

96. Crisis Management: Playing with the Tones of the Language

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ABSTRACT

This study is conducted to identify the most appropriate approach during issue or crisis management. It used 3 local case studies of organizations and institution in Malaysia. Findings show that straightforward approach is favourable during approach-approach situation compared to non-straightforward approach as it has ability to increase the corporate credibility of organizations and institution during approach situation. Malaysians also not perceived non-straightforward response as a contributing factors for better organizational corporate credibility.

Keywords: straightforward and non-straightforward responses, corporate credibility, issue/crisis management

Introduction

Organizations perceive corporate credibility as the strength of its image and willing to do anything to save a good credibility. All of these are aim for profit-oriented and gain high respect from its stakeholders. Corporate credibility refers to the perceived expertise, reliability and truthfulness of a company. It is an important part or corporate reputation and always being a benchmark to measure organization's reputation among public (Fombrun, 1997). Evidence shows that corporate credibility and issue/crisis management are interrelated. Low credibility can lessen the effectiveness of communication efforts, public's purchase intent, stakeholder loyalty and organization's prosperity (Goldsmith, Laffert and Newell, 2000).

Several corporate crisis show that failure in managing issue during early development of the issue may negatively impact organization in term of financial, corporate reputation, corporate credibility and production. For instance, McDonald experienced drop in its share price, bad press and expensive lawsuits alleged that tens thousands of children suffered obesity, diabetes, heart disease, high blood pressure, elevated cholesterols and other health problems due to trans-fat content in McDonald's French fries and other fried foods. McDonald then introduced salad in its menu in 2003 and encouraged its customers to have a balanced lifestyle in early 2007. All efforts resulted in high sale and increased share price (as stated by Barriaux, 2007, in Rashidah and Normah, 2009).

Protecting corporate credibility requires organization to respond with communicative strategies. It is one of multiple communication goals to be addressed by management. Impact of declining corporate credibility may result in profit making, public rejection of products or services and less support from stakeholders or public especially during issue or crisis situation. Therefore this study perhaps can give more understanding among organizations by examining corporate credibility in context of issue or crisis management.

Issue VS Crisis

Communication specifically differentiate the term of issue and crisis based on the timing of the actual problem. Issue refers to predicted problem which not happen yet while crisis is problem already occurred and need immediate solution. As defined by Guth and Marsh (2009), issue management is a process of predicting and managing future issues and concerns. The early process will begin with scanning process to determine if there is any potential threats approaching. If there is, the practitioner can prepare the organization to respond in a timely and appropriate manner. Then once they identified the issue, active monitoring should begin by regularly keep track the latest development and allows it to dictate its own course rather than let organizations response dictated by events.

In Malaysian context, crisis is defined as "an incident that occurs suddenly, is complex in nature and involves loss of lives, destruction of property or the environment, and is disruptive to the

daily activities of the surrounding community. This disaster incident will require the extensive mobilization and effective coordination of resources, equipment, facilities and personnel from many agencies and is expected to require complex mitigation besides requiring a substantial period of time to overcome". (as cited by Majlis Keselamatan Negara, arahan 20, MKN20 PM's Dept. Wef 11/5/1997 in Ruin, 2008)

Communication experts divide crisis into two categories differentiated by the time it occurred. Sudden crisis and smoldering crisis is defined as "sudden crisis is a disruption in the company's business which occur without warning and is likely to generate news coverage and may adversely impact employees, investors, customers, suppliers, and other publics" while smoldering crisis is "any serious business problem which is not generally known within or without the company, which may generate negative news coverage if or when it goes 'public' and could result in more than a predetermined amount in fines, penalties, legal damage awards, unbudgeted expenses and other costs" (as cited by Institute of Crisis Management, Louisville, Kentucky USA in Ruin et. al)

Previous studies show some differences between the effective ways to deal with crisis management. Kline (2008) and Ruin (2008) agree that the management should regularly inform and update public about all necessary information and not necessarily to appoint the Managing Director as Public Relations practitioners can also represent the affected organization. In contrast, Ramu (2000) strongly suggested organization not to reply all accusations and to appoint highest level of manager as the organization's spokesperson. Fombrun and van Riel (2004) said that companies should be transparent, and disclose adequate information within considerable timing which support the nonequivocal responses so it can help them during crisis.

Communication approaches in Malaysia's context

In Malaysia, some top management tends to produce incomplete statements to public during issue and crisis management. Sometimes public expressed their concern about certain issues in mainstream newspapers or non paid TV stations, yet the organization's management took some time to respond and once they did, they just gave brief explanation. However some may find complete public information is necessary.

Booth (1990) observed the crisis management practiced by organizations and found out that there is a delayed reaction syndrome which he defines as "... the reluctance of organisations to invest in crisis management planning until conclusive evidence is available that there is a problem. By this time it is too late to prevent a crisis occurring. The best that can be done is to lessen the impact" (Booth, 1990 as cited in Smith et.al, 2006, p.150).

Theory of Equivocation developed by Bavelas (1990) whereby she said that public demand for equivocal response or not straightforward in situation of avoidance-avoidance. The reason is to reduce any further and more damages if the consequence is bad. Straightforward will only applied in situation of approach-approach.

An example of local corporate crisis management in Malaysia such as MAS plane disaster at Tawau Airport, Sabah in 1995, the then MAS Chairman and Managing Director of MAS immediately decided to took off by air to Sabah for self assessment the situation and made corporate press statements which really appreciated by victims' family. It proved better selection of spokesperson within right timing and necessary information may reduce the high level of corporate crisis (Ruin et al., 2008). This is considered as straightforward approach by the organization during crisis management.

However, when Dato' Seri Idris Jala applied straightforward approach in his public statement as the CEO and Deputy Chairman of Performance Management and Delivery Unit (PEMANDU) in 2009, he made a comprehensive explanation and prediction that Malaysia will be bankrupt if government keep on distributing subsidies to Malaysian including area of education, medical, petrol, sugar, cooking oil and welfare allowance. Yet majority of Malaysian refused to accept the facts. He claimed that about RM74 billion were spent in 2009 for subsidies. As this is his pre-assumptions based on detail calculation and not occurs yet, this is considered as straightforward approach during issue management.

Different public responses by using same approach but different timing of issue/crisis management create doubt and inquiry on what Malaysians really want to listen from the organization. Therefore it is important to know whether public prefer the organization's spokesperson to tell the

information in straightforward response or not straightforward response during certain issue/crisis as it may impact the corporate credibility of organizations/institutions.

Case 1 (Approach situation)

Organization A proposed to develop a green residential, shopping and public transportation called as PJ Sentral the Garden City located at Petaling Jaya. The development consist of 1.6ha is scheduled to take place at Jalan Barat, Section 52 on PKNS current building location and in front of Nestle and a hotel. Various parties responded to the project in two tones of responses. For those who opposed the project such as Petpositive, APAC and Transit, they concerned on high volume of traffic and PJ residents' quality of life. However the business community in PJ is highly supported the project as it can bring more opportunities to PJ area. They claimed local business is almost dead due to no new development of mall in PJ. All public opinions are closely monitored by the company and several meetings were conducted informally. The project was approved by Petaling Jaya District Council and expected to launch in year 2011. (Nuradzimah Daim, 2010).

Not straightforward language:

The Managing Director of Organization A said that Petaling Jaya needs a green environment for the quality life of surrounding residential areas. Land value will increase after the completion of PJ Sentral and public is strongly encouraged to participate in the development of green building.

Straightforward language:

The Managing Director of Organization A said, "Yes, the proposed development of PJ Sentral Garden city will not solve the traffic congestion in Petaling Jaya plus the traffic will increase after the completion of this project. This project will be offering a serviced apartment so increasing population will affect the amount of traffic. But what we can do is to offer alternative routes based on our traffic study so that the traffic can dispersed more effectively."

Case 2: (Approach situation)

Malaysian was in shocked mood in 2010 when Minister in Prime Minister Department, Datuk Seri Idris Jala claimed that Malaysia will be bankrupt in 2019 if the government keep on giving subsidies to the people. He expected that Malaysia's debt would rise to 100 percent of GDP by 2019 from the current 54 percent if not reduce it subsidies. He suggested government to reduce subsidies in gas subsidy, to increase toll rates in 2010, to increase rate for outpatient treatment at public hospital, to abolish text book loan scheme and tuition, to require full fees for foreign students at public universities and to increase study fees for local undergraduates and postgraduates. (Negara Boleh Bankrap, 2010, May 28).

Not straightforward language:

Idris Jala said that the government is always tried to give quality accommodation to cater for Malaysian needs. However Malaysian should help the government by not too dependable on government subsidies and try their best to increase family's income by doing multiple job at one time. Therefore the government can channelled the subsidy to more important aspects such as improving rural areas and improving quality public transportation.

Straightforward language:

Idris Jala said, "Yes, if the government continues at the rate of 12 percent per annum, Malaysia could go bankrupt in 2019 with total debts amounting RM1,158 billion".

Case 3: (Approach situation)

Organization B, a well-known Sweden company in Malaysia decided to conduct ritual cleansing in March 2005 after it was told by Malaysian religious authorities to stop selling sausages suspected to be non-*halal*. The measurement was taken to comply with government's strict *halal* manufacturing regulations. XYZ Sausages was the Organization B's sausages supplier and it used animal-based products for casings and expired *halal*'s certification. As a result, Organization B terminated their supply agreement and conducted sama' process as the staff and customers are predominantly Muslim.

They recorded loss for quite some months but then gain back customers' support and trust after the religiosity ritual cleansing. (IKEA: We ensure, 2005, March 24)

Not straightforward language:

Organization B's General Manager said that they cannot control the source of frozen food supplied by XYZ Sausages. It is their responsibility to be aware with local procedures and sensitivity. However, they will terminate the contract and find new supplier which comply with religion needs.

Straightforward language:

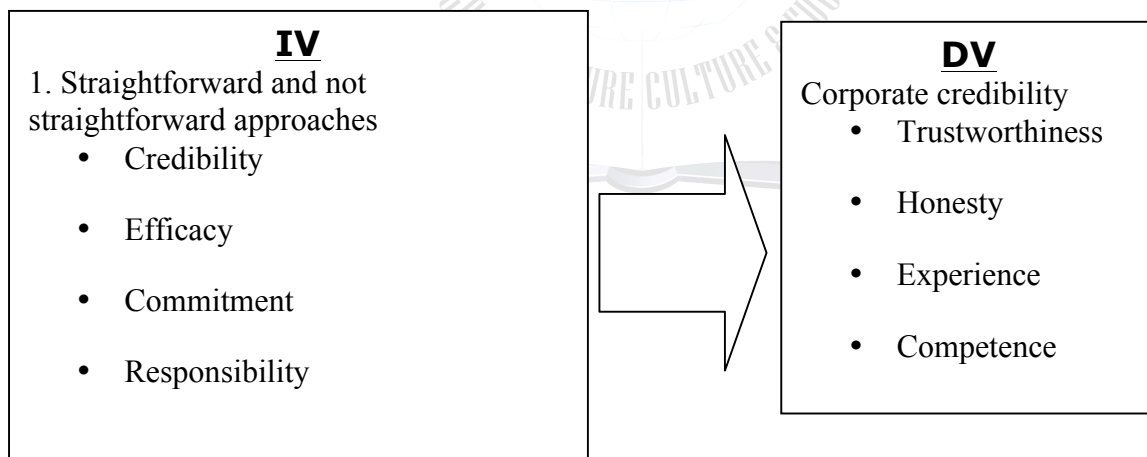
Organization B's food service operations assistant manager said, "Yes, we did the ritual cleansing. We cleaned all our utensils and cutlery, even the cups, the kitchen racks and the storage area, which included the walk-in chiller and the Exit Cafe area. All three of our ovens were also cleaned. All jobs were completed by our 80 Muslims staff under supervision of the Selangor Religious Affairs Department".

Research Objectives

1. To identify any differences between straightforward and not straightforward responses in general to be applied during issue or crisis management.
2. To identify the relationship between straightforward and not straightforward responses and corporate credibility during crisis management.

3 case studies occurred in Malaysia have been selected based on Fink Crisis Barometer (Rowitz, 2006). Two different responses are design to analyze the most appropriate approach among public.

Figure 1
Conceptual framework



Straightforward and not straightforward approaches

This variable is being measured by using 'Management Reputation' consist of 4 aspects of 'Credibility', 'Efficacy', 'Commitment' and 'Responsibility' (Segars & Kohut, 2001). For example the item for Credibility is "The strategic direction of top-management is focused."

Corporate credibility

Corporate credibility consists of 'Trustworthiness', 'Honesty', 'Experience' and 'Competency' developed by Newell & Goldsmith (2001). For example the item for Credibility is "The strategic direction of top-management is focused." Example for Honesty is "The organization tries to do its share in community improvement."

Research Methodology

Quantitative study is applied and this study distributed survey forms among participants by using email and face-to-face group interview. However participants' nonverbal communication during face-to-face group interview had been ignored to avoid bias to email distribution as the researcher was not able to see the cues from those who respond via email. The researcher used non-parametric because the selection of sampling is based on quota sampling for each 3 cases.

Location and subjects of the study

Prior to the nature of the study, the researcher chose to conduct the study in Klang Valley with population of Petaling Jaya, Cheras, Serdang, Kuala Lumpur and Cyberjaya at the end of 2010. In this study, Petaling Jaya was purposely chosen because one of the case studies will be launched in Petaling Jaya district area and only local residents or employees understand any impact due to the project. The related case study is the development of PJ Sentral and impact on heavy traffic and facilities for disable group. Total sampling is about 99 participants with 33 sample for each case studies.

Findings and discussion

Differences between straightforward and not straightforward responses in general

The outcome of this objective can be considered as important as it will show whether there is any difference between straightforward and not straightforward responses in general during handling issue and crisis.

The 3 cases of bankruptcy, PJ Sentral and halal food were supplied with similar quantity of participants (n=33) per case study. It is confirmed that there is big difference of mean ($z = -2.34$, $p = 0.02$) between two type of responses as proved by Table 1.

Table 1

Wilcoxon test for comparison between usage of straightforward and not straightforward responses during issue/crisis management (n = 99)

Type of response	n	M	z	Sig. value (p)
Straightforward	99	70.35	-2.34 (a)	0.02
Not straightforward	99	61.90		

Note: $p < 0.05$, (a) Based on positive rank

This could be interpreted that participants prefer to hear straightforward response rather than not straightforward response from reliable source of management during issue or crisis management in approach-approach situation.

This finding is in line with Kline et al. (2008) and Bavelas (1990) when they said that not straightforward response is the most recommended response to be implemented by management to preserve corporate reputation in avoidance-avoidance situation and straightforward response in case of approach situation.

Right selection of corporate spokesperson is important during crisis management. Spokespersons or representatives or various counsellors such as attorneys, union representatives or presidents of organizations are more likely to speak for the collective information (Folger, Poole and Stutman, 2009).

Table 2 shows that about 60 participants were satisfy if the spokesperson informs them the truth and update the progress of issue or crisis despite of only 30 participants who chose to listen to not straightforward response. Yet, around 9 participants decided not to concern in any type of responses.

Table 2
Mean rank of type of responses

		n	Mean rank	Sum of ranks
Nonequivocal – Equivocal responses	Negative ranks	60 (a)	43.79	2627.50
	Positive ranks	30 (b)	48.92	1467.50
	Ties	9(c)		
	Total	99		

Notes:

a Equivocal response < Nonequivocal response

b Equivocal response > Nonequivocal response

c Equivocal response = Nonequivocal response

Relationship between straightforward, not straightforward and corporate credibility.

Finding from Table 3 shows that straightforward response for management reputation correlate significantly ($r = 0.323$, $p < 0.05$) with corporate credibility of organization during issues or crisis management.

It can be said that participants ($n = 99$) prefer if the source from any organization implements straightforward response by informing public the truth and facts in condition of approach situation during managing corporate issue or crisis. By doing so, it will increase the corporate credibility of organization among public.

Todarita et al. (2009) said that organization's management and public department should prepared together to handle some unexpected situations and overcome 'symbols' and 'stereotypes' established during the time of crisis.

However not straightforward responses was not significantly correlated with corporate credibility ($r = 0.091$, $p > 0.05$).

This finding is appropriate with study by Todarita et al. (2009) where they said that "corporate credibility will be high if crisis management planning response with necessary context and information timely identify responsibilities and assign specific tasks to well-established persons" (p.10).

Another study also supported this finding by emphasizing higher level of service offered by organization may increase the level of corporate credibility of organization (Bernado et al., 2008).

Table 3
Correlation Test for relationship between straightforward, not straightforward responses and corporate credibility during issue/crisis management

Variables	Corporate credibility		
	N	r	Sig. value (p)
Straightforward response	99	0.323	0.001
Not straightforward response	99	0.091	0.369

Note: Correlation is significant at 0.05 level

Various pros and cons opinions regarding appropriate response to be taken by management during crisis handling. Some says better not to say anything, to say as little as could be, to release the information as quietly as possible, to reveal as minimal as permissible and to cite reasons like privacy laws, company policy and sensitivity, to deny guilt or accountability and act indignant in response to charges of negligence or to shift/share it with other implicated parties. Yet most of PR practitioners

suggest organization to provide prompt, frank and full information to the media as an effective communication strategy (Ruin et al., 2008).

Interestingly, Marconi (1997) underlined a set of guidelines to be taken during three stages of crisis management:

Before a crisis:

- Know everything about the organization, its products, its market and competitors, respond to telephone calls and inquiries, proper positioning of the organization.

During a crisis:

- Designating a single spokesperson, telling the story first, positioning the company or products in a larger context, informing employee and keeping them as working team work.

After a crisis:

- Evaluate steps taken before the crisis, setting up communication program, being positive, having a sense of humour and honest.

(As cited by Marconi, 1997 in Ramu et al., 2000, p. 243-244).

Conclusion

In nutshell, this study reveals that clear and direct explanation, no missing information, supported by appropriate organizational policies and credible spokesperson increased the corporate credibility of any organization among public during difficult time.

Malaysia needs a standard of Crisis Management Planning (CMP) in dealing issue or crisis management. Crisis Management Policy (CMP) is strongly suggested to be implemented in any organization specifically to be used during crisis. According to Ruin et al., (2008), he suggested that organizations to clearly define the risk before the PR spokesperson issues the crisis communication. For example management may issue a clear statement such as “The temporary factory closure will keep employees from danger and they are out of work for a year. They will be compensated for loss of job”. He also strengthens the important of updating organization’s action due to the crisis management for example “We are recalling the defective product”. (Ruin et al., 2008, p. 21)

As researcher concerned, not many local companies prepare CMP including Organization A and Organization B. Therefore it is strongly recommended for the management to hire a crisis manager or PR firm to predict, suggest, draft and evaluate any possible issue before it really become a crisis. As the issue of PJ Sentral is still at early stage of development, it gives more space, time and opportunities for their credible spokesperson to frame his message to specific target audience and increase his positive personal characteristic among public especially PJ’s residents and community.

Yet being an honest organization can give negative impact to the organization. One of solutions to reduce the level of negative effect is by conducting more and consistent corporate social responsibility (CSR) program. Organizations have wide opportunities to contribute in education, environment and public facilities in Malaysia.

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