the Big Three Swiss banks, discovered old bank records en route to the company's shredder, in apparent violation of recently enacted Swiss law designed to prevent just such destruction. He passed the documents on to a local Jewish group, which in turn handed them to the media. UBS apologised for its "terrible mistake", but Studer appears on Swiss television attacking the security guard who blew the whistle. The security guard, it was later revealed, was under investigation for possibly violating bank secrecy laws.

**Wednesday, January 15, 1997** – The next day, Delamuraz, by now Switzerland's economics minister, apologises. In a letter to Bronfman, Delamuraz says he is "sorry I offended your feelings as well as those of many other people concerned, particularly those of the Jewish community at large" (PR Central, 1996).

**Friday, January 17, 1997** - A state assembly person suggested that Swiss banks that are regulated in New York State should be forced to open their books to ensure they are not holding money that belongs to relatives of Holocaust victims and survivors. "As the financial capital of the world, New York has a moral obligation to insist upon high standards for the banks that do business here," says sponsor Brian McLaughlin (PR Central, 1996).

**Wednesday, January 22, 1977-** Rainer Gut, chairman of Credit Suisse and Switzerland's best-known international banker, tells the Neue Zurcher Zeitung, Switzerland's leading daily, that Switzerland and its bankers have just about run out of time to defuse the public relations crisis over the country's wartime record. According to Gut, Switzerland's continued delays in getting to grips with the reparations issue was now threatening the reputation of the Big Three banks and had reduced Switzerland's international credibility to its lowest point since the war. Gut proposes the immediate creation of a fund of more than SFr100m (about \$70 million) as a goodwill gesture. The proposal appears to surprise Swiss government ministers, who are holding a "brainstorming session" at a country retreat. Most appear to believe that the establishment of such a fund would be "a premature admission of guilt." The other two big banks seem equally wrong footed by Gut's proposal (PR Central, 1996).

**Thursday, January 23, 1997** - The Swiss government announced its support for the creation of a goodwill fund, although it did not say whether it would contribute. The other two large banks followed suit.

**Monday, January 27, 1997** - Switzerland's ambassador to the United States resigned after excerpts from a confidential "strategy paper" appeared in the Zurich newspaper Sonntags Zeitung. The strategy paper labelled as "adversaries" organisations like the World Jewish Congress and individuals including D'Amato. "This is a war that Switzerland must wage and win on the foreign and domestic front," Ambassador Carlo Jagmetti wrote to his government, "You cannot trust most of the adversaries." (PR Central, 1996.)

The State Department issues its most strongly worded statement to date on the issue:

If it's true that the Swiss ambassador made these remarks, it betrays a fundamental lack of understanding for the commitment the United States government has to its own citizens and of the search for

justice for people who had their human rights fundamentally violated during the Second World War. (PR Central, 1996.)

The spokesperson went on to describe Jagmetti's proposal for a crusade against American critics of his government as "just wrong-headed."

D'Amato calls on the Swiss government to repudiate Jagmetti's remarks, while Bronfman commented:

I have never seen a country [whose envoys] go out of [their] way to do stupid things, like ex-president Delamuraz and this Washington ambassador. One of these days I plan to talk to the Swiss people and tell them that we're not mad at them. But still, they should know and we should know the truth of what actually happened. (PR Central, 1996.)

**Wednesday, January 29, 1997** - Apparently in response to the Swiss ambassador's remarks, New York city and state warn that they might bar government deposits with Swiss banks and make it more difficult for them to do business in New York.

Says Swiss Bankers Association spokeswoman Silvia Matile reacted saying, "This is hard to understand if you look exactly at what has been done already." Matile said the banks were already working with the Swiss government and Jewish groups to expedite plans for a Holocaust fund. She added, "I don't believe it was necessary to create extra pressure because the pace is already very fast." (PR Central, 1996.)

**Thursday, January 30, 1997** - Commerce under-secretary Stuart Eizenstat, chairman of a Clinton administration probe into the funds of Holocaust victims, said a boycott of Swiss banks would be counterproductive. "A strong Swiss banking system is essential to the health of the world economy," Eizenstat told a news conference (PR Central, 1996).

United Nations secretary-general Kofi Annan, meanwhile, told reporters in Geneva that Switzerland's dispute with Jewish groups had been a "public relations disaster."

**Sunday, February 2, 1997** – Early the next month, Senator D'Amato, who had been spearheading criticism of the banks in the U.S., released World War II-era documents that he said provided evidence that the Swiss handled about \$1 billion in Nazi gold even though they knew the riches had been looted. Neutral Sweden, he said, would not accept the plunder, but the Swiss had no such scruples (PR Central, 1996).

**Wednesday, February 5, 1997** - The banks announced the creation of their 100 million Swiss franc fund, the funds for which are donated equally by the Big Three. "Reflecting the intensive discussions which are under way in Switzerland to create such a fund, the time has come for action, not words," the banks said in a joint statement. "The banks trust that this initiative will clear the way for the Swiss government, Switzerland's business and financial community and Jewish organisations to work together towards finding a just and equitable solution to the issues involved." (PR Central, 1996.)

"The fund is a humanitarian gesture and shows that the banks want to detach themselves from their formalistic attitude toward victims in the past," added Silvia Matile-Steiner, spokesperson for the Swiss Bankers Association. The special account, already on deposit, is open to deposits from other sources, notably the government and the Swiss National Bank (PR Central, 1996). The Swiss banks went further, "We are breaking with the past," said Michael Willi, a spokesperson for the Swiss Banks:

"We are not saying we are guilty. We are not saying we collaborated. We are saying that, in the past, we acted in such a legalistic way and we want to break with the past. Now we want to make a humanitarian gesture." (PR Central, 1996.)



Swiss Jewish leaders hail the move as a good first step. "We think this is a very positive step. There is now some movement in the whole affair, and that is good," said Thomas Lyssy, vice president of the Swiss Jewish Federation. He said that the size of the fund is less important than the fact that Swiss banks had finally acted to address years of complaints from Jewish critics.

In the U.S., the reaction is the same. "It's a breakthrough, an acknowledgement of the wrongdoing," said D'Amato. In New York, World Jewish Congress executive director Elan Steinberg says he is confident "appropriate steps will follow so that full moral and material restitution will be made."

### **8.7 Data processing**

A case study had been selected and a system was needed to process the data. A series of benchmarks were drawn up for this purpose and these benchmarks were not determined ad hoc, they had to be formulated based on a body of knowledge which was found in the literature study contained in chapters two through until seven. The body of knowledge was reread and themes within the body of knowledge, such as the role of public relations, crisis management and stages of a crisis, were identified and then matched with particular incidences in the case study. The following benchmarks were identified to facilitate the data processing of the case study:

1. The role of public relations during the management of the Swiss bank's crisis.
2. The Swiss bank's crisis plan.
  - The contents of the crisis plan, including:
    - Key overriding messages,
    - Objectives,
    - Tactics,
    - Identification of potential crises by conducting risk assessment audits.

3. The presence of a consistent spokesperson as part of the crisis team managing the Swiss bank crisis.
4. The different stages of the Swiss bank's crisis.
  - The management of the stages during the Swiss bank's crisis.
5. The media training of the Swiss bank's spokespeople.
  - The different responses given to the media by the Swiss bank's spokespeople.
6. The Swiss bank's management of the media.
7. The Swiss banks effective communication with its publics.
  - Their staff.
  - The Swiss parliament.
  - The general public.
8. The Swiss banks admittance of wrongdoing at any stage during the crisis.

## **8.8 Data interpretation**

The Swiss banking crisis was analysed using the benchmarks established above. To facilitate the investigation of the case study and the use of the benchmarks, additional information from newspaper articles were sourced from the Internet and interviews were conducted with representative bodies. This section details how the electronic media articles and the interviews were obtained to facilitate the data processing. The objective was to provide a rich description of the findings.

### **8.8.1 Methodological context – electronic media articles**

A qualitative research methodology was selected to aid in the investigation of the electronic media articles found on the Internet used in the processing of the benchmarks. The qualitative research methodology was selected because these electronic media articles were made up of words without any graphs or diagrams and were also rich in their description of the facts that they contained.

### **8.8.1.2 Research goal**

The research goal is to provide a depth of information to facilitate the interpretation of the case study. The depth of information was obtained from electronic media articles (Appendix F). This particular research goal further supported the primary research goal of the study to determine the role of crisis management in the Swiss bank's dormant account crisis. In addition, the sub goals in obtaining these electronic media articles was to:

- Obtain a global perspective coupled with a rich description of the crisis.
- Facilitate interpretation of the crisis.
- Facilitate the application of the benchmarks.

### **8.8.1.3 Sample**

It was not feasible to do a census study of all electronic media articles, that made up the population, that were generated on the Swiss banking dormant account crisis all over the world as there were literally thousands of articles. Two Internet sites were accessed: *The Economist*, at located at <http://www.economist.com/> and *The Financial Times*, located at <http://www.ft.com/>. According to Heydenrych (2000) these two sites represent two of the worlds most credible paper based publications well known for their in-depth reporting ability. The publication's web sites were searched by typing into each publication's search engine the words "Swiss banking crisis." The population was made up of every relevant article that appeared on both publication's sites. The articles on *The Economist's* web site were discarded, as they were not in enough detail.

*The Financial Times* yielded over one hundred articles from publications all over the world. A sample had to be chosen from the *Financial Times* web site. All articles were considered, those that did not match the case study in terms of

incident and date were discarded. A total of 26 articles constituted the sample. A detailed list of the headings of all the articles can be found in Appendix F.

The type of sample chosen was a convenience sample, defined by Watt and Van Den Berg (1995:99), as the selection of units simply because they are convenient. According to the authors, this type of sampling is best used with populations organised into groups and the strength of this sample is that it reduces the sampling complexity for very large populations.

#### **8.8.1.4 Research design**

To facilitate the interpretation of the case study, documentary study, an aspect of indirect observation studies, was used. Documentary study is an indirect observation technique defined as “the analysis of documents, by which we mean any written materials that contain information about the phenomena we wish to study” (Bailey 1978:266). For the purposes of this study, these written materials are the electronic media articles.

Documentary sources, as used in the evaluation of the case study, can be divided into primary and secondary sources (Conradie *et al.*, 1986:169-170). The primary source was the Internet, which yielded a vast amount of electronic media articles, which formed the foundation of the interpretation and analysis into the way the Swiss banks managed their crisis.

#### **8.8.1.5 Data gathering**

A search for items on the Internet that related directly to the Swiss banking crisis was conducted on the 15<sup>th</sup> September 1999. The majority of the 26 media articles (forming the sample) were found on the Internet in the archive section of the *Financial Times* (<http://www.ft.com/>). The words “Swiss banking crisis” was typed in to the search facility on the *Financial Times* home page and a large

number of media articles from publications world-wide on the Swiss banking crisis were displayed. These media articles, were collected and matched, based on relevance, with specific dates and incidents within the case study and then integrated into the predetermined benchmarks to facilitate the interpretation of the crisis.

#### **8.8.1.6 Data processing**

The electronic media articles obtained to facilitate the interpretation of the case study formed an important part of the data processing. These articles were rich in their description of particular incidences that occurred during the different dates in the case study. The benchmarks formulated were matched with the dates and incidences within the case study as well as within the electronic media articles. This method of data processing was done to determine the ultimate role of crisis management in the Swiss bank's dormant account crisis. The relevance of the electronic media articles to the benchmark and the case study was of paramount importance during data processing.

#### **8.8.2 Interviewing**

Interviews at the South African Jewish Board of Deputies were held to obtain comment on specific incidences in the case study. The Swiss banks were also approached through their public relations consultants. No reply was obtained from the Swiss banks.

##### **8.8.2.1 Methodological context - interviews**

A qualitative research methodology was selected to facilitate the investigation of the interviews with the South African Board of Jewish Deputies used in the processing of the benchmarks. The qualitative research methodology was selected because the interview questions were responded to in a rich verbal

description. The answers given carried no inference to mathematical and statistical figures and no graphs or diagrams were used during these interviews.

### **8.8.2.2 Research goal**

The purpose of this research goal, in obtaining comment from the South African Jewish Board of Deputies, was to secure an objective opinion from a body that represented those people affected by the Swiss banking crisis. The Swiss banks were also contacted for comment, but they never responded. This research goal also supported the primary research goal of the study to investigate the role of crisis management in the Swiss bank's dormant account crisis. In addition, the goal in obtaining these interviews was to:

- Obtain a humanitarian perspective coupled with a rich description of the crisis.
- Facilitate interpretation of the crisis.
- Facilitate the application of the benchmarks.

### **8.8.2.3 Sample**

As a population, the South African Jewish board of deputies was the only organisation involved in the negotiations, for the dormant accounts held at the Swiss banks, that represented South African Jewry.

However, from a population perspective, only one body represented the rights of the Jewish people in South Africa on a national and international level. A sample had to be selected that was representative of the interests of local Jews affected by the Swiss bank's actions. The South African Jewish Board of Deputies was the sample, which is also an organisation, which acts as a lobby to protect South African Jewish rights on a local and international level. The sample was, therefore 100 percent representative of the specific population. In addition, the

sample was a convenience sample, defined earlier by Watt and Van Den Berg (1995:99), as the selection of units simply because they are convenient.

#### **8.8.2.4 Research design**

The opinions, feelings and comments of both the Swiss bankers and the Jewish Board of Deputies were needed to gain a deeper understanding of both parties' activities within the framework of the crisis. The Swiss banks and their public relations representatives did not answer any of the e-mails or faxes requesting interviews.

The interview with the South African Jewish Board of Deputies was held in their Johannesburg offices in a face to face setting which was advantageous in that it allowed the observance of both verbal and non-verbal communication and allowed both complex and easy questions to be asked. The disadvantage was the appearance, verbal and non-verbal attributes of the investigator could have influenced the respondents (Neuman, 1997:253).

The questions asked (Appendices C and D) were of an open-ended nature which meant that the interviewees had an unstructured free response. One very important factor is that open-ended questions allowed for answers that the researcher may not have foreseen in the construction of the questionnaire (Wimmer & Dominick, 1987: 105). This meant that the answer given to a question could not be anticipated in any manner when the questions were being formulated.

The advantages and disadvantages of open-ended questions can be explained as follows in table 8.2:

They permit an unlimited number of possible questions.	Different respondents give different degrees of detail in answers.
Respondents can answer in detail and can qualify and clarify responses.	Responses may be irrelevant or buried in useless detail.
Unanticipated findings can be discovered (Wimmer & Dominick, 1987: 105).	Comparisons and statistical analysis become very difficult.
They permit adequate answers to complex issues.	Coding responses is difficult.
They permit creativity, self expression and richness of detail.	Articulate and highly literate respondents have an advantage.
They reveal a respondent's logic, thinking process and frame of reference.	Questions may be too general for respondents who lose direction.

Table 8.2 Advantages and disadvantages of open-ended questions (Neuman, 1997:241)

### **8.8.2.5 Data gathering**

Additional information was required to get an opinion from the South African Jewish perspective on the crisis to achieve the research goal of investigating the role of crisis management in the Swiss bank's dormant account crisis. This additional information was needed as some media reports mentioned that there could be South African Holocaust survivors who may still have dormant accounts in Switzerland at the Banks concerned.

This information was obtainable from the South African Jewish board of Deputies and an interview was set up with Marlene Bethlehem, national chairperson of the South African Board of Jewish Deputies and Hans Saenger, national treasurer of the South African Board of Jewish Deputies. Bethlehem was selected, as she is the body's overall spokesperson. Saenger was chosen, as he is their treasurer and would have an in depth understanding of financial issues including how the Swiss Banks work and what their conduct was during the Holocaust and subsequently thereafter.

The first interview took place on Friday 30<sup>th</sup> July 1999 at the Johannesburg offices of the South African Board of Jewish Deputies (See appendix C for the questions used during this interview). A second interview was held on 11<sup>th</sup>



January 2000, also at the Johannesburg offices of the South African Board of Jewish Deputies (See appendix D for the questions used during this interview. A brief explanation for the choice of each question will be given in both appendix C and D). The objective of the second interview was to obtain a deeper insight into the actual events that contributed to the crisis.

Due to the emotional nature of the topic - Saengar is a Holocaust survivor - it was decided to allow the interview to be of an unstructured nature to facilitate data gathering. This allowed both interviews to take their own course within a broad framework of prepared questions. Both interviews were also pre-eminently suited to these unstructured or open questions, thus increasing the depth and scope of the data collected (de Wet et al. 1989:45).

#### **8.8.2.6 Data processing**

The interview questions asked to the South African Jewish Board of Deputies were based on the case study. The answers given by the South African Board of Jewish Deputies were worked into the corresponding benchmarks and were rich in description and directly related to particular incidences in the case study. This facilitated accurate data processing and also helped achieve the objective of determining the role of crisis management in the Swiss bank's dormant account crisis. The relevance of the interviews to the benchmark and the particular incidences in the case study was also of particular importance during data processing. The data from the interviews also complemented the data obtained from the electronic media articles obtained in the Internet search.

#### **8.9 Limitations**

There were numerous restrictions and factors that inhibited the writing of this dissertation. The role of crisis management in corporate western financial companies, particularly the Swiss banking crisis, is not a widely researched topic

and as such specific information was lacking. Libraries had limited information on crisis management and the available information on financial crisis management was almost non-existent.

The Swiss bank case study posed some problems as from the time of writing until completion, the crisis itself, although almost complete, was not settled between all parties. Only the South African Board of Jewish Deputies was prepared to give a limited interview concerning the case study. The Swiss banks that had endured the crisis were not willing to talk about their crises.

Its disadvantage is that field experiments (or field research) often encounter external hindrances that cannot be anticipated (Wimmer & Dominick, 1987:139). An example is that it could not be anticipated that the Swiss banks and their public relations consultancy called Rudder Finn, in New York, did not return e-mails or acknowledge requests for interviews. These requests were sent on 15 March 1999 and addressed to David Finn, one of the managing partners of the consultancy.



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### **8.10 Validity and reliability**

Both reliability and validity are important to any research project. A measure is reliable if it consistently gives the same answer at different points in time (Wimmer & Dominick, 1987: 59). The same authors (Wimmer & Dominick, 1987: 38) state that external validity refers to the generalisability of the results of a study across populations, settings and time. Neuman (1997:141) simply sees validity as a true measure.

Validity and reliability were paramount during this research. The case study was obtained from a neutral source – PR Central – an independent Internet site, which contains objectively written information. The objectivity of the site further facilitated the maintenance and achievement of valid and reliable research.

In an attempt to further validate the results and make them more reliable, an interview was sought with the Swiss bank's public relations consultants, Rudder and Finn, who did not reply to the request. The South African Jewish Board of deputies was contacted for an interview. Care was taken to ensure that the questions asked were open ended and objective and did not lead the interviewees to answer along any particular line of questions. The collection of information from multiple sources, as indicated above, is termed triangulation and according to Mouton (1996:112) is likely to increase the reliability of the investigation.

The reliability and validity of the information contained in the case study and its interpretation thereof has been paramount to obtaining impartial results in determining the research goal. The reliability of the results of the methodological investigation is an indicator of the dependability of the results. The validity of the results refers to the degree of fit between the constructs and their indicators (Neuman, 1997:141). The validity of this research project was achieved by the accumulation of evidence over a period of time followed by the objective interpretation and analysis of it.

The type of validity achieved was face validity, defined by Neuman (1997:142) as being when the indicator measures the construct. The construct is the contents of the case study and the measure being the results of the implementation of the benchmarks. Wimmer and Dominick (1987: 186), confer stating that face validity assumes that an instrument adequately measures what it purports to measure if the categories are rigidly and satisfactorily defined and the procedures of the analysis have been adequately conducted. The results of this case study investigation can not be generalised for all Swiss banks or the broader international banking population, only the three contained in the case study. As such, the results of this case study investigation are one hundred percent representative of the sample.

## **8.11 Conclusion**

Qualitative research was chosen as the most suited method to analyse the data in the Swiss bank case study because the data that it contained was in the form of words, sentences and paragraphs, all of which are conducive to qualitative analysis. Quantitative research analysis was not chosen as a research technique because variables and statistics did not form part of the case study or the deeper research objective to measure the variables.

If qualitative research had not been undertaken, and quantitative research methodologies were used, it can be argued that these quantitative research methodologies could have resulted in inaccurate findings and results. Based on the emotive nature of the case study it is also concluded that to research it, field research and indirect observation study were the most suited to produce accurate results, from a qualitative research perspective. Documentary sources were used to complement and supplement the case study. The interview conducted was done in a face to face setting with open-ended questions. The emotive aspect of the interviews with Saenger were overcome by ensuring that the questions asked were only relevant to the Swiss banking crisis and not to the broader issue of the Holocaust. An interview conducted using quantitative methodologies would also not have been conducive for the topic concerned. How do you ask a Holocaust survivor to rank his experience in concentration camps out of ten? How do you find a control group? Do you use a group of people who claim that the Holocaust never existed?

Objectivity was vital throughout the interview process, the Swiss banks were approached for their input. They chose not to comment - a mistake that no company should make when faced by a crisis situation.

Qualitative research does not reduce the complexity of social life to easily manipulated equations. Rather than 'skating on the surface of everyday life,' its

close contact and detailed recording allows the research to glimpse beneath the polished rhetoric, or the plausible deceits; it is able to take more time to focus upon the smaller yet powerful processes which other methods gloss over or ignore.



## Chapter 9: Findings and interpretation

### 9.1 Introduction

Chapter eight presented the case study and benchmarks to investigate the case study. This chapter presents the results and interpretation of the case study including the electronic media analysis and the interviews with the South African Jewish board of deputies. The results have been obtained by sourcing instances from the case study, electronic media articles and interviews that related in particular to the benchmark. The findings are also discussed and based on this it is then proposed what the Swiss banks did not do. **What the Swiss banks could have or should have done is the interpretation of the findings with the aim being to fulfil the “determine” aspect of the research goal. This is based on:**

- **The literature study.**
- **The international and local interviews with public relations consultants and journalists.**
- **The electronic media articles.**
- **Reference to best public relations practice.**

The analysis of the case study will illustrate how poorly managed the Swiss banking crisis was, from a crisis management perspective. In particular, it will show the low status accorded to public relations by the Swiss banks during the management of their crisis.

The investigation will also emphasise the lack of a consistent spokesperson as part of the crisis team managing the Swiss bank crisis as well as the Swiss bank's inability to identify the different stages of their crisis and implement the necessary management steps to control it.

The Swiss banks ineffective communication with its publics (its staff, the Swiss parliament and the general public) is also presented including the Swiss banks reluctance to admit wrongdoing at any stage during the crisis.

## **9.2 Case study results**

The following benchmark results were obtained by implementing the benchmark as established in chapter eight to investigate the case study and the Swiss bank's methodology of crisis management.

### **9.2.1. The role of public relations during the management of the Swiss bank crisis**

Based on the above benchmark, the following examples were found in the case study, electronic media articles and advertisements relating to the role of public relations during the management of the Swiss bank crisis:

- **3 August 1996** - The Swiss banks asked the head of a private Swiss bank, Hans Baer, to help them mediate in the crisis. Baer commented, soon after the crisis started that "Swiss banks have been 'harshly criticised' and sees the problem primarily in public relations terms. If the PR had been handled better, Switzerland, and its banks, would not now be standing in the dock." (Anon. 2, 1996). In this context, Sheldon Green (1994a:21) states that public relations must set out to build, or sometimes protect, the reputation of products and services.
- **14 November 1996** - Growing public and media concern prompted one of the Swiss Banks - UBS - to send a memorandum to its non-Swiss employees on how they should respond to public concern over allegations about Swiss banks' links with Nazi Germany.

The following was stated in its memo:

We are not willing to accept the unfounded accusations without a reaction. A large PR campaign is, however, not appropriate. We are aware that the discussions and accusations have a negative impact on our image. (Anon. 8, 1996.)

- **22 January 1997** - Rainer Gut, chairperson of Credit Suisse and Switzerland's best-known international banker, told the *Neue Zürcher Zeitung*, Switzerland's leading daily newspaper, that Switzerland and its bankers have just about run out of time to defuse the public relations crisis over the country's wartime record. According to Gut, Switzerland's continued delays in getting to grips with the reparations issue was now threatening the reputation of the Big Three banks and had reduced Switzerland's international credibility to its lowest point since the war (PR Central, 1996).
- **30 January 1997** - One of the strongest criticisms of the Swiss banks' use of public relations was given by Kofi Annan, the United Nations secretary-general. He told reporters in Geneva, that Switzerland's dispute with Jewish groups had been a "public relations disaster" (PR Central, 1996).
- **12 March 1997** - Global public relations consultancy Pinnacle released a press release entitled 'Pinnacle Survey: Swiss Government Has Handled Crisis Badly' (Anon. 9, 1997). The press release (Appendix E) detailed how badly the Swiss government had handled the public relations crisis its prestigious banking industry found itself in. It became obvious during the progression of the crisis that the government and the banks were not communicating regularly or co-operating on the issue of the crisis. Sharon van Sickle, president of Pinnacle World-wide, commented that "in communications terms, the Swiss banks didn't seem to realise the level of interest in the story and were always on the defensive. They always seemed to be reacting to events, rather than managing them."
- **18 November 1998** - Negative publicity resulted in a financial drop in net income of the Union Bank of Switzerland was seen as a "trading tragedy" brought on by the claims made by Holocaust survivors claiming restitution



(Anon. 11, 1998). The profits had fallen by 32% to SFr 2.6 billion (Anon. 12, 1998 and Anon. 13, 1998).

One overall implication, based on the above incidents during the Swiss bank's dormant account crisis, was that the public and the media were becoming increasingly aware of the fact that the banks were in a crisis due to the comments by high profile people like Baer, Gut and Annan.

The Swiss banks found themselves in a protracted crisis and based on the comments made by the respective high profile people it is proposed that the Swiss banks did not use public relations to ease and manage the damage caused by the crisis. In addition, based on a detailed search of the case study (PR Central, 1996) and the online media study no evidence was found to suggest that the Swiss banks made effective use of public relations as a priority. No coverage was found that indicated that the Swiss banks had initiated any media activity. The Swiss banks ignored proactive public relations practice and failed to estimate the impact of their crisis on their business. From a public relations perspective, developing issues were not dealt with and the Swiss banks failed to effectively manage their crisis. Tackling developing issues by being proactive was key to the management of the crisis, being reactive to issues and events after they had occurred arguably led to the most damage being done to the Swiss banks.

The Swiss banks did not use the systems approach, from a public relations perspective to manage their crisis. The use of the systems approach would have led to equilibrium being established between the crisis and its management by the Swiss banks. The Swiss banks should have had as an objective to maintain an open system that facilitated the two-way communication between the Swiss banks and their publics.

The comments made by Baer, Gut and Annan were not followed by a statement from the Swiss banks indicating the measures that they were taking to reach some sort of finality for a positive outcome for the crisis. Baer's comments that he saw the crisis in public relations terms only was not a fair comment to make according to Bethlehem (2000). She explained Baer's comments as indicating that he had moral responsibility to reply the way he did as by 1996 there was already public awareness concerning the crisis.

According to Heydenrych (2000), it is common PR practice for companies in crisis to support or refute comments made by high profile people or challenge statements made by third parties. In addition, the Swiss banks should have issued continuous press releases world wide detailing all the issues that they had started to address and had as an objective to keep all parties informed. It can be argued that they did not follow these basic public relations tactics because they were poorly prepared to manage the crisis from a public relations perspective. In addition, no comment was made to challenge the findings of the Pinnacle survey (Anon.9, 1997). The profits of The Union Bank of Switzerland fell because the Swiss banks did not have an objective, as part of their public relations function to ensure that their share prices remained constant. By communicating effectively as a public relations function, they could have prevented a drastic drop in share prices. The Swiss banks did not use public relations to communicate to their present and prospective shareholders and security analysts to lobby for their share prices to remain constant.

Conversely, the South African Jewish Board of Deputies however intensified the use of public relations during the Swiss banking crisis. Public relations was used to get the organisation's speakers on to local radio and television shows and set up interviews with the press. According to Bethlehem and Saenger (1999) public relations is very important for their organisation and it has been used to increase the visibility of Jews in South Africa and build relationships with other South Africans.

From the above it is argued that the Swiss banks did not have a public relations and crisis plan ready. When it became apparent that they could be faced with a crisis in September 1995, public relations and crisis management was not accorded a critical role in the management of the crisis from its inception. The role of public relations was viewed as secondary to the management of the crisis and downplayed by the Swiss banks. The implications for the Swiss banks of not according public relations an important role in managing the crisis was seen in the fact that the crisis was not managed.

### **9.2.2 The Swiss bank's crisis plan**

The following section concerns itself with the identifiable factors that should be on any company in crisis' public relations crisis plan. "Nothing can be done without preparation and planning." (Bethlehem & Saenger, 1999.) According to Gottschalk (1993:284), an organisation must have a crisis plan, even a modest one, to deal with emergencies. The implication of not planning for a crisis can result in an organisation suffering extreme financial losses as well as going out of business.

Both the case study (PR Central, 1996) and the electronic media articles were considered to find evidence, or the lack thereof of the following aspects of a crisis plan:

- **Key overriding messages**

Messaging is an important part of the communication and public relations function. According to Seitel (1992:171), once the encoder has taken in the source's ideas and translated them into terms a receiver can understand, the ideas are then transmitted in the form of a message. The message may be carried in a variety of communications media: speeches, newspapers, news releases, press conferences and face to face meetings. Base on this theoretical context and the 'key overriding messages' benchmark, the following examples

were found in the case study (PR Central, 1996) and the electronic media articles as incidences relating to the benchmark:

- \* **November 1996** - The Volcker panel gave the auditors a free reign to look for embezzlement, record tampering and Nazi war looting at the Swiss banks. The agreement allowed the panel to penetrate the traditional secrecy of Swiss banks for the first time (PR Central, 1996). During this incident, the Swiss banks did not disseminate a message of a willingness to comply with all processes, judicial and civil. It is contended that by keeping silent the Swiss banks could have given off the message that they did not necessarily agree with the actions of the Volcker panel.
- \* **5 February 1997** - The Swiss banks announced the creation of their 100 million Swiss franc fund (PR Central, 1996). It is at this stage that the banks should have apologised and accepted blame and responsibility. Instead, the Swiss bankers chose to state that the action was not an admission of guilt. The implications for the banks was that it made them appear to be uncompromising and unable to accept responsibility for what they had done.
- \* **27 November 1998** - The international media became impatient with the Swiss banks. For example, the French news service, *Agence France Press International* ran the headline "Let's stop talking and pay up!" (Anon. 17, 1998). As soon as this article was seen in the media the Swiss banks should have contacted the publication to give them an update of the negotiations and inform the publication when some form of payment would be made. The messaging that should have been sent through should have showed that the Swiss banks were co-operating throughout the process and infact progress was being made. By not replying the implications for the Swiss banks was potentially to illustrate that the banks were doing nothing to resolve the crisis.

Based on the above examples, it is apparent that the Swiss banks did not make any effort to create and transmit key messages during the various incidences that made up the crisis.

The Swiss banks also did not use the asymmetrical approach in the management of their crisis. Had they done so it would have become apparent that persuasion, via key messages, would have been their objective and the communication that used could have been two way in nature yet imbalanced in favour of themselves.

To facilitate this, the Swiss banks could have established a strategy session and formulated a message bank filled with messages relevant to certain situations. As these situations arose, the spokesperson could have transmitted the relevant message from the established message bank to target different publics. This is based on best practice public relations. The Swiss banks did not establish a message bank and this was determined as all quotes were analysed and no key messages were identified. The fact that key messaging was not available could have resulted in opportunities being missed. It is argued that the Swiss banks lack of preparedness as far as messaging is concerned positioned the banks negatively as the banks could not respond to allegations and issues concerning the Swiss banking crisis as the worlds media exposed the issues. What also became apparent, based on the above examples, was the fact that the Swiss Banks did not formulate important messages to all its stakeholders as part of its crisis plan, before the crisis began. Key messaging could have been concentrated around:

- \* The bank's neutrality.
- \* Their credo of service excellence.
- \* That all customers are treated equally.
- \* A commitment to co-operate with all authorities no matter what incident arises.


If the bank is found guilty, that it

- \* Apologises to all parties harmed by its actions.
- \* It will do whatever is necessary to rectify the situation and ensure it never happens again.

These messages were chosen, as they would have positioned the Swiss banks neutrally and communicated a message of the banks commitment to resolve the current crisis and respect the wider communities in which it operates.

### • Objectives

The objectives of a crisis plan are very important for the effective management of a crisis from public relations perspective. Seitel, (1992:56) sees objectives as the goals of the public relations plan. Gottschalk (1993:413) adds to this saying that in addition to objectives outlining what a crisis plan hopes to achieve, it also outlines what a crisis plan hopes to prevent. Using this theoretical basis and on the benchmark above, the following examples were found relating to the benchmark:

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- \* **October 1996** - Frustrated by lack of progress, a New York law firm files a class action lawsuit on behalf of Holocaust victims and their children, seeking restitution for those heirs unable to retrieve assets deposited before and during the war (PR Central, 1996). The Swiss banks never tried to position their banks as complying with the legal processes that they faced, nor did they transmit any messaging to the effect that they thought that the law suite was possibly initiated too soon or was even the incorrect action.
  - \* **November 1996** – the previously mentioned Volcker panel's permission given to auditors is also relevant here (PR Central, 1996). The Swiss banks never issued any comment regarding the Volker panels objectives or sought to meet with the panel and publicise this fact. This possibly

implied that the Swiss were not co-operative and possibly had something to hide.

- \* **27 November 1998** – The previously discussed headline “Let’s stop talking and pay up” (Anon. 17, 1998) is again relevant here. By not replying to this article, the public could have perceived that the Swiss banks knew that they were wrong. The Swiss banks should have responded illustrating what issues had been agreed upon and what was still outstanding.
- \* **2 January 1999** - the *Scotsman* newspaper (Anon. 19, 1999) carried an article with a negative angle aimed at Switzerland. An extract from the article reads:

The country Joseph Goebbels described as "this stinking little state" and Hitler insisted "must be liquidated" is widely blamed for one of the nastiest legacies of the Third Reich. To sensitive liberals everywhere, Switzerland is the country, which stole the wealth of Holocaust victims and bluntly refused to give it back. Swiss confusion at this new status of international pariah is not helped by the facts.

The implications of not responding to an article like this could cause the Swiss banks to brand themselves as guilty in the eyes of its respective publics.

- \* **29 April 1999** – the headline “A rotten episode in Swiss history” appeared in *The Independent* newspaper (Anon. 20, 1999). An exert from the article reads:

Switzerland will never recover from this affair. Neither will its banks. Now that we know an elite corps of Swiss bankers thrived on the spoils of war as the Nazis murdered millions outside their neutral Alpine borders, we can never trust the chocolate-box view of Swiss history presented to the world in the decades after the Second World War. At worst, the gnomes of Zurich have become the poison dwarfs of international finance.

The Swiss banks did not respond to the article. By remaining silent, the Swiss banks arguably allowed its publics to possibly see them in a negative light and accepting the criticism levelled at them.

Based on the above aspects it is contended that the Swiss banks did not have a series of public relations objectives that they wanted to achieve. The key objective that was lacking in the management of the Swiss bank's crisis, from a public relations aspect, was:

- \* To consistently communicate with the media on either a proactive or reactive mode, depending on the circumstances.

The secondary objective should have been to

- \* Counter any negative media coverage and to confront negative perceptions in the media and public forum (see Rank's model).
- \* Reinforce all positive media coverage and reinforce positive perceptions in the media and public forum (see Rank's model).

It would seem that the Swiss banks did not strategise what their key goals were going to be and included them as objectives in the crisis plan. The objectives would have given the banks a goal to work towards and could potentially have affected the outcome of the crisis. Base on the above incidences it also became apparent that the Swiss banks did not have an objective to accept fault and blame for the events leading up to the crisis.

The key evidence for this was the 5 February 1997 comment by Michael Willi a spokesperson for the Swiss banks when the banks announced the creation of their 100 million Swiss franc fund. Willi said:

"We are breaking with the past. We are not saying we are guilty. We are not saying we collaborated. We are saying that, in the past, we acted in such a legalistic way and we want to break with the past. Now we want to make a humanitarian gesture." (PR Central, 1996.)



Also based on the above instances it became apparent that other objectives that the Swiss banks did not have was:

- \* To maintain the bank's good name, service excellence, neutrality and secrecy including protecting the Swiss banks' good name, shareholders, global client base, all customers' safety and anonymity.
- \* To make all persons aware that they never hid money from accountholders or their lawful heirs.
- \* To co-operate with all investigative bodies, local and foreign.

#### • **Tactics**

The tactics in a plan dictate what will actually be done once the crisis plan is operational (Regester, 1989b:102). Tactics facilitate the achievement of the crisis plan's key objectives. Based on the above benchmark, the following examples were found in the case study (PR Central, 1996) and the electronic media articles relating to the benchmark:

- \* **September 1996** - the Swiss government ratified a decree suspending banking secrecy regulations, in an attempt to facilitate investigations into the origins of certain deposits (PR Central, 1996). In this instance, the Swiss banks should have taken a strategic decision to send out a press release supporting their governments actions. This implication of not sending out a press release meant that banks could be seen as uncooperative and non-supportive of their government's actions.
- \* **2 February 1997** - Senator D'Amato, who had been spearheading criticism of the Swiss banks in the U.S., released World War II-era documents that he said provided evidence that the Swiss handled about \$1 billion in Nazi gold even though they knew the riches had been looted (PR Central, 1996). There was no counter reply, via a tactical method like a press release or a media conference by the Swiss banks to refute the allegations or if they were, correct, to accept responsibility. The implications for the banks was that this incident made them look guilty, even if they were innocent, simply because

they did not reply, challenge or refute D'Amato's actions.

- \* **16 November 1998** - the media started to question the virtue of having a banking industry that operates in secrecy (Coghlan, 1998). This type of article challenged the very essence of the Swiss banking industry. The implications for the Swiss banks not replying to an article of this nature could possibly have been that by keeping quiet they were tacitly approving the contents of the article. The Swiss banks should have had a tactical response and issued press releases to the local and international media to refute these allegations and show what the benefits are of a banking industry that runs on secrecy.

The Swiss banks did not use the full range of tactics available to them as methods to get their messages out to the various publics and position themselves. As a result, the Swiss banks had a tactically poor approach to managing their crisis. The tactical element of the Swiss banks' crisis plan should have dictated what would actually have been done once the crisis plan became operational. The implications of having a poor implementation of tactical solutions available to it meant that the Swiss banks could not get messages out to key and target media and their recipients. The tactics they should have employed was to:

- \* Hold regular daily/weekly updated press/media conferences.
  - \* Offer interviews to key publications with the spokesperson for the Swiss bankers.
  - \* Counter all negative allegations in the media that could have a negative impact on the banks and their industry.
- 
- **Identification of potential crises by conducting risk assessment audits**
- According to Gottschalk (1993:415), the identification of areas in which the company is vulnerable to, a crisis (risk assessment audits) is very important. According to him, it serves two purposes. Firstly, it identifies potential trouble


spots (the Swiss banks could have anticipated the global media onslaught, a drop in their share value). Secondly, it provides the information needed to build a comprehensive system to manage crisis communications internally and externally (the Swiss banks could have identified the best tactics and techniques to communicate with their staff, client base and the media). With this theoretical starting point and based on the benchmark above, the following examples were found in the case study (PR Central, 1996) and the electronic media articles that relate to the benchmark:

- \* **September 1995** - the crisis had its origins when billionaire Edgar Bronfman turned down Credit Suisse, Swiss Bank Corp. and Union Bank of Switzerland's offer of about \$30 million to settle the dormant account matter (PR Central, 1996). The identification of potential crises should have commenced with the potential for Bronfman to turn down the bank's offer. The implications of not having been prepared are arguably the crisis, which lasted for over four years.
- \* **29 January 1997** - New York city and state officials warned that they might bar government deposits with Swiss banks and make it more difficult for them to do business in New York (PR Central, 1996). The Swiss bankers could have identified the possibility of individual or groups of countries boycotting their services or imposing some form of sanctions against them and been ready to challenge the sanctions or any other actions. No evidence was found in the case study (PR Central, 1996) and the electronic media articles to suggest that the Swiss banks tried to counter the New York State initiatives.
- \* **18 November 1998** - the drop in net income of the UBS (Anon. 11, 1998), including a profit decline (Anon. 12, 1998 and Anon. 13, 1998) presented major challenges for the bank. The implications of not identifying or anticipating a potential drop in share price for certain or all of the banks involved in the crisis resulted in the banks not being able to counter the share drop with any proactive media activity. Had the Swiss banks

identified the possibility of their share price dropping, they could have issued a press release, initiated media interviews to counter this. No evidence was found of them having done so.

It is apparent, based on the above, that the Swiss banks did not conduct an impact assessment and therefore failed to identify potential crises and issues that they could face during their looming protracted crisis. No proactive or reactive tactical incidents were identified in the case study (PR Central, 1996) or electronic media articles that suggested that the Swiss banks had identified any potential crises based on a risk assessment audit.

The implication of not doing an impact assessment or identifying potential crises resulted in the Swiss banks being ill prepared to manage issues within their crisis when they arose. Had they identified potential crises they would have had the resources available to manage the crises and limit the damage to their banks while maximising their media opportunities. Some of the potential crises that they could have identified are:

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- UNIVERSITY  
OF  
JOHANNESBURG
- \* A loss in confidence in the Swiss banking fraternity by international and local investors.
  - \* A drop in the amount of new customers.
  - \* A governmental inquiry by both the Swiss and other foreign governments.
  - \* Increased activity by activist groups like the World Jewish Congress.
  - \* A boycott of the Swiss banking system by New York City and the state of New York.
  - \* Increased media activity around the Swiss banks.

### **9.2.3 The presence of a consistent spokesperson as part of the crisis team managing the Swiss bank's crisis**

From a theoretical perspective, Fink (1986:57) states that each crisis team should have a central core with a technical crisis requiring technical people and a financial crisis requiring financial people. In addition, the spokesperson of the company in crisis must also be part of the crisis team. According to Gottschalk (1993:399), a company in crisis must speak in a single voice via its spokesperson. This spokesperson must be sympathetic, articulate, trained and skilled in handling tough media interviews (Stonborough, 1996:9). Relating to the above benchmark, the following examples have been identified as being relevant to the benchmark:

- \* **3 August 1996**, the previously discussed incident involving Baer speaking on behalf of the Swiss banks (Anon. 2, 1996).
- \* **8 January 1997**, Swiss Bank Corporation CEO Marcel Ospel commented on the possibility of the Swiss banks giving money back to the claimants (PR Central, 1996).
- \* **29 January 1997**, the Swiss Bankers Association spokesperson Silvia Matile reacted to New York city and state officials who warned that they might bar government deposits with Swiss banks and make it more difficult for them to do business in New York (PR Central, 1996).
- \* **5 February 1997**, Michael Willi, a spokesperson for the Swiss Banks received his first piece of media coverage when he commented on the Swiss banks announcement concerning the creation of their 100 million Swiss franc fund (PR Central, 1996).
- \* **22 March 1999**, only four years after the crisis started did the Swiss Bankers Association appoint a head of publicity, Jean-Marc Felix, who was tasked with injecting some public relations expertise into a trade organisation (Hall, 1999).

On analysis of the above examples, it becomes evident that the Swiss banks had numerous spokespeople and did not have a single spokesperson to speak on behalf of all the banks during the crisis. The media took the crisis faced by the Swiss banks and transmitted it to almost every country in the world via the media in those countries. Invariably the coverage was negative and always involved a different person speaking on behalf of the Swiss banks.

The primary implication for the Swiss banks of not having a dedicated spokesperson from the inception of the crisis was that an inconsistent media image was built up of the banks. What this means is that the Swiss banks' crisis started in 1996 and the majority of spokespeople only started to appear in the media in 1997 and 1999. Spokespeople from all different groups spoke for and on behalf of the three Swiss banks, but nowhere in the analysis of the case study and the online media study was there a consistent spokesperson who spoke as part of the Swiss bank's crisis team. The Swiss banks potentially lost credibility with the media, as they did not have a single point of contact that was credible and spoke on behalf of the Swiss banks from a public interest viewpoint. Clearly, the Swiss banks did not see the importance of having a single spokesperson.

Based on this, the Swiss banks did not choose a crisis team before the crisis started. Had they done so, the team, including the spokesperson, could have prepared themselves just after the first indication that a crisis could develop when Edgar Bronfman turned down the Swiss bank's offer in September 1995 (PR Central, 1996). Bronfman was the spokesperson on behalf of world Jewry involved in this issue and the South African Jewish Board of Deputies were in contact with him constantly throughout the crisis to (Bethlehem and Saenger, 1999).

The crisis team should have been made up of relatively high-level managers who could make solid decisions and hold a solid understanding of the banking

industry as well as their respective banks. These high-level managers should have been from the following fields: legal, financial, human resources, information technology and communications. The team should have functioned as a unit combating the crisis allowing the banks to carry on with their day to day business. The spokesperson, selected from one of the above fields, could have offered relevant comment on any of the incidences as detailed in PR Central (1996); Anon. 2 (1996) and Hall (1999). The Swiss bank's single spokesperson should have appeared constantly in the media, being quoted and managing the messages transmitted to the media.

#### **9.2.4 The different stages of the Swiss bank's crisis**

Since crises evolve, it is important to identify them early in their evolution so management will have a better chance of resolving them. Fearn Banks (1996:4-9) and Heath and Nelson (1986:204-220) state that a crisis has five stages and Gottschalk (1993:416) supports this, stating that crises usually follow a similar pattern of development and take time to surface. From a theoretical perspective and based on the above benchmark, the incidences and crisis stages below were found relating to the benchmark. After each stage of the crisis is identified the key management tactics that the Swiss banks should have used are discussed. The stages of the crisis are:

- **Amber/pre-crisis stage:**

The key events that could have alerted the Swiss banks to the fact that they were within the amber or prodromal stage were:

- \* **September 1995**, the previously mentioned settlement issue is relevant here (PR Central 1996). The warning signs were there; Bronfman's rejection of their offer, the strain this caused for the Swiss banks and Bronfman's profile within the community he represented.

- \* **May 1996**, the announcement of the formation of a committee of prominent Jewish and Swiss leaders to search for the unclaimed Swiss bank accounts of Holocaust victims (PR Central, 1996).
- \* **July 1996**, there was growing suspicion in the United States and Israel that the Swiss had not been truthful about the accounts. In addition, there were also fears that Jewish organisations may support a boycott of Swiss banks unless the Swiss made more efforts to co-operate in the search for money due to Holocaust victims (Anon. 1, 1996).
- \* The final aspect of the amber stage of the crisis occurred in **August 1996** when the *Financial Times* wrote an article headlined “Clock ticks on buried Jewish treasure.” (Anon. 2, 1996.) The article also detailed comments by Baer concerning the harsh treatment of the Swiss banks by the media.

The crisis management during this stage, as detailed below, proposes what the Swiss banks could have done during this phase of the crisis.

**Crisis management during the amber/pre-crisis stage:** During the amber stage, and based on the analysis of the above key incidences from the Case study (PR Central, 1996) and the electronic media articles, the Swiss banks did not:

- \* Identify the warning signs and strain associated with the detection of a potential crisis.
- \* Acknowledge the pending crisis coupled with the possible resolution of the issue at hand.

It is at this stage that the Swiss banks' crisis team leader should have declared that the Swiss banks were in an amber or pre-crisis stage and that they were going to be facing a potential crisis. It is proposed that the Swiss banks had no early warning mechanism in place to identify potential threats. The Swiss banks should have called their public relations department and the banks external public relations consultancy, once Edgar Bronfman had



turned them down in September 1995 (PR Central, 1995), and briefed them about the situation and potential developments. This is the stage where the Swiss banks should have either formulated their crisis plan or pulled out their existing crisis plan. Internally, preparations should have also been made for all employees to be communicated with, either via memo, company meetings or even telephonically, to keep them informed of all developments. Externally, to deal with the media interest and communicate with the international community, the Swiss banks should have put together a proactive external communications plan to manage the initial media coverage as well as the expected flurry of media coverage to follow during the next stages of the crisis. A detailed study of the case study (PR Central, 1996) and the electronic media articles did not reveal any evidence of the above management aspects taking place.

- **Pre-engagement/preparation stage:** The pre-engagement or preparation stage of the crisis was characterised by the following incident:
  - \* **September 1996,** the previously mentioned Swiss government's ratification of a decree suspending banking secrecy regulations (PR Central, 1996). While events in the previous months could have pushed the Swiss banks into a pre engagement stage, they were able to hide behind their banking secrecy laws. With the September 1996 announcement there was "no hiding for the Swiss banks." Then the United Kingdom government announced that Switzerland held \$500m of 'Nazi gold' by the end of hostilities (World War Two) (Anon. 3, 1996).

**Crisis management during the pre-engagement/preparation stage:** During this stage, it became apparent, based on the events detailed above that, the Swiss banks did not mobilise their resources optimally for the rapidly approaching crisis. At the start of this stage the full compliment of the crisis team should have been mobilised and briefed on the situation at hand – the decree suspending Swiss banking secrecy regulations. Most

importantly, all staff at the three affected Swiss banks should have been communicated with by the key spokesperson informing them of possible intense media scrutiny and the staff could have also been told to refer any media questions directed at them to the crisis team manager.

Two key tactical events did not occur during this stage – no evidence was found after a search of the case study (PR Central, 1996) and the electronic media articles. These events were to:

- \* Increase contact with key people at the Swiss government so that the Swiss banks are aware of all government intentions and actions.
  - \* Distribute a general press release to the media in support of the Swiss government's ratification of the decree suspending banking secrecy regulations. Quoting the key spokesperson, the Swiss banks should have also said in the same press release that they would co-operate fully so as to facilitate investigations into the origins of the deposits.
- **Engagement/confrontation stage:** The engagement or confrontation stage was made up of the following incidences:
    - \* **October 1996**, the previously mentioned class action lawsuit has bearing here (PR Central, 1996). The Swiss began to feel the pressure and the issue was debated in parliament. Negative publicity was still on the increase with a newspaper carrying the headline "Delay over Swiss bank search," (Anon. 4, 1996).
    - \* **November 1996**, the previously discussed Volcker panel's permission given to auditors is relevant here (PR Central, 1996).
    - \* **31 December 1996**, Swiss president Jean-Pascal Delamuraz dismissed as "blackmail" calls for his country to establish a compensation fund for Jews (PR Central, 1996).
    - \* **6 January 1997**, in response to the remarks of outgoing president Delamuraz, the World Jewish Congress once again considered calling for a boycott of the Swiss banks (PR Central, 1996).

- \* **14 January 1997**, a security guard at the Union Bank of Switzerland discovered an old bank record ready to be destroyed. This violated Swiss law and the guard passed the documents on to a local Jewish group who contacted the media (PR Central, 1996).
- \* **17 January 1997**, an American State assemblyman suggested that Swiss banks regulated in New York State should be forced to open their books to ensure they are not holding money that belongs to relatives of Holocaust victims and survivors (PR Central).
- \* **22 January 1997**, Guts previously referred to comments on defusing the public relations crisis are applicable here (PR Central, 1996).
- \* **27 January 1997**, Switzerland's ambassador to the United States resigned after excerpts from a confidential "strategy paper" appeared in the Zurich newspaper *Sonntags Zeitung*. The strategy paper labelled as "adversaries" organisations like the World Jewish Congress and individuals including Senator D'Amato (PR Central, 1996).
- \* **29 January 1997**, the warnings discussed earlier by New York City and the New York State to potentially bar United States government deposits with Swiss banks is relevant here (PR Central, 1996).
- \* **2 February 1997**, the incident already discussed where Senator D'Amato provided commented relating to the Swiss banks and the Nazi gold is applicable here (PR Central, 1996).

**Crisis management during the engagement/confrontation stage:**

During the engagement stage of the crisis, the Swiss banks did not attempt to contain the crisis. This became evident based on closer scrutiny of the case study (PR Central, 1996) and the electronic media, as articles provided no evidence of proactive media coverage initiated by the Swiss banks. The following details the actions that the Swiss banks should have taken for each incident:

- \* On commencement of the engagement stage of the crisis in October 1996, the head of the crisis team should have declared the Swiss banks in a crisis situation or at the confrontation stage of the crisis. The head of the crisis team should have then used a press conference with the key spokesperson being the keynote speaker addressing the media on the issues of the class action law suite brought by the New York law firm in October 1996 (Anon. 4, 1996). No evidence of a press conference to address this particular incident was found in the case study (PR Central, 1996) and the electronic media articles. It was vital for the Swiss banks to have clear, accessible and open channels of communication with the public and the media. A toll free telephone line should have been set up to take all telephone calls from around the world relating to dormant accounts. Publicity should also have been stepped up about this telephone number, informing all interested parties about its existence.
- \* The November 1996 Volker panel announcement giving auditors free reign to look for embezzlement (PR Central, 1996), should have resulted in public comment from the Swiss banks that they would cooperate with all investigations. This should have strategically shifted the negative views away from the Swiss banks. No evidence of any attempt to address this particular incident was found in the case study (PR Central, 1996) and the electronic media articles.
- \* The 31 December 1996 statement by Swiss president Jean-Pascal Delamuraz dismissing as "blackmail" calls for his country to establish a compensation fund for Jews (PR Central, 1996) was an incorrect statement to make. Delamuraz was in fact "hailed over the coals for this statement" (Bethlehem & Saenger, 1999). What Delamuraz could have said was that he is prepared to negotiate to find an acceptable solution to the issue at hand. Clearly, he was ill advised as how to strategically manage his comments.

- \* The 6 January 1997 World Jewish congress called for the boycott of Swiss banks (PR Central, 1996) should have resulted in the Swiss bank spokesperson addressing media conferences, giving TV and radio interviews calling for investors and stakeholders not to boycott the Swiss banks. In addition, media collateral should have been generated to indicate how the Swiss banks were co-operating with all investigations. This concept of co-operation should have also been carried forward when the 17 January 1997 suggestion that Swiss banks regulated in New York open their books for investigation (PR Central, 1996). The Swiss banks should have reiterated their willingness to co-operate with all investigations. No evidence of to address these particular incidents were found in the case study (PR Central, 1996) and the electronic media articles. From the South African Jewish Board of Deputies perspective, putting a united and world-wide pressure on the Swiss banks did work only because they had a unified agenda (Bethlehem & Saenger, 1999).
- \* One event that caused the Swiss banks serious damage during this stage that required management was the incident involving bank records about to be shredded. In the opinion of Bethlehem (2000), the Swiss banks contribute to their own downfall with this action:

One of the most important events that contributed to the Swiss banks negative image was when the Swiss bank guard found all the records ready to be destroyed (see Wednesday 18<sup>th</sup> November 1998). This event showed that the banks were trying to hide everything. This was the issue that stuck in everybody's mind.

The Union Bank of Switzerland should have apologised without reserve for this incident and offered a solution to prevent this type of incident from occurring again. No evidence to address this particular incident was found in the case study (PR Central, 1996) and the electronic media articles.

- \* The resignation of Switzerland's ambassador to the United States on 27 January 1997 (PR Central, 1996) should have resulted in media activity by the Swiss banks. Media commentary should have been issued saying that they distance themselves from all comments against Jewish and other lobby groups by any person or group. No evidence to address this particular incident was found in the case study (PR Central, 1996) and the electronic media articles. Bethlehem (2000) commented that the World Jewish Congress were called adversaries by the Swiss ambassador to the United States of America because the Congress was trying to get more money from the Swiss than the Swiss were offering.
- \* The 29 January 1997, New York city and state warning that they might bar government deposits with Swiss banks and make it more difficult for them to do business in New York (PR Central, 1996) should also have resulted in media activity by the Swiss banks. Lobbying between the Swiss banks and the government of New York could have been initiated. The Swiss bank's spokesperson should have kept the media updated regarding all developments in these negotiations. In addition, the Swiss banks should have also initiated proactive media collateral illustrating the benefits of having open financial trade between Switzerland and New York. No evidence to suggest that the Swiss banks tried to address this particular incident was found in the case study (PR Central, 1996) and the electronic media articles.
- \* When Senator D'Amato provided evidence, on 2 February 1997, that the Swiss banks handled about \$1 million in Nazi gold (PR Central, 1996), the Swiss banks could have reacted in a number of ways. Their spokesperson should have said that the banks would investigate the matter fully and make known all the results. In addition, the spokesperson could have also commented that until the matter was proven, they banks were for all intents and purposes innocent. No evidence to address this particular incident was found in the case

study (PR Central, 1996) and the electronic media articles.

In the events leading up to the crisis and the negotiating phase, Bethlehem commented that the Swiss saw the position that they were in as war and when they saw the chips were down they had to start negotiating (Bethlehem, 2000).

- **Mediation/negotiation/recovery stage :**

This is the second last stage of the crisis and was characterised by the following incidences:

- \* **5 February 1997**, the creation of the 100 million Swiss Franc fund announced by the Swiss banks is applicable here (PR Central, 1996).
- \* **14 October 1997**, the Swiss bank issue reached South Africa when *The Star* newspaper ran a full page progress report by the Swiss Banks in the form of an advertisement entitled "Fulfilling Our Commitment" (Anon. 10, 1997).
- \* **20 November 1998 until 23 November 1998**, Union Bank of Switzerland AG and Credit Suisse Group stated that they would make their first pay out to dormant account holders totalling \$250 million. This was under the terms of a global accord resolving the Holocaust-era dormant accounts issue (Anon. 15, 1998 and Anon. 16, 1998.)
- \* **29 April 1999**, negative media coverage continued on this date (Anon. 20, 1999).
- \* **30 June 1999 until 2 July 1999**, a \$20 million global Holocaust publicity campaign was unveiled by lawyers working for Holocaust victims to reach all the people who might be entitled to a share of last year's \$1.25bn settlement (Anon. 22, 1999 and Anon. 23, 1999).

**Crisis management during the mediation/negotiation/recovery stage:**

The second last stage of crisis management should have started off on February 5, 1997 with the spokesperson for the Swiss banks announcing that the banks were in a negotiation stage when they announced the

creation of their 100 million Swiss Franc fund. According to Bethlehem (2000) before any agreement was reached, the Swiss banks stonewalled the process of negotiation, but as soon as an agreement was reached and signed, they honoured their agreement. According to Bethlehem (2000) the agreement was very amicably reached.

No evidence was found in the case study (PR Central, 1996) and the electronic media articles to indicate that the Swiss banks had announced to the media and their publics that they were in a negotiating phase. The Swiss banks did inform the media that certain payments were going to be made - the Swiss banks global announcement on 14 October, 1997, to fulfil their commitments (Anon. 10, 1997) and the announcement between 20 November and 23 November 1998, when two banks stated that they would make their first pay out to dormant account holders totalling \$250 million (Anon. 15, 1998 and Anon. 16, 1998). But what the Swiss banks failed to do was as soon as individual claims were paid out, to communicate this to the media, saying how happy the Swiss banks were that some form of resolution and payment has been achieved. No evidence was found in the case study (PR Central, 1996) and the electronic media articles to indicate that they had done this.

During the 30 June 1999 until 2 July 1999 announcement of a \$20 million global Holocaust publicity campaign unveiling, the Swiss banks did not make public their full intentions to co-operate with all parties involved in the settlement of the issues concerned. This was also found after an additional search through the case study (PR Central, 1996) and the electronic media articles revealed no evidence to suggest that they had made public their intention to co-operate. This could have shown the openness and willingness of the banks to communicate with the media and keep them informed of all developments to date. This could also have



challenged previous statements made that the Swiss banks are secretive and closed, not sharing any information with the media.

- **Settlement/post-crisis/resolution stage:** This is the last stage in the crisis where the Swiss banks had to resolve the issues at hand. This stage was characterised by the following piece of media coverage:

- \* **5 September 1999**, the *Sunday Times* (South Africa) carried an announcement that Swiss Banks agreed to pay \$1.25 billion towards the dormant account claimants (Anon. 24, 1999).

**Crisis management during the settlement/post crisis/resolution stage:**

During this stage that the Swiss banks should have initiated two actions:

- \* Sent out letters to clients and business associates world-wide explaining to them that the banks would be paying towards the dormant account claimants.
- \* Started to thank their clients and business associates for any support rendered during the crisis and also for understanding the predicament that the Swiss banks found themselves in.

No evidence was found in the case study (PR Central, 1996) and the electronic media articles to indicate that they had done this. In addition, no evidence was found to suggest that the Swiss banks had looked back over the whole crisis to identify which actions and policies caused the crisis. An objective assessment should have been done to determine how well the crisis was managed and what should be changed should the Swiss banks encounter a similar crisis, or any other type of crisis, in the future.

Based on the above incidences and an extensive search through the case study (PR Central, 1996) and the electronic media articles it is apparent that the Swiss banks did not identify the different stages of the crisis they faced nor what the

appropriate management requirements were for each incidence and each stage. This consequently made the crisis worse and more unmanageable.

The Swiss banks did not use the process approach during the management of the crisis and its stages. Had they utilised the process approach they would have had public relations as an ongoing process through out as a problem solving process to strategically manage the crisis.

The crisis had progressed through different stages each with its own unique characteristics. Effective management of a crisis entails the understanding of the fact that crises follow life cycles and that each life cycle is made up of different stages each with their own unique characteristics. It is contended that had the crisis team been better prepared they could have been able to identify each stage by its characteristics and initiate the correct activity and response. This is a fundamental part of crisis management – being able to identify what activity is required based on the issues at hand. Crisis management goes further. Being able to manage a crisis also means being able to manage the media, all messaging being transmitted by the Swiss banks and being able to manage the needs and demands of the media and the general public. A detailed analysis of each identified stage of the crisis coupled with the related electronic media articles showed that the Swiss banks could not manage the needs of their various publics and the media. The fact that the correct information could not be disseminated to the correct audience via the most applicable conduit at the right time further illustrates that the Swiss banks were not able to manage each stage of the crisis.

#### **9.2.5 The media training of the Swiss bank's spokespeople**

During an in-depth analysis of the case study and the literature survey selected examples below were identified as being related to the benchmark investigating the media training of the Swiss bank's spokespeople. The specific examples

below have been chosen based on the messages given off by various spokespeople:

- **3 August 1996** – Baer's comments that the Swiss banks had been 'harshly criticised' and he saw the problem primarily in public relations terms is again relevant here (PR Central, 1996). The potential implication of Baer's comments was that it illustrated to the media that the banks did not think they had a problem and made it appear that the media were making the dormant account issue more of a problem than it actually was. In addition Baer also tried to downplay the impending crisis by attempting to deflect the media's attention to the fact that the only crisis that was taking place was a public relations crisis.
- **14 January 1997** – the incident involving the discovery of old bank records en route to the Union Bank of Switzerland's shredder, the bank's apology and subsequent attack on the guard finding the records is relevant here (PR Central, 1996). The implications for the UBS were significant. The bank compromised itself by attacking a staff member who acted correctly while the bank did not. The world's media covered this event illustrating the untrustworthiness of the bank and the guard was given an award from an outside organisation for his honesty (Anon. 14, 1998).
- **22 January 1997** – Gut's comments to the newspaper concerning the banks being in a public relations crisis is pertinent here (PR Central, 1996). The ramification of Gut's comments was that the media became aware that the banks could not find a solution to the crisis they faced.

These examples and their implications relate to the theoretical aspects of media training. A key aspect of media training is ensuring that the correct message is transmitted because information (which contains messages) is the most vital tool of a company in crisis (Stonborough, 1996:14). According to Fearn-Banks (1996:33) messages must be tailored to each public just as a means of communication are selected for each public. In addition, Fearn-Banks (1996:33)

is also of the opinion that spokespeople should be drilled and trained for addressing the media. It is important for a company spokesperson to be media trained because journalists want to talk with someone who knows what they want and how to give it to them (Nicholas, 1995:41).

The above examples and theoretical application illustrate that it would appear as if none of the Swiss banks spokespeople received sufficient media training and also that the spokespeople discounted the importance of public relations. This shows the low value that was placed on the media and the necessary media training that accompanies it. Had sufficient media training been given to Baer (PR Central, 1996), his objective should have been to inform the media about developments in the crisis and what was being done to rectify the situation, not to comment about public relations problems. In the case of UBS (PR Central, 1996), the incident with the bank security guard also suggested that there was a lack of media training. The bank apologised, and then proceeded to attack the person concerned. While the bank apologised it did not offer a solution that would prevent this incident from repeating itself. The Swiss bank's public relations consultants allowed a company in a public and international crisis to attack someone on TV who has just proven the company in question wrong or caught them out. The Swiss banks clearly did not understand the situation they were in.

In the final example, Gut acknowledged that Credit Suisse was running out of time to find a solution to the crisis (PR Central, 1996). Gut admitted in a crisis situation that it was very difficult to find a solution. The statements made by Gut may have been true, but they were statements that should not have been made to the media. Instead, Gut could have communicated a positive message indicating that the Swiss banks were aware of the time constraints and were working to find a solution agreeable to all.

The Swiss banks' spokespeople should have understood that every encounter with the media must be seen as an opportunity to tell the public what the Swiss banks were doing to rectify the problem. The spokesperson was also not trained to project his/her confidence to the media. It would appear that spokesperson lacked media training when they were not able to manage the flow, information content and key messages to the journalists, their publications and ultimately their readers. This resulted in all key opportunities of speaking to the media and transmitting key messages being lost, which any company in a crisis situation can ill afford. In addition, it meant that the Swiss banks' spokesperson was unable to manage his/her verbal and non-verbal communication and interaction with the journalist.

### **9.2.6 The Swiss bank's management of the media**

To investigate how the Swiss banks managed the media, based on the above benchmark, the following specific examples illustrate the fact that the Swiss banks did not effectively manage the media.

- **11 September 1996** - a headline appeared in a *Financial Times* Internet article (Anon. 3, 1996) which read "Clock ticks on buried Jewish treasure. This article and headline could have possibly been avoided if the Swiss banks had kept the media informed of the lengthy processes needed to return money to dormant account holders. Above all, the Swiss banks should have endeavoured to get the media on their side, tried to understand the media's needs and then service them and also educate the media about their difficult position in the crisis.
- **October 1996** – the New York law firm's class action lawsuit is appropriate here (PR Central, 1996). The Swiss banks should have called a press conference to give the media their view of the issues at hand so that the media could understand what actions the Swiss banks were undertaking as a result of the lawsuit.

- **December 1996** - Thomas Borer, head of the special Swiss government task force, told the House banking committee that Switzerland viewed it as "a moral imperative" to return all gold and other assets belonging to Nazi victims (PR Central, 1996). The Swiss banks should have issued a press release endorsing what Borer stated and sent it to regional and international media.
- **5 February 1997** - the Swiss banks announcement of their 100 million Swiss franc fund is apt here (PR Central, 1996). A press conference should have been held for the announcement of this magnitude, which would have given the Swiss banks' spokesperson a solid opportunity to inform the media of key and strategic happenings in an attempt to resolve the crisis.
- **27 November 1998** - the headline "Let's stop talking and pay up" is pertinent here (Anon. 17, 1998). This headline resulted because the media were not updated throughout the lengthy negotiation phase to let them know what was being negotiated and what the outcome was. When this article and headline appeared the Swiss banks should have replied to the newspaper with either an interview with their key spokesperson or an article informing the journalists what in-depth discussions were being held to resolve the problem.
- **16 November 1998** – the previously discussed article where the media questioned the virtue of having a secretive banking industry is relevant here (Coghlan, 1998). The Swiss banks should have then, as a reply, drafted up an article to explain the virtues of having secret banking accounts and the benefits for businesses and individuals and sent it off to all key business and financial publications, both print and electronic based. Had the Swiss banks managed the media from the beginning and educated the media how they work with their secret accounts, they may not have found themselves in the position they did when this article appeared.
- **29 April 1999** - another indication of the poor crisis and media management skills of the Swiss banks appeared, as discussed earlier, in *The Independent* newspaper (Anon. 20, 1999) with the headline "A rotten episode in Swiss history". The article went on to say that Switzerland would never recover from this affair. Neither would its banks. The article even went on to say "at worst,

the gnomes of Zurich have become the poison dwarfs of international finance.” The Swiss banks should have contacted the journalist responsible for writing this particular article and offered to brief him on the measures that the Swiss banks were taking to solve the situation, prevent it from ever happening again and also reconstitute the Swiss banking image.

- **30 June 1999 until 2 July 1999** – the \$20 million global Holocaust publicity campaign unveiled by lawyers working for Holocaust victims is apt here (Anon. 22, 1999 and Anon. 23, 1999). The Swiss banks should have issued media statements to all the media detailing the fact that they had made the amount available and asking those parties with a legitimate claim to initiate it.
- **5 September 1999** – The previously covered announcement in *The Sunday Times* (South Africa) by the Swiss Banks agreeing to pay their claimants out should have had a message from the perspective of their claimants, not themselves. This would have shown that the Swiss banks put their account holders before themselves.

From a theoretical perspective, managing the media is vital for a company in crisis, like the Swiss banks. Fearn-Banks (1996:3) explains that the media see themselves as advocates for the people and as such, they can be the principal adversaries in a crisis. When it comes to dealing with this media, according to Rensburg and Bredenkamp (1991:120), executives must be more forthcoming with the media if they want their company and industry problems to be understood.

According to Bethlehem and Saenger (1999), the media can not be managed and “will always do what they want to.” The South African Jewish Board of Deputies did unroll their own local media campaign to attempt to manage the media around the whole Swiss banking issue. The South African media came to the South African Jewish Board of Deputies for information and the board was totally open and honest with them (Bethlehem & Saenger, 1999). “We first put the information in the Jewish media, we sent letters to the holocaust survivors,

we went to radio and TV stations. The whole campaign was widely publicised. It was a co-ordinated and strategised campaign.” (Bethlehem, 2000.) On a global scale, Bethlehem (2000) also indicated that because of the fact that the Jews were featuring in the international media to put their cause forward about the Swiss banks, there was an increase in Anti-Semitism especially in Switzerland.

Related to this, there is no evidence in either the case study or the online media study to indicate that the Swiss banks managed the media correctly by:

- Having an open forum of communication with the media from the beginning of the crisis.
- Establishing a media relations programme before the crisis situation developed.
- Setting up a fully operational press office to proactively facilitate the dissemination of accurate information to the media and therefore to manage the media.

The press office, media training and media relations programme could have all contributed to an effective management of the crisis by the Swiss banks.

It can be argued that poor awareness of the value of solid media management, coupled with a complete lack of understanding of the importance of the media to any company in a crisis situation, was the prime reason that the Swiss banks did not attempt to manage the media effectively.

According to Bethlehem and Saenger (1999), the Swiss banks took a very low-key role in the management of the media and did not manage the media very well. On dealing with the South African media, Bethlehem and Saenger (1999) stated that “We are totally open and honest with the media, it is the only way. The media come to us all the time.” Bethlehem (2000) also added that the Swiss



bank's contributed to their negative media image and contributed to their own downfall.

The effect of not managing the media correctly resulted in the Swiss banks not being able to use the media as their main conduit to reach their primary audiences which was the public, clients and investors, the Swiss parliament, international decision makers, their own staff and religious and pressure groups. Not knowing the different publications and different publication types and the different journalists and their areas of expertise prevented the Swiss banks and their spokespeople from building better relationships with the media. If they had done so, then they could have managed the media and arguably, what they said.

### **9.2.7 The Swiss banks effective communication with its publics**

For any organisation in a crisis, communication with its many different publics – not just the general public – each having its own special needs and requiring different types of communications, is very important (Seitel, 1992:12). Based on the above benchmark, the case study and electronic media articles were searched to identify the different publics the Swiss banks communicated with during their crisis. The following publics and examples were found relating to the benchmark:

- **Their staff**

The only instance that was found while searching the case study and the electronic media articles that illustrated communication between the Swiss banks and their staff, in any form, occurred on 14 November 1996. This was the previously mentioned incident where UBS sent a memo to its non-Swiss employees on how they should respond to public concern over allegations about Swiss banks' links with Nazi Germany (Anon. 8, 1996). This had implications for the bank as well as the other banks in the crisis. It is argued that UBS staff members who were Swiss nationals may have felt that they

were not being communicated with, as openly as possible and open communication is important for trust to develop.

Based on this single example and on the case study and electronic media analysis search and the Swiss banks clearly did not communicate effectively with its entire staff. Staff at various management levels and at all the respective branches, both domestically and internationally were not continuously communicated with as each development took place. The staff could have been informed, via instruments like status reports, about the developments of the crisis, the facts about the issues at hand and what was being done to try and resolve the crisis.

- **Parliament**

Due to the global size of the crisis and the political implications caused by it, the Swiss banks were in a position where they had to talk to their government and their government had to support the banks on certain issues. The following are the only two examples of parliamentary reference between the Swiss banks and the Swiss parliament:

- \* In October 1996 at a news conference at the Swiss Embassy in Washington, D.C., Ambassador Carlo Jagmetti acknowledged that Swiss banks had made mistakes. He also proclaimed "the total commitment of the Swiss authorities to establish the truth and nothing but the truth, insofar as witnesses, records and documents will permit" (PR Central, 1996). The Swiss banks had been speaking to the Swiss government by this stage and the Swiss government also had to adopt a neutral stance before making any hasty decisions.
- \* On the last day of 1996 international, pressure was mounting for a settlement and Swiss president Jean-Pascal Delamuraz dismissed as "blackmail" calls for his country to establish a compensation fund for Jews (PR Central, 1996). The Swiss banks were, it appeared, not working

towards a solution and the Swiss government did not comment against the Swiss banks by openly calling for a compensation fund. The Swiss government indirectly supported their banks.

With only two incidences in the whole crisis occurring, where the Swiss banks could have communicated with the government, no further evidence was found of more in-depth communication occurring. Even with the crisis's international scope, the Swiss banks did not make it a national priority to keep parliamentarians informed with all developments in the crisis. Parliamentary briefing sessions were not held with key ministers or their representatives.

- **The public**

The following examples have been selected from the case study and the electronic media articles to illustrate how many opportunities the Swiss banks had to communicate with the general public, but did not, thereby damaging their own image in the eyes of the public. After each incident it is also shown what the Swiss banks failed to do so as to keep their public informed of all developments and possibly on their side:

- \* **August 1996** - The previously mentioned headline in the *Financial Times* Internet article and its sub heading "Swiss banks hope an independent committee on assets stolen by Nazis during the Holocaust will resolve the issue," is also relevant here (Anon. 2, 1996). The Swiss banks did not follow up on this article – no evidence was found in the analysis of the case study and the electronic media articles – supporting the formation of the independent committee or its findings.
- \* **September 1996** – the Swiss government's suspension of banking secrecy regulations is pertinent here (PR Central, 1996). The Swiss banks did not communicate that they supported the suspension of banking secrecy regulations nor did they communicate that those members, who held secret accounts at the bank, would have their assets and names

secured so that they did not become public knowledge.

- \* **October 1996** - the class action lawsuit by a New York law firm is relevant here (PR Central, 1996). At this early stage, the Swiss banks did not communicate to the general public their intention to co-operate fully with all investigations.
- \* **5 February 1997** - The first bit of direct communication with the general public, almost two years after the crisis first broke took place with the Swiss banks announcement of the creation of their 100 million Swiss franc fund. "Reflecting the intensive discussions which are under way in Switzerland to create such a fund, the time has come for action, not words." (PR Central, 1996.) The banks did not communicate what was developing regarding the crisis from its inception, they only started communicating when the crisis was being mediated.
- \* **14 October 1997** - The Swiss banks advertisement in *The Star* newspaper (Anon. 10, 1997) gave an updated progress report on the resolution of the dormant bank account crisis. Announcements of this nature, mentioning a commitment to resolving the crisis, did not go out from the inception of the crisis. In addition, constant updates were also not given, announcing each development as it occurred.
- \* **27 November 1998** - The previously mentioned headline "Let's stop talking and pay up" (Anon. 17, 1998) is again apt here. The Swiss banks were again not letting the general public know what the developments in the crisis were, as a result the above-mentioned article appeared. In addition, the Swiss banks did not keep the media informed of all developments and the media was, as a result, not keeping the public informed.
- \* **5 September 1999** - The previously discussed Swiss bank's announcement via the *Sunday Times (South Africa)* concerning the payment of \$1.25 bn towards dormant account claimants (Anon. 24, 1999). While the Swiss banks started to keep the general public informed of all developments towards the end of the crisis, they did not make use of

the media in the beginning of the crisis. They should have taken out regular advertisements in the newspapers giving members of the public the latest updated news.

From the above examples, it can be seen that the Swiss banks communicated inconsistently and haphazardly with their different publics. Heydenrych (2000) states that any company in crisis must consistently communicate with its various publics to keep them updated and informed of all developments as part of their public relations strategy. The Swiss banks did not have a uniform public relations strategy to communicate consistently with respective publics. The result was a group of publics, directly affected by the crisis, who were ill informed and mismanaged about all developments and outcomes of the issues that made up the crisis. The Swiss banks should have had as a core objective to keep all their publics informed of developments so as to create an environment of mutual understanding. This is clearly seen in the 27 November 1998 article from the headline of the French news service, *Agence France Press International* article that said "Let's stop talking and pay up!" (Anon. 17, 1998). Had the Swiss banks kept the media informed, this headline and article could potentially have been avoided. It also became apparent from the examples above that the communication between the Swiss banks and the various publics was not based on the Swiss banks monitoring their publics needs and then transmitting the correct information freely.

The South African Jewish Board of Deputies had a trying time with the local holocaust survivors. According to Bethlehem and Saenger (1999), they had to manage the survivor's expectations, which was very emotional. On analysis of this quote it is apparent that the South African Jewish Board of Deputies had as one of their objectives to manage the expectations of their publics, an area which the Swiss Banks arguably did not succeed in.

The Swiss banks did not effectively use the symmetrical approach to communicate with their publics during the crisis. They should have had as their objective two way balanced communication with a public relations official acting as an intermediary between the banks and their publics during the crisis.

During the crisis, the Swiss banks had to communicate with a vast array of internal and external publics and they could have used a solid campaign of public relations to get messages of persuasion out to key audiences. In a crisis of this nature, there should have been interaction between:

- \* The Swiss banks and the Swiss parliament because the Swiss banking crisis did not only affect people, but also their countries and governments. This should have been managed by holding parliamentary briefings whenever the need arose.
- \* The Swiss banks' staff should have been updated and informed about all eventualities. By having an informed staff meant that they would not feel isolated and possibly feel more loyalty towards their respective banks because they know what is going on.
- \* By communicating with its staff, the media the public and parliament, the Swiss banks could have managed, changed or sustained perceptions and opinions about the issues that it faced. The constant free flow of information between the Swiss banks and their respective publics as well as the monitoring of issues and events that necessitated comment would have facilitated the Swiss banks effective communication with their publics.

#### **9.2.8 The Swiss banks admittance of wrongdoing at any stage during the crisis**

The following incidences have been identified, based on their content, as being necessary for the investigation of the benchmark regarding the Swiss banks admittance of wrongdoing at any stage during their dormant account crisis.

- \* **December 1996** –Borer’s comments to the House banking committee (PR Central, 1996) are fitting here. "If it is determined that assets that belonged to victims of the Holocaust are still being wrongfully held in Switzerland, my government will make every effort to return them to their rightful owner," he said. "If they cannot be traced, we will make the money available to relevant charities." Borer was basically admitting that the Swiss banks knew that the money did not belong to them and that they did want an end to the issues they were currently facing. He could have said straight out “we are sorry, we are in the wrong and we will pay out all the parties concerned.”
- \* **14 January 1997** – the incident involving the discovery of old bank records en route to the Union Bank of Switzerland’s shredder and subsequent developing issues are applicable here (PR Central, 1996). UBS apologised for its "terrible mistake." However, a spokesperson from the Swiss banks appeared on Swiss television and attacked the security guard who blew the whistle. There were implications for the Swiss banks. This showed that they were more interested in keeping all the information that would help them to arrive at a settlement hidden from the relevant publics, this portrayed them as untrustworthy and dishonest. They should have capitalised on the issue and not have criticised the guard. Admitting responsibility was a positive action and attacking the guard who uncovered the wrongdoing only lowered the already precarious position the Swiss banks held in the public’s perceptions.
- \* **5 February 1997** – the incident where the Swiss banks announced the creation of their 100 million Swiss franc fund must be considered here (PR Central, 1996). Michael Willi, a spokesman for the Swiss Banks said, "We are breaking with the past, we are not saying we are guilty. We are not saying we collaborated. We are saying that, in the past, we acted in such a legalistic way and we want to break with the past. Now we want to make a humanitarian gesture." (PR Central, 1996.) This comment by Willi was possibly the most specific example of the Swiss banks inability to apologise for the events that had taken place leading up to the dormant account crisis.

It became apparent that Willi was trying to make reparations without admitting guilt and that the Swiss banks found it very difficult to admit they were in the wrong to such an extent that they stated that they could not acknowledge wrongdoing. This was perhaps one of the most fundamental flaws to their whole public relations campaign, they could not find it in themselves to acknowledge responsibility and say sorry. The ramification was that it tarnished the Swiss banks image even further. A search of the case study and electronic media articles did not reveal any positive coverage for the banks after this comment.

As can be seen from the above incidences, the Swiss banks never admitted guilt or apologised for denying Holocaust victims and their heirs access to their dormant accounts at any stage of the crisis. An apology would have placed the Swiss banks in a different light and possibly changed public perception about them. According to Regester (1989a:101), external perceptions about the crisis, among key audiences, will depend entirely on what they hear, see and read about. The company makes itself immediately available to the media and takes full responsibility for its deeds. Guilt is admitted immediately and the moment of admittance is used to reassure the public (Klepper, 1992:14). It can be argued that the Swiss banks could have used the tactic of admitting guilt or liability and offering an apology to their benefit but chose not to, undoubtedly to their detriment. Based on their actions, it can be deduced that they hoped that the crisis would dissipate and that the banks would not have to apologise.

In a detailed search of the case study (PR Central, 1996) and the electronic media articles, no incident was found that contained an apology from Swiss Banks to the dormant account holders. The implications for not apologising proved to be disastrous for the Swiss banks. Two cases illustrate this:

- \* Negative publicity resulted in a financial drop in net income of the Union Bank of Switzerland was seen as a “trading tragedy” brought on by the claims



made by Holocaust survivors claiming restitution (Anon. 11, 1998). The profits had fallen by 32% to SFr 2.6 billion (Anon. 12, 1998 and Anon. 13, 1998). Had the Swiss banks admitted responsibility at the outset of the crisis, they potentially would not have suffered from a lack of investor confidence.

- \* *The Independent* newspaper (Anon. 20, 1999) ran the headline "A rotten episode in Swiss history" and the article went on to say that neither Switzerland nor its banks would recover from this affair. By not apologising it is argued that the Swiss banks actually made their predicament worse.

Had the Swiss banks apologised earlier on in the crisis they would not have encountered articles such as the one from the French news service, *Agence France Press International*, which ran the headline "Let's stop talking and pay up!" (Anon. 17, 1998). The Swiss banks were talking about their crisis and were not offering any solid comment or way forward to resolve the crisis the media started to lose patience with them. The Swiss banks should have apologised for not making the funds available to the rightful heirs, in addition they should have announced what structures they were putting in place to prevent another crisis of a similar nature from occurring again. The key was to apologise from the beginning of the crisis or if this was not feasible, to apologise at the most appropriate moment. This never materialised.

### **9.3 Conclusion**

Public relations played a minor role for the Swiss banks during the management of their dormant account crisis. The Swiss banks were more concerned with the management of their day to day business issues, but not concerned enough with the management of the urgent issues that arose and helped to drive the crisis. Had the Swiss banks managed their public relations function effectively, they would have managed the crisis as it evolved.

For any organisation to attempt to survive in the public arena without any form of crisis management plan is dangerous. It appears as if the Swiss banks did not realise this. When the crisis struck, they did not have a crisis plan, which they desperately needed to manage their crisis. Objective planning would have given the Swiss banks a direction and would have made them take note of the business environment in which they operated and allowed for effective management structures to be in place so that media and adversarial groups could be effectively managed during the crisis. It would seem as if the Swiss banks did not have a crisis plan, which meant that they had nothing to use as a blueprint detailing what needed to be done when particular and identified issues occurred. If the crisis team would have had the crisis plan in place sooner then they could have perfected their management of the crisis. Messages could have been transmitted to the correct publics, objectives achieved by the successful implementation of the correct tactics. Even potential crises within the main Swiss banking crisis could have been identified and detected.

The Swiss banks did not have a dedicated spokesperson addressing the different publics that the Swiss banks faced. There were numerous spokespeople resulting in a poor media presence built and managed by the Swiss banks. The Swiss banks therefore failed at one of the most crucial parts of the crisis, getting a single spokesperson to address the various publics and interact with the various bodies, judicial, political and civil for the duration of the crisis. This spokesperson was desperately needed to communicate for the Swiss banks during every stage of their crisis and speak on behalf of the Swiss banks and their management.

So badly prepared were the Swiss banks for the crisis that hit them, they could not even identify the correct stage of the crisis that they were in based on the incidences they faced and the level of media interest they received. As a result the Swiss banks could not manage each stage or the instances and issues that followed each stage. Due to the fact that the Swiss banks did not manage each

stage, they could not effectively communicate with the correct publics that needed to receive information during the relevant stages.

This also affected the Swiss banks' communication with its publics, which was nothing short of unproductive. Based on the evidence in the case study (PR Central, 1996) and the electronic media articles the Swiss banks only communicated with their non-Swiss employees once. Negotiations had occurred with the Swiss parliament, but the respective publics were never informed of what was on the agenda or what was resolved. Very little information was passed on to the public except via the mass media. The result was a poorly informed group of publics who the Swiss banks should have ensured were kept informed after each step was completed and each issue resolved. The communication with the respective publics was not effectively managed which had implications for arguably the Swiss banks key public – the media. Not communicating with them regularly and effectively meant that the media could not be managed and as a result, the messages that the media transmitted could also not be managed. The media therefore reported on the incidences as they saw it, not how the Swiss banks saw it. This basically allowed the media to create an image of the Swiss banks based on the media's perspective again resulting in ineffective media management.

The growth of the electronic media, especially satellite television and the Internet has meant that the good and the bad of the Swiss bank's crisis was broadcast around the world almost instantaneously. It is this speed that made the effective management of a crisis so important for the Swiss banks. The implications of not managing the communication function effectively resulted in the Swiss banking crisis being transmitted world-wide by the media with the facts concerning the crisis being broadcast from the media's perspective. Had the Swiss banks managed the crisis better, including the media and the information and messaging given to the media, they could have been portrayed by the media in a better light.

While the media carried the facts of the Swiss bank's crisis around the world, the Swiss banks never admitted wrongdoing at any stage during the crisis. Nor did the Swiss banks deny that they had refused dormant account holders access to their funds. This indicates that the Swiss banks tried to avoid the crisis that they faced. They thought that by making no statement to any of their respective publics the crisis would go away. However the implications of not admitting wrong, even when the evidence is stacked against an organisation is that the organisation is guilty as charged in the public's perceptions and this is also what the Swiss banks failed to manage, the implications of their actions.

This research has illustrated that the Swiss banks management of the processes of crisis management, including aspects of public relations, from the inception of the crisis until its resolution was not effectively and efficiently managed. In addition, the Swiss banks planning for crisis management that would have set up the necessary structures and resources to manage the crisis was insufficient. This lack of management of the crisis from before its inception damaged the names of Swiss banks involved in the crisis. In addition, damage was also done to the Swiss banking industry in general, especially to the issue of secret account numbers.

The research goal set out to determine what the role of crisis management in the Swiss bank's dormant account crisis was. In any company requiring public relations, planning for a crisis, managing the different stages of the crisis, media training and management of the media are not only a management function but also a strategic function. It was found, in this research project, that although crisis management was applied to varying degrees over a period of time by the Swiss banks, the management of the crisis was inefficient and ineffective because the banks did not afford crisis management its strategic role.

#### **9.4. Future study**

This study has identified numerous potential topics for future research:

- How have the other European firms implicated in the theft of dormant accounts managed the media crises they face?

This would make an interesting research subject to see if other European firms implicated in the theft of dormant accounts learnt anything from the manner in which the Swiss banks managed their crisis.

- How did Volkswagen and Siemens, who set up funds to compensate their wartime "slave labourers," manage their crisis?

Volkswagen and Siemens faced their own crisis at the same time as the Swiss banks and effectively managed the crisis as well as the media. The method in which the crisis was managed would form credible research to compare what the Swiss banks did wrong and what Volkswagen and Siemens did correctly.

- How are Switzerland's banking institutions building up and managing their profiles now that the crisis is ending?

The three Swiss banks involved in the dormant account crisis damaged the image of their countries banking industry. Based on this it would make interesting research to see how the other Swiss banking institutions managed their profiles in the wake of the image created by the three Swiss banks.

- What public relations damage was done to banks all over the world offering secret banking facilities and accounts?

The Swiss bank's dormant account crisis was centred around the fact that eligible heirs to dormant accounts were not allowed to claim their money because no proof existed that they were entitled to the money because the Nazis had destroyed all the evidence. This topic makes stimulating research into how banks all over the world convinced current and prospective account holders that their investments were safe.

- What role will the Internet play in the management of corporate Western financial crises?

At the inception of the Swiss bank's dormant account crisis in 1995 the Internet existed but was not as popular or widely used today. This proposed research topic is of strategic importance because the Internet is an immediate medium that transmits information to recipients around the world and as such will potentially change the way news is managed and disseminated.



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## Appendices

### Appendix A: Questions addressed to public relations consultants

#### *Public relations perspective*

1. How important is the Western financial world to the rest of the world?
2. How would you define public relations?
3. How would you define a Western corporate financial corporation?
4. How would you define crisis management?
5. What is the role of public relations in the management of a crisis?
6. Is there a link between crisis, issues and investor relations?
7. How does the management of a crisis in corporate Western financial companies differ from the management of crises in any other industry?
8. Why should a company be prepared to manage a crisis?
9. What factors should be taken in to account when preparing for a crisis?
10. How do you turn a crisis into an opportunity?
11. What stages does a crisis pass through?
12. What are the characteristics of these stages?

13. How do you manage a crisis/

14. From a public relations exercise, what would you not do in managing the crisis?

15. What factors, from beginning to end would you put in to a crisis plan from a Western corporate financial perspective?

*Media perspective*

1. Who are the media and how would you define them?

2. How important is it to manage the media/press?

3. Why is it so important to manage the media/press?

4. How do you manage the media/press?

5. Why is it so important to media train your client?

6. What factors are crucial in media training?

7. How does the Western world's media differ from the rest of the worlds'?

8. How does the financial and business media differ from any of the other press?

9. What should one always do when managing the media?

10. Do you ever prepare the media for a client?

11. When, how and why?
12. How can the media be used to the advantage of the company in crisis, without the media being aware that they are in fact being used?
13. How important is it to target the financial and business press in particular and why?
14. What factors constitute or make up media training?
15. How important are the aspects on non-verbal communication like voice, tone, clothing, time, space, lighting etc.?
16. How do you media train or prepare a client for the media/press?
17. What aspects do you include in a media-training plan when preparing for a crisis?
18. If an interview ever goes wrong for your client, would you ever step in to save them from having more damage done to them?



## **Appendix B: Questions addressed to journalists**

1. What is your full name?
2. What is your business title?
3. What publication do you write for?
4. From a journalists perspective do you feel it is worthwhile for a financial company spokesperson to be media trained and why?
5. How can you tell if the financial company spokesperson that you are interviewing has been media trained?
6. How can you tell if a financial company spokesperson has not been media trained?
7. If you try to get comment from a financial company's spokesperson and the answer given is no comment, what does this mean to you as a journalist?
8. During an interview, how important is the financial company spokesperson's vocal ability - their articulation, pronunciation, pitch and loudness of voice?
9. How important is the financial company spokesperson's non-verbal communication with a journalist - eye contact, clothing, gestures and body movement and personal space between journalist/interviewer and company spokesperson?
10. What affect will a financial company spokespersons fidgeting have on you as a journalist?



11. Is eye contact between yourself as a journalist and the financial company spokesperson important?
12. Do you believe as a journalist that PR practitioners have the ability to manage journalists effectively?
13. Is it advisable for PR practitioners to have a good media relationship with journalists? Why?
14. When dealing with PR practitioners do you think that media and journalists can be used by the PR practitioner to the company in crisis advantage, without the media or journalists being aware?
15. From a media perspective, do you believe the media can be managed by PR practitioners? If yes or no then why?
16. As a crisis strikes, how do you as a journalist rate the importance and presence of press releases as a source of information?
17. Is it possible that the media can be prepared for an interview with a financial company spokesperson - perhaps by sending them the correct info before the interview etc?
18. How important is a press/media conference, from a journalist's perspective?
19. Why would you attend a press conference as opposed to waiting for information to be sent to you?
20. If you ask questions during a press conference and your questions are ignored, answered incorrectly or attacked, how would you react?

21. How important is it for you to have access to the CEO of a financial organisation in crisis?
22. When a financial company spokesperson provides information on a crisis, should the information be given from the company perspective or from public interest? And why?
23. Should all media enquiries be replied to and why?
24. Why should the words no comment never be uttered?
25. At the time of a financial crisis should the media be given the full story and why?
26. Is honesty the best policy when dealing with the media and why?
27. There is the perception that the media have scant knowledge of a financial crisis - that is why they ask questions - is this correct?
28. How important is the Western financial world to the rest of the world?
29. Define PR
30. Do you think it is important for a financial organisation to have a crisis plan?
31. How do journalists like to be handled in a time of crisis?
32. Are there any financial crises that you can think of that were well handled by use of PR or poorly handled?
33. How would you define a western corporate financial organisation?

**Appendix C: Questions addressed to the South African Jewish Board of Deputies – first interview**

1. What is your full name?
2. What is your business title?

The above two questions were asked to identify and profile the spokesperson.

3. Describe the nature of business of your organisation

Question three was asked to gain a basic understanding of the organisation and what its business role is.

4. How important is the profession of public relations for your organisation – do you see it as an important business tool?

The literature study highlighted the importance of public relations and as such this question was posed as it was necessary to determine the importance of public relations for the South African Jewish Board of Deputies.

5. How important is planning in the world of community organisations – planning for a crisis, planning for a media announcement?

The literature study combined with relevant examples illustrated the importance placed on planning for commercial organisations and it was necessary to determine the importance, if any, placed on planning by a community organisation.

6. Does your organisation place any importance on the strategic value of public relations? If yes or no – why? (please answer this question in as much detail as possible)

The literature study revealed that strategy is a vital part of western corporate financial organisational planning and operations and as such this question was asked to determine the strategic value of public relations for the South African Jewish Board of Deputies.

7. Do you believe that the media can be managed?

Chapter seven revealed the importance of media management in a crisis situation for any company or organisation and as such it was necessary to determine the importance of media management for the South African Jewish Board of Deputies.

8. What is your view on the way the Swiss banks have managed the media crisis surrounding the holocaust monies?

The media articles presented a certain viewpoint on the way the Swiss banks communicated with the media and the type of messaging given off. Because this was based on the way that the newspapers interpreted the Swiss banks management of the crisis, it was necessary to determine the South African Jewish Board of Deputies opinion on the Swiss banks media management.

9. How has your organisation managed the media's requests for information?

The examples in the literature study showed how important it is for companies involved in a crisis to be able to transmit requests for information to interested parties as soon as possible. This question was asked to determine how the

South African Jewish Board of Deputies has managed the media's requests for information.

10. Have you been in contact with Edgar Bronfman? Can you expand on your contact with him?

The literature study revealed the importance of communication with the key spokesperson in a crisis. This question was asked to determine the amount and level of contact between the South African Jewish Board of Deputies and the global representative and chief negotiator for world Jewry.

11. Has there been a united effort amongst Jewish groups world wide to put pressure on the Swiss?

The literature study revealed the fact that collective pressures may be put on an organisation in a crisis. This question was posed to the South African Jewish Board of Deputies to determine if they would be implementing any methods to pressurise the Swiss banks from South Africa.

12. Who has been the most difficult party to deal with – families claiming compensation, the local media, the Swiss banks, the Swiss government or the international media?

The literature study revealed that in any crisis situation there are certain parties who are more difficult to deal with than others. This question wanted to determine who the most difficult parties were to try and understand how the South African Jewish Board of Deputies dealt with them.

13. In 1996 Swiss president Jean Pascal Delamuraz called all the hype around the issue at hand blackmail – is this fair comment?

The above statement by the Swiss president was strong and direct. It was necessary to determine from the South African Jewish Board of Deputies what their motives were for being participants in the dormant account suite against the Swiss banks

14. Would you support a global boycott of Swiss banking services?

The literature study illustrated the fact that certain crises could be characterised by strikes, boycotts and various other forms of industrial action. This question was asked to determine if the South African Jewish Board of Deputies subscribe to these tactics.

15. How have Jewish organisations communicated with their community members around the world?

The literature study illustrated the importance of communication between an organisation and its publics. This question was asked to determine if there was a collaborative effort between Jewish communities all over the world with respect to the Swiss banks.

**Appendix D: Questions addressed to the South African Jewish Board of Deputies – second interview**

1. In August of 1996, Hans Baer a Swiss Jew who tried to help the Swiss banks with their crisis commented that he saw the problem of the crisis in public relations terms only – is this a fair comment for him to make?

This question was asked to determine if the South African Jewish Board of Deputies saw the issues facing them and the Swiss banks as public relations based or human rights based. In addition, it was also necessary to determine if the South African Jewish Board of Deputies were focused on the issue creating the crisis that needed to be managed than the personality of Hans Baer.

2. Did you notice a general trend in the media that they supported the Swiss banks, or the Jewish claimants?

This question was asked to the South African Jewish Board of Deputies to determine if they actually analysed the articles in the print media or listened to the audio and watched the audio visual media coverage of the crisis. This question also tested to see if the South African Jewish Board of Deputies became aware, in any way, of the agenda setting function of the media.

3. In December 1996, the special Swiss task force told its house banking committee that Switzerland viewed it as a moral imperative to return all gold and cash to Nazi victims – do you believe they would stand by this comment, or is it simply talk?

An important part of any crisis is communication and in particular the choice of words that make speech more or less emotive. The objective of this question was to see if the South African Jewish Board of Deputies could identify any techniques put in place by the Swiss banks to manage their crisis.

4. Did the Swiss banks stonewall or delay the whole process?

This question was asked to determine if the South African Jewish Board of Deputies was aware of negotiation tactics that the Swiss banks may employ that could affect the negotiation process world-wide.

5. In January 1997 the Swiss called the world Jewish congress an adversary, why did they say this or why would they have said this?

The literature study revealed that the choice of words in any public relations activity is vital because their impact can influence the company in crisis' standing with in its respective publics, especially the media. This question was asked to the South African Jewish Board of Deputies to determine if they, or their international counterparts, responded with a negative comment that could potentially have pushed them into a situation where insults were traded in a public forum.

6. The Swiss also saw the quagmire that they were in as a war, did they treat it as such?

To determine if the South African Jewish Board of Deputies recognised that the Swiss banks were feeling discomfort and pressure, a key aspect of a the stages of a crisis, the above question was asked.

7. What was your view of the 100 MILL Swiss Franc fund for holocaust victims announced on Wednesday 5<sup>th</sup> of February 1997?

In order to ascertain if the South African Jewish Board of Deputies recognised the fact that the Swiss banks were in a post crisis settlement phase and were possibly trying to reach some compromise with global Jewish representatives.



8. What type of media campaign did the Jewish board of deputies unroll in RSA (Oct. 14 1997)?

The question above was asked to see what value was placed by the South African Jewish Board of Deputies on a media campaign for the local market.

9. By Thursday 29 April 1998 the Swiss banks had a very negative image in the media, do you think they contributed to their own downfall? Why? What could they have done differently?

This question was asked to ascertain the South African Jewish Board of Deputies awareness concerning the Swiss banks negative media image that had been forming within the media over time. In addition, this question was also asked to determine if the Board understood that by conducting themselves as they did, the Swiss banks were communicating something by their actions.



**Appendix E: Pinnacle Worldwide Inc. press release**

**12 March 1997**

**PRESS RELEASE**

***PINNACLE SURVEY: Swiss Government Has Handled Crisis Badly***

Communications professionals believe that the Swiss government has handled recent public concerns about its wartime relationships with Nazi Germany badly and that the country's reputation has been hurt as a result. The Swiss government has proved incapable of delivering strong, simple and rapid responses to the crisis, the survey says.

In a poll of Directors of 27 PR consultancies world-wide, all members of Pinnacle Worldwide, Inc., over 88% thought that the issue had been badly dealt with and that this had hurt the country's reputation.

Over 80% thought that the Swiss government was too slow in realising the level of interest in the story and nearly three quarters thought the Swiss were incapable of delivering the necessary response.

Sharon van Sickle (Portland, Oregon - USA), president of Pinnacle Worldwide said: "In communications terms, the Swiss didn't seem to realise the level of interest in the story and were always on the defensive. They always seemed to be reacting to events, rather than managing them."

**Further Media Information:**

*Pinnacle Worldwide, founded in 1976 in the United States, is an international corporation of independent public relations firms with 50 offices around the world. Pinnacle Europe EEIG (European Economic Interest Group) was formed in 1994 with its headquarters in Brussels to provide the full range of public relations services on a pan-European basis. Pinnacle has energetically expanded its operations into Eastern Europe with a member being established in Moscow in 1993 and in Budapest in 1996.*

-ends-

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**Notes to editors:**



UNIVERSITY  
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**A. RESEARCH QUESTIONNAIRE**

1. How do you rate the Swiss Government's public handling of concerns about its wartime relationship with Germany (especially in relation to private account deposits, central bank dealings, and Jewish refugees)?

- a) Good
- b) Satisfactory
- c) Bad

2. How do you respond to the following statements:

- i. The Swiss government was too slow in realising the level of interest in the story

- ii. Matters of international concern need to be addressed with strong, simple, rapid responses
- iii. The Swiss Government has been incapable of delivering such responses
- iv. Depositor's claims against Swiss banks are private matters between them and Government involvement is inappropriate
- v. Switzerland's reputation as an impartial, neutral and trustworthy haven has been hurt by its handling of the situation.

- a) Agree strongly
- b) Agree
- c) Neither agree nor disagree
- d) Disagree
- e) Disagree strongly

**B. RESPONSES**

Total respondents: 27

<b>Question 1</b>	
<b>Good</b>	0
<b>Bad</b>	3
<b>Satisfactorily</b>	24

<b>Question 2</b>					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Agree strongly</b>	18	10	5	1	7
<b>Agree</b>	7	12	15	4	1
<b>Neither agree or disagree</b>	1	3	5	5	0
<b>Disagree</b>	1	2	2	12	2
<b>Disagree strongly</b>	0	0	0	5	1

## Appendix F: Titles of electronic media articles

- Volcker to lead holocaust cash hunt. *Financial Times*, 30 July 1996.
- Clock ticks on buried Jewish treasure: Swiss banks hope an independent committee on assets stolen by Nazis during the Holocaust will resolve the issue. *Financial Times*, 3 August 1996.
- Swiss banks face pressure over 'Nazi gold' claims. *Financial Times*, 11 September 1996.
- Delay over Swiss bank search. *Financial Times*, 19 October 1996.
- Swiss banking: an uncomfortable job. *Financial Times*, 28 October 1996.
- Swiss seek to clear good name. *Financial Times*, 11 November 1996.
- Swiss banks face fresh attack in Nazi victim investigation. *Financial Times*, 13 November 1996.
- UBS instructs staff on Nazi gold claim. *Financial Times*, 14 November 1996.
- Fulfilling Our Commitment (Advertisement). *The Star*, 14 October 1997.
- How financial secrecy can disinherit families - the chances of securing an inheritance from a dormant bank account are often slim. it is time for legislation to clean up the mess. *The Irish Times*, 16 November 1998.
- UBS suffers deep drop in net income: trading 'catastrophe': LTCM, Holocaust survivor restitution blamed for losses. *Financial Post*, 18 November 1998.

- UBS: profits down 32 per cent over nine months. *Le Figaro*, 18 November 1998.
- UBS profit dives on Itcm loss. *The South China Morning Post*, 18 November 1998.
- Swiss bank whistleblower receives full scholarship from Chapman University. *PR Newswire*, 18 November 1998.
- UBS, Credit Suisse to make first 250 mln USD holocaust payment next week. *AFX Europe*, 20 November 1998.
- Swiss banks compensate victims of the holocaust. *La Tribune*, 23 November 1998.
- Let's stop talking and pay up! *Agence France Presse International*, 27 November 1998.
- Holocaust suits. *Financial Times*, 7 December 1998.
- The gnome guard: the Saturday essay. *The Scotsman*, 2 January 1999.
- Switzerland: secrecy giving way to practicalities: banking. *Financial Times*, 22 March 1999.
- A rotten episode in Swiss history. *The Independent*, 29 April 1999.
- Holocaust victims win breakthrough deal worth billions. *The Guardian*, 7 May 1999.
- Holocaust publicity campaign unveiled. *Financial Times*, 30 June 1999.



- Settling accounts. *The Observer*, 2 July 1999.
- To victims of Nazi persecution and their heirs who may have claims against Swiss banks or other Swiss entities relating to the holocaust (Advertisement).  
*The Sunday Times*, 5 September 1999.



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