Crisis management
public relations

By Lucas E. Santiago
Asst. Professorial Lecturer, Marketing Management Department

CRISIS is nothing but a word, until, like a thief in the night, it strikes. In whatever type and form, crisis will certainly be a part of anyone’s experience in a lifetime.

Sometimes it can be forceful enough to viciously destroy, sometimes it can play with time to subsequently bring about opportunities. But what is apparently awaited every time it hits is the call for resiliency, sustaining one’s proverbial umbilical cord, and ensuring survival.

Whatever may be the degree with which a crisis delivers its force, there is no doubt that no one in this world is spared from it. When it strikes, it is usually “accompanied by a host of other diversionary problems.” A person or an organization can never ever take it for granted, ignore it, and even for a second, disregard it. At one time or another, people have become its victim. The problem is, some never recover from its impact.

In public relations, nowhere can anyone claim that everything about the profession, in theory and practice, is positive, devoid of errors and mistakes, and not dynamic enough. The real nature of public relations, if at all one may recall, presents itself, and continues to be considerably understood, in terms of being preventive, promotional, and remedial (or crisis). In these three faces, practitioners find themselves within the cycle of life, challenged endlessly to uphold the philosophy of public relations to sow unity, harmony, and oneness. At stake is the survival and institutionalization of persons and organizations, otherwise collectively known as the society.

Public relations defined

Once more, one can reflect on one of the most widely accepted working definitions of public relations. For more than four decades, Public Relations News, a weekly publication for the profession, has been recapturing the essence of public relations with this definition: “Public relations is the management function which evaluates public attitudes, identifies the public interest, and plans and executes a program of action to earn public (understanding and acceptance) respect.”

Easily, the increments of public relations are omnipresent in the definition, more so, the reference to its nature as a comparatively new discipline. What can be discerned, however, is the fact that public relations has already embraced and perhaps even encompassed in scope at a much faster pace, practically all other disciplines including medical science, engineering and law. Amid this development, the specialization in banking and finance public relations emerged. It became one of most sought-after and rewarding specializations in the entire spectrum of public relations.

Corollary to this definition, a whole new world of public relations unfolded. Its field of specialization unlocked an altogether intriguing areas of possible mastery, which undeniably opened greater frontiers in the practice of the profession. Reliance on the basics and fundamentals of public relations definitely served as the key to its successful practice.
Bank public relations

Taken on as sub-category, Bank Public Relations spawned concern for the smooth operations, survival and institutionalization of commercial banks, thrift banks (to include private development banks, savings and mortgage, and savings and loan associations), rural banks, and foreign banks. To handle each of its kind was non-violative of the Code of Ethics of Public Relations, for they operate distinctly from one another. The common denominator is, however, service.

In considering Bank Public Relations, there is no difference at all when this specialization is taken within the context of the nature of public relations. There can be no argument to cite that banks are susceptible any time, to remedial or crisis situations. On the other hand, they can essentially take to preventive measures and even engage in promotional activities. Possibly they can also push through a combination of preventive and promotional natures to keep up with the given goals and objectives of a public relations program. It could also happen that the three natures of the profession end up on a string of well-planned and programmed events, to eventually test the mettle of pseudo-practitioners.

Evidently, a deeper assessment of the publics of a bank must necessarily be made. The internal publics, as these pertain to stockholders, board of directors, management, and rank-and-file, and to a certain extent, the sister and affiliate firms, plus some suppliers and dealers, must be ascertained well. At the same time, the external publics, systematically divided into the private and government sectors, must be well-identified. Going into a fine toothcombed scheme, everyone and everything must be tagged at one time or another, as either for or against the bank, with certain fine gray areas mapped out.

Identifying the bank's publics

The process could a bit taxing, but if all the corporate thrust and direction has been set, then nothing should be taken for granted. In this regard, the much-relied-upon system of strengths, weaknesses, opportunities, threats (SWOT) analysis being utilized by marketers and practitioners specializing in Marketing Public Relations (MPR), could be used. This scheme should be adapted, following a thorough evaluation of the bank's target publics. From the internal and external publics, the immediate publics could be lined up effectively. These are the publics that should be subjected to the SWOT analysis.

The identification of the publics, which could form the bulk of bank's current and potential problems, should be addressed well in the conceptualization of the proposed public relations campaign. Nothing can stop its subsequent conversion, if not dovetailed approach from preventive to promotional public relations.

What should be considered most significant will be the revelation of the publics that could very well be the real problem areas of the bank. Such publics could turn out to be the ones who will trigger off crisis situations. Particularly true are the identification of factors that make up the potential problem areas of publics placed under the category of “treats.” To disregard them could prove fatal to the bank later on.

Indeed, it should never be a surprise to discover that from the standpoint of its basic philosophy, public relations should be primarily and essentially preventive. In adapting its philosophy, even the remedial or crisis nature of public relations can not be left out in the analyses of problems. These are the thorns the bank must address and resolve. This is the reason why preventive public relations eventually spell out even its remedial or crisis nature.

There is definitely no telling when a bank, regardless of its type, will be drawn into a crisis situation. A number of factors could lead to it and summarily build up a virtual reservoir of faults and errors. In the wink of an eye, what it had mustered through the years to stumper up its imprimatur on a fine reputation and image could practically end up to nothing. Author Philip Leaney wrote that, “Crises are of great importance, but they are rare.” He added that they are “more crucial than most issues or emergencies.”
Crisis defined

To Steven Fink, author on crisis management, a crisis is “a turning point for better or for worse.” He described it as a “decisive moment, a crucial time. A situation that has reached a critical phase.”

More than this, Fink noted that 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 desirable and extremely positive outcome. It is usually a 50-50 proposition, but you can improve the odds.”

Britisher Sam Black, a noted public relations practitioner stated that, “Crisis usually blow up suddenly and spread with amazing rapidity.”

Nathaniel Spenser and Otto Lerbinger also wrote that, “Crisis occurs infrequently and unpredictably.” As authors Richard W. Darrow and Dan J. Forrestal wrote even much earlier: “No organization can expect to be immune to crises and controversies that engage public attention and arouse emotions.” They further stated that, “the problem presents a severe test for public relations.”

Types of crises

Crisis are categorized in a number of ways. They manifest themselves as “natural disasters.” Like typhoons, hurricanes, floods, tidal waves (tsunamis), earthquakes, volcanic eruptions, tornados, plagues and famines. They are also underscored as the “unknown unknowns” or the crises which cannot reasonably be foreseen — the “Acts of God.”

There are also the “actual disasters” or the “known unknowns” because the “danger is known, but the occurrence is unknown.” These cover fires, explosions, plane crashes, shipwrecks, transport collisions and accidents, mining cave ins, and construction mishaps. The toll on human lives and properties could defy one’s imagination.

On man-made crises and systems breakdown, cases such as rebellion, revolution, war, riots, strikes, crime waves, closing of a plant, discontinuation of a railroad line, power failures and even gas shortages make up another category. These crises destroy, dislocate and cripple populations overnight.

Crisis can further come through continuing emergencies, controversial or scandalous incidents, and litigations. Such problems as long-term attack on a company, product recalls, product liability suits, and minority stockholders suits for mismanagement, among others, fall under this category.

Several authors of public relations books wrote that, “Crisis threaten reputation, credibility and market position.” They stated that under these circumstances, concerned parties should “anticipate the unexpected.”

They went on to specify the Types of Crises that usually befall people from all walks on life as:

1. **Immediate Crisis** - The most dreaded type, can happen so suddenly and unexpectedly that there is little or no time for research and planning.
2. **Emerging Crisis** - Allows more time for research and planning, but may suddenly erupt after brewing for long periods.
3. **Sustained Crisis** - Persists for months or even years, despite the best efforts of management. Rumors or speculation get reported in the media or circulated by work or mouth, outside the control of public relations.

When crisis strikes however, Frank P. Seitel enumerated not less than seven warning signs which invariably appear: “surprise, insufficient information, escalating events, loss of control, increased outside scrutiny, siege mentality, and panic.” But Fink went to the extent of citing crisis in the Chinese word, “We Tei”: or simply the combination of the words “danger” and “opportunity.” It was a way of saying that even crisis situations can still be converted into opportunities. In other words, a rather strange equation of a minus for a plus.

Black wrote that such a conversion can take place with: “adequate preparation, drawing up a plan, training the staff and providing ample communication links, implementing plans which have been well-designed and tested; dealing with the media which will seek instant news and explanations; and paying attention to the anxieties of relatives and friends by providing dedicated phone line for inquiries.”

In banking and finance public relations, banks are likely to find themselves in crisis situations. They are prone to be victimized in terms of a spate of crimes. Scams, bankruptcies, competition, government action including deregulation, litigations of all sorts, and the more sweeping currency upheaval. These crises can directly and seriously threaten the very existence of banks, their credibility undermined, and entire operations unceremoniously stopped.

The pain can be excruciating, the promise of recovery severely broken. The possibility of a chain reaction in the industry can also be considered no longer remote. Banks must contend with all their publics in no uncertain terms.

Stages of a crisis

A crisis must however be fully-recognized and understood in its avowed fluidity, unstableness, and dynamism. Somehow, its anatomy, as expounded by Fink must be exposed if not subjected to “surgery.” According to him, there are four distinct phases which must be identified in any crisis:

1. **Prodromal Crisis Stage.** The warning state or pre-crisis period. Taken from a Greek word which means, ‘running before.’
2. **Acute Crisis Stage.** Point of no return. Passage from prodromal to this stage can almost never recover the ground lost. One of the major difficulties in managing a crisis during this stage is the avalanche-like speed and intensity
that often accompany and characterize it. This is the shortest of the four phases, but the most intense.

3. **Chronic Crisis Stage.** The clean-up phase or post mortem; the period when lingering malignacies settle in; also upheld as a time of recovery, self-analysis, self-doubt and of healing. This stage can linger indefinitely.

4. **Crisis Resolution Stage.** The fourth and final phase. This is when the patient is well and whole again.”

It was stressed that one should be able to recognize the crisis in its prodromal stage, and to intervene proactively. Fink wrote that, it is “so much easier to manage a crisis in the prodromal stage.” It was added that a crisis is any prodromal situation that runs the risk of: “escalating in intensity, falling under close media scrutiny, interfering with the normal operations of business, jeopardizing the positive public image at present enjoyed by a company or its officers; and damaging a company’s bottom line in any way.

In the acute crisis stage, however, it was noted that with proper advance planning, it will not explode in one’s face. The chronic crisis stage is set as the “time for financial upheaval, shakeups, hostile takeover attempts, or bankruptcy.” But it was gathered that, “when the window of opportunity in a prodrome or in an acute crisis is missed, sometimes damage control is the best that can be hoped for.”

As in any problem-solving and decision-making process, a crisis is, by itself, a “deviant.” It definitely strays from what is deemed normal and standard, routine, and marked as status quo. One is required to expect the unexpected and apply preventive measures on
what may turn out to be beyond saving.

Admittedly, authorities upheld the fact that in crisis situations, “the mind needs to be placed into a vigilant state.” In effect they echo that, “vigilant decision making — in an unbiased way — assimilates information and carefully weighs alternative choices before making a decision.” More importantly they drove home the point that, “decisions arrived at through vigilance are more directed, or focused on implementation (implementational problem solving), they are decisions in which the decision maker can have confidence.”

Handling a crisis

Public relations experts therefore believe that the common mistakes in handling crisis must be avoided. Such errors are “hesitation, obfuscation, retaliation, prevarication or equivocation, pontification, confrontation, and litigation.” For the successful handling of crisis, these factors should complement each other effectively: the “ability to anticipate possible emergencies and vulnerabilities, skills in planning strategy for responding to emergencies and vulnerabilities, skills in planning strategy for responding to emergency scenarios, recognition of the early stages of crisis, and capacity to respond immediately as part of a systematic Crisis Management Plan (CMP).

Fink stated that the crisis must be quickly identified, isolated and managed. As explained, “only by identifying the crisis will one be able to manage it.” For Sperber and Lerbingen, what should count most as demanded by crises situations are “quick action, peak performance, and ingenuity.” They also stated that for public relations to serve as the first line of defense, it must “contain the damaging effects of the crisis on the company’s reputation, provide an early warning system of crisis caused by government or dissident groups, and intervene in crisis caused by human conflicts.”

It becomes even clearer now that Crisis Management must be resorted to if only to ensure a more effective way of dealing with the problem on hand. As defined, Crisis Management is “any measure that plans in advance for a crisis (or turning point). Any measure that removes the risk and uncertainty from a given situation and thereby allows you to be more in control of your own destiny.” It is also described as, “the art of removing much of the risk and uncertainty to allow one to achieve more control over his own destiny.”

Nothing can ever replace a truly systematic and reliable crisis forecasting. There is even no need to delve into the field of extra-sensory perception to be warned of impending dangers. Somehow the trend of events could betray what may appear to be a phantom and an unknown which lurks in an environment filled with uncertainties and apprehensions.

In the face of any crisis, the CMP and the CMT should figure out well to respond and ultimately provide remedy and relief, and alleviate the plight of those greatly affected. Thus, the two components could even be used to turn the crisis into an opportunity (as Fink had claimed).

“Tell it all and tell it fast”

A CMP and CMT are only as effective as their corresponding crisis communications. The importance of accuracy and honesty in crisis communications cannot be overemphasized. Fink once more emphasized that, “No matter how good your Crisis Management Plan, if you cannot communicate your message during a crisis, you have failed. And failed needlessly.” As a cardinal rule, however, Seitel emphasized. “Tell it all and tell if fast!” It became a foregone conclusion that those directly concerned must “guard against a crisis caused by poor communications.”

From all indications, it was further acknowledged that, “The single most important thing for a communicator in a crisis is immediate access to authority.” At the same time, it was preferred that the communicator should have authority himself, so that he may be able to “simply present the truth in the most advantageous way.”

As revealed, “helping to navigate the organization through the shoals of a crisis is the ultimate test of a public relations professional.” The authors of crisis management and public relations books apparently took a united stand on effective crisis communication. They stated that the person or organization concerned must be “prompt, frank and have full information to media in the eye
of the storm.” They also stated that, “the key is not to clam up,” because the “immediacy of communications heightens the immediacy of the crises.”

Black advised that in the preparation of a CMP, these stages must be noted: “analyzing possibilities of the trouble, preparing a plan, staff selection, communication facilities, training, and practice of simulation exercises.” As the general principles in the formulation of a CMP, he wrote that:

“Immediate action to media is essential. Only known facts should be given out. It is desirable to call a general news conference as soon as sufficient hard news is available for dissemination. If possible, the Chairman of Chief Executive Officer should preside at the news conference. And there is an opportunity gained from the treatment of the relatives of the dead or injured.

In the case of a Canadian company, its policy on crisis situations included: “honesty first, foremost and always, empathy and compassion; openness, accessibility and candor; timeliness, and proactive, not simply reactive (position).”

For others, the guidelines in preparing for public relations crises should necessarily:

1. Identify things that can go wrong and become highly visible: assess vulnerabilities throughout the organization.
2. Assign priorities based on which vulnerabilities are most urgent and most likely.
3. Draft questions, answers and resolutions for each potential crisis scenario.
4. Focus on the two most important tasks—what to do and what to say—during the first critical hours following a crisis.
5. Develop a strategy to contain and counteract, not react and respond.

In addition, it was pointed out that in times of crisis, those directly involved should not: “stonewall the crisis, deny its existence, refuse to answer questions from the media, resist involvement by appropriate government agencies, and ‘manage’ the news by releasing partial, often inaccurate and delayed information.” More than ever, what should be done is to adapt an “open communication policy.”

The ultimate challenge
It was said that, “Perception is reality.” Such a statement has been upheld as “a concept that has been part of public relations for years.” This time however, professional public relations people can confidently reiterate to their publics that “crisis management has become one of the most revered skills in the practice of public relations.”

Further, it can be stated that “managing crisis and opportunity is the ultimate assignment for a public relations professional.” It should be absolutely clear, though, that public relations practitioners handling crises situations should never be identified as “firemen.” It is still their primary task, in amplification of the basics and fundamentals of public relations, to uphold and pursue its preventive nature and adherence to the truth.

Crisis management. Crisis Management Public Relations. Crisis Public Relations. Call it by any other name, public relations practitioners will never hesitate for a second to even firmly underscore that, “the time to be in crisis communications is when there is no crisis and when it is possible to create a reservoir of goodwill.” Such a move should instill in one’s mind, the importance of activating and sustaining an early warning system. In short, the key to effective crisis management is still Preventive Public Relations. “Prevention remains as the best insurance for anyone and any organization,” it was stressed.

References
Breaking auditing myths

(What users should know about financial statement audits)

By Teresita Nadurata, Chairperson, Accountancy Department

Many users do not completely understand what a financial statement audit involves. Misconceptions about audits and auditors cited by Abraham D. Akresh, CPA in the May 1990 Journal of Accountancy are as follows:

- Auditors certify the financial statements
- An unqualified audit opinion indicates the financial statements are correct
- Audits are designed to detect minor fraud
- An unqualified opinion means a company’s internal controls are sound
- Auditors prepare the financial statements
- Standard auditor's report offers assurance about the safety of an investment

To minimize the misconceptions of users about financial statement audits, there is a need to educate the users in terms they can relate to and comprehend. For this reason, we share with them the following information:

- What the auditor does in a financial statement audit
- Characteristics of a financial statement audit
- What the auditor contributes in a financial statement audit
- What the auditor considers as limitations of the financial audit
- Importance of the audit report
- What the auditor does to narrow the expectation gap

What the auditor does in a financial statement audit

The auditor uses a systematic process to obtain and evaluate evidence. He uses a planned or a progressive audit program. He obtains audit evidences through the appropriate audit techniques and evaluates whether these evidences are enough and competent to serve as a reasonable basis for his opinion.

The auditor ascertains whether the financial statements prepared by management conform with the established criteria, known as generally accepted accounting principles.

Management expects auditors to provide the following assurances:

- The financial statements are right
- The company will not fail
- There has been no fraud
- The company has acted within the law
- The company has been competently managed
- The company has adopted a responsible attitude to environmental and societal matters.

Auditors provide assurance on these statements except for the competence of management. Neither management or directors or auditors can provide guarantees that failures will not be present in any area.

The auditor communicates the results of the financial statement audit through the audit report. The auditor expresses an opinion on the fairness of the financial statements.

Characteristics of a financial statement audit

The users must know the following characteristics of the financial statement audit:

- The objective of an audit is to add credibility to management’s representations in financial statements
- Auditors are independent of the entity’s management which prepares the financial statements
- Auditors form their opinions on the overall fairness of the financial statements on the basis of selective testing
- An audit is directed toward the discovery of material misstatements in the financial statement
- An audit provides reasonable assurance that the financial statements are free of material misstatements
- Auditors report on the financial statements as a whole
- Auditors are concerned with the financial presentation, and not the financial quality of an entity, the wisdom of management decisions, or risk of doing business with the entity.
Understanding the characteristics of a financial statement audit reduces the misconceptions on absolute accuracy, detailed testing, fraud discovery, certification and safety of an investment, or wisdom of management decisions. Users of the financial statements will understand why they have to submit financial statements to the auditor and to cooperate with the auditor during the audit.

What the auditor contributes in a financial statement audit

The auditor makes these important contributions in the following forms:
1. Responsibilities assumed by auditors
   - a contractual responsibility to the shareholders and their company
   - an ethical responsibility to the profession and to the public
   - a moral responsibility towards the other readers of the audit report
   - responsibility for reporting whether the financial statements conform fairly with generally accepted accounting principles

2. Opinions expressed by the auditor which users need in resolving conflict of interest, in making decisions and in evaluating quality of the statements, and

3. Economic benefits provided by the auditor like access to capital markets, lower cost of borrowing capital, deterrent to inefficiency and fraud, and control and operational improvements.

Limitations of the financial statement audit

The auditor considers cost limitations, resulting in selective testing or sampling of the accounting records and supporting data. He also considers the limitation on times, or the effect of subsequent events on the amount of evidence.

He accepts estimates as inherent in the accounting process because no one can foresee the outcome of uncertainties. Financial statements are not based entirely on facts, but on estimates as well. He also seeks reasonable rather than absolute assurance. He recognizes that a reasonable basis is needed for an opinion.

Importance of the audit report

The auditor uses an audit report to communicate a conclusion about the audited financial statements.

The new audit report consists of the introductory paragraph, scope paragraph and the opinion paragraph. The new report was designed to better communicate to users of audited financial statements the work done by the auditor and the character and limitations of the audit. It also clearly identifies the responsibilities of management and the independent auditor in the financial statement audit.

Narrowing the expectation gap

Users of audited financial statements expect auditors to:
   - perform the audit with technical competence, integrity, independence, and objectivity
   - search for and detect material misstatements, whether intentional or unintentional
   - prevent the issuance of misleading financial statements.

The auditor as provider of services responds to these expectations through adherence to generally accepted auditing standards, quality control measures, revised audit reports, and the issuance of expectation gap statements like:
   - statements on more detection of material misstatements
   - statements on performance of more effective audits
   - statements on better communication with users
   - statements on improved communication with management & directors

Educating the users of the audit report will help narrow the expectation gap between the holder of expectations and the provider of services.

References

Books


Boynton, William C. Modern Auditing. John Willy and Sons, Inc. 1996.


Articles
