Tell It All?: Challenging Crisis Communications’ Rules

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It has long been a public relations maxim that if a company in crisis proactively releases additional information that could prove damaging, rather than waiting for if/when the media uncovers it, this will shorten the news cycle of the story and could lessen the overall reputational damage. The researcher sought to determine academically whether there is validity to the truism.

The number of news stories generated about crises were counted, stock fluctuations were tracked, and journalists were surveyed to determine whether learning that a company withheld information affects journalists’ trust, causes journalists to search harder for additional negative information, and/or increase the total number of stories published/broadcast.

INTRODUCTION

Certainly there has been a great deal written in the popular press about “best practices” in public relations. PR handbooks devote considerable effort and space to making the case for cardinal rules which have long been accepted by the profession. Yet often these best practices and cardinal rules are based on nothing more than case studies and anecdotes, with each repetition giving further credence to no more than assumptions.

Communication about crises can present a challenge for a company because of the negative image-threatening publicity crises are likely to generate (Dean, 2004). Crisis communication, at its heart, is an attempt to influence perceptions about the crisis in a manner that is favorable to the organization (Hearit & Courtright, 2003) – in essence, to “deliver” key stakeholders to a positive opinion about the organization with regard to the crisis.

Crises almost always create pressure for an explanation and reassurance to relevant stakeholders, and much of that pressure can be directly attributable to the level and extent of media coverage (Ogrizek & Guillery, 1999). But why does media coverage provoke such an urgency to communicate?

The main reason may be the media’s reach and credibility with many of the organization’s key stakeholders. Because of the public’s reliance on the media, not only for news but also for the interpretation of what the news means, media stories have the ability to shape or reshape the reputation of the company in crisis (Carroll & McCombs, 2003; Deephouse, 2000; Wartick, 1992) and effect change (Smith, 1992).
Bolanle and Williams (2004) say companies in crisis have the most influence over the way their reputations are shaped and the company is positioned when they proactively share information with the media, no matter how damaging the information might be. To do otherwise removes the control over the release of information from the company's hands.

But is this true or is it an assumption?

Much of the crisis communication literature is based on the recommendations of those who have had many years of experience as journalists or public relations professionals. The “evidence” used to prove their points is typically drawn from anecdotes and case studies carefully culled and interpreted to shore up their assumptions. Over the years, these crisis communications “principles” have been cited repeatedly by various experts, further propagating their credibility.

Beyond case studies and anecdotes, however, very few crisis communications principles and commonly held assumptions have been tested with academic research. This study attempted to validate whether a demonstration of candor regarding any smoking guns is a legitimate business option.

**LITERATURE REVIEW**

Much of the early research into crisis communication has dealt with laying a foundation establishing the potential benefits and parameters of what it means to do crisis communication “well”. Topic areas have included determining whether there is a benefit to creating a crisis communication plan, using the company CEO as spokesperson, pre-identifying crisis teams and exercising them, and development of effective messages (Seeger, Sellnow & Ulmer, 1998; Barton, 2001).

Research has also determined that stress and time pressure impede crisis decision makers’ ability to make decisions, bottlenecked channels cause communication failures to key stakeholders, and building relationships with key stakeholders prior to a crisis increases an organization’s ability to positively influence those stakeholders (Hale, et al, 2005). Horsley and Barker’s (2002) research indicates better communication success if information is disseminated quickly, accurately, and honestly to key stakeholders, including the media.

Much of the current focus of crisis communication research has revolved around image restoration theory (Benoit, 1995), corporate apologia (Hearit, 2001), impression management (Allen & Caillouet, 1994), and Situational Crisis Communication Theory (Coombs & Holladay, 2002). However, the study results have often been confusing and somewhat contradictory.

Public relations practitioners have identified a long list of principles to govern the management, containment or mitigation of damage from a crisis, though little empirical
evidence exists regarding the effectiveness of these principles (Seeger, Sellnow & Ulmer, 1998). “Cardinal rules” include the following:

- Organizations that are prepared for major crises not only recover substantially faster but with significantly less damage than those organizations that are not prepared (Mitroff & Anagnos, 2001).
- It is best to reveal any information the media could easily get elsewhere (Caponigro, 2000).
- Reporters are not out to malign a company’s reputation. But if they believe that management is hiding something or being evasive, serious questions about credibility will emerge (Barton, 2001).

One such untested principle of conventional public relations practice stresses that communication with the media should be honest, accurate, and complete. “The media will uncover the whole story anyway, and left to do the dirty work themselves the coverage will probably end up lasting longer and dragging the crisis out further” (Borda & Mackey-Kallis, 2004).

Seeger, Sellnow, and Ulmer (1998) as well as Dilenschneider and Salak (2003), Small (1991), and others, contend that an incomplete or incorrect accounting can prompt additional media and third-party digging and damage the organization’s credibility and image much more than if the company reveals the information quickly without attempts to conceal it.

When reporters feel stonewalled not only does it give them a negative impression of the company, it also entices them to dig deeper because they believe the company has something to hide (Martinelli & Briggs, 1998; Hoffman, 2001). Hoffman (2001) says, “Someone once compared the media to a junkyard dog saying, ‘If you don’t voluntarily feed the media, they will root around in your garbage until they find something.’”

Mincer (2006) says success or failure of a company’s crisis communication efforts often rests on whether the company tries to cover up the problems or simply “fess up.” Cover-ups run the risk of stretching what would otherwise have been a one-day story into a two-day, three-day, or five-day story (Mincer, 2006).

Horsley and Barker (2002) as well as Saffir and Tarrant (1993) also say that offering no comment or delaying communication with the media, even if the delay is simply to gather more information, can be detrimental to a company’s image because the media are likely to suspect that the company is trying to cover up something.

A 1992 survey by the public relations firm Porter Novelli found that the leading causes of public anger about a crisis were usually not the crisis itself but refusal to accept responsibility, incomplete or inaccurate information, or corporate profits placed ahead of the public interest. Ninety-five percent of those surveyed said they were more offended by a company’s lack of honesty than by the crisis itself (Borda & Mackey-Kallis, 2004).
One factor that could influence liability and subsequent damage awards from legal proceedings following a crisis is a perception that the problem runs deeper than what was initially revealed but that the company chose to withhold the information on the chance that no one would ever find out. Marcus and Goodman (1991) say companies often believe that anything they say will not only be used against them in court but could add to the number of people who believe themselves to be wronged; so companies often attempt to admit as little as possible. However, this strategy often backfires because “discussions, disputes, and warnings issued within the company usually show that someone was aware of the dangers earlier than the company has been willing to admit publicly. This information may enable victims to collect large and comprehensive awards for pain, suffering, and other intangibles” (Marcus & Goodman, 1991).

**METHODOLOGY**

This study sought to determine whether there is validity to the assumption that a company in crisis should release all potentially damaging information immediately rather than wait to see whether the information is discovered. Research questions included: What are the ramifications for a company in crisis that withholds damaging information which later comes to light? Does releasing all damaging information proactively shorten negative press attention regarding the crisis?

The commonly accepted belief is “yes” - if the media believe or later confirm a company in crisis is withholding additional damaging information, they are likely to doubt the company’s sincerity and treat all subsequent company statements with skepticism as they continue to dig for additional evidence of wrongdoing and publish/broadcast increasingly negative stories.

To test whether releasing damaging information immediately, rather than in spurts, will shorten the length of press attention, the researcher:

- Compared the number of news stories broadcast when the crisis first broke against the number of news stories generated when information seeped out later; and
- Determined whether learning that a company withheld information affects journalists’ trust, causes journalists to search harder for additional negative information, and/or increase the total number of (presumably negative) stories published/broadcast.

Additionally, to further pinpoint whether withholding information could have an impact on the company’s reputation and value, the researcher also tracked stock fluctuations.

News coverage a decade ago was marked by standard news times and defined cycles, i.e. the 6 o’clock and the 11 o’clock news, whereas the current atmosphere of 24/7 cable and Internet news coverage is quite different. Therefore a comparison of news coverage today with news coverage a decade ago would not provide a like comparison. It would be reasonable to expect that the same crisis would generate more news stories today than it would have a decade ago. For this reason, the grouping of crises selected was confined to a narrow and recent window of time.
The researcher searched print news stories through LexisNexis, the world’s largest collection of online news and business information, as well as the Vanderbilt archives database of broadcast news stories aired on the primary national newscasts such as ABC Evening News, CBS Evening News, NBC Evening News, CNN News Night, MSNBC, CNBC, and Fox. The number of news stories about each business crisis identified in the 2003-2006 timeframe were totaled and a comparison made in terms of the crises in which additional information came to light later vs. crises for which the company released all information proactively when the crisis first hit.

Since one might assume that stock value would also be impacted in a crisis, stock price for each identified crisis was also tracked in an effort to determine whether there was any potential correlation between releasing information proactively and market value.

Additionally, the researcher surveyed journalists at Washington D.C. news stations. The survey consisted of 20 questions interspersed with “hypothetical” case studies based on real crises but with names and identifying information removed or altered. The crises on which the case studies were based were more than 5 years old so they would less likely be familiar to the survey participants.

The sample for this study included all news outlets in the Washington DC market. In a personal phone call to each of the identified news outlets’ News Directors, the researcher requested that the News Director administer the survey to all appropriate reporters, producers, news writers, and content editors.

The researcher selected the Washington DC market because as the nation’s #8 news market, covering 2 million homes and 2% of the US population according to Nielsen Media Research which monitors the television industry, it provided a fairly accurate representation of what major-market journalists believe. Additionally, because of the nature of the market in the nation’s capital, there is a good cross representation of national as well as local reporters and news stories. Another consideration in choosing this market was that as a former journalist in the market, the researcher was better able to gain the cooperation of the pool of news outlets identified. Indeed, the researcher was able to solicit participation by all news outlets in this market, increasing the reliability of the data even though the sample size was small. This would not have been possible with a mixture of markets.

The communication activities of the pool of survey participants included personnel assigned to write/report the news (reporters, producers and writers), those assigned to review and adjust the stories from a factual or content basis prior to publishing/airing (editors) as well as those deciding what stories merited coverage in the first place (assignment editors).

These criteria were provided to the News Director at each outlet, who was then asked to further delineate as many representative survey participants as possible from his/her staff and administer the survey to each representative decision-making journalist.
identified, with instructions to return the completed survey in a sealed envelope to the researcher. This purposeful snowball sampling (Taylor-Powell, 1998) technique was used because the News Directors of each organization were in a much better position to identify and gain the cooperation of the most appropriate participants than anyone outside the organization. Utilizing this sampling method provided a much more targeted and reliable sample of decision-makers than random sampling of all journalists who may or may not have been decision-makers.

A total of 56 of the 160 identified journalists returned the completed surveys and were included in this study. The return rate was therefore 35%. This return rate is not unusual for a sample of busy professionals who had no monetary incentive for complying with the request for information. All participants who completed the questionnaire voluntarily contributed their time.

For a potential population of 160, sample size of returned responses would have needed to be 113 (or 71%) to validate an extremely high (95%) level of confidence that the results are statistically significant, with significance set at the p<0.05 level (Patten, 2002). However, since the population consisted exclusively of a purposeful snowball sampling of the decision-makers responsible for the types of judgment calls surveyed and the survey was administered to representatives from all news outlets in the defined pool, the results are believed to be representative of the larger pool of potential respondents and reliable even with a relatively small sample size.

The data was analyzed to determine what percentage of the sample size would be more likely to distrust the company’s sincerity if information were withheld and whether this distrust would lead to additional coverage, attempts to seek out negative information, and/or a more negative bias in subsequent coverage.

RESULTS

Span of Media Attention When Information Comes to Light Gradually

Although governments certainly have a proclivity for getting themselves into crises, stock value cannot be tracked for government/political crises. Additionally, it is unclear whether negative media attention surrounding a political story will have the same reputation-damaging effect as is commonly seen with business crises, defined by the researcher as an event or series of events that significantly threatens the company’s ability to do business by severely impacting the company’s financial results, brand / reputation, or relations with employees and customers. The researcher, therefore, chose to structure the study to focus specifically on business crises.

However, searching the identified databases using the keyword “crisis” did not pull up an adequate set of data points. Apparently the researcher’s definition of crisis does not mesh with what is considered or titled a crisis by journalists. More often than not, political news crises rather than business crises, if the stories were about crises at all, were generated from the search. Therefore, rather than allow the databases to define what constituted a crisis based on whether the story contained the keyword “crisis”, the
researcher identified the most well-publicized business crises during the 2003-2006 timeframe and focused analysis on these crises exclusively. So as not to mix apples with oranges, the crisis selection involved only crises in which the company was publicly perceived to be at least partially at fault, rather than crises in which the company was perceived to be a victim.

The list of crises encompassed by this study includes:

- **Pan Pharmaceuticals** (genesis date April 28, 2003) - the public was warned to avoid taking Pan herbs and vitamins following the largest recall of medicine in Australia’s history.
- **American Airlines** (February 4, 2003) - the CEO asked employees for wage cuts, though it was later revealed that executive retention bonuses and pension protections had been set aside for executives.
- **(Royal) Ahold** (February 24, 2003) - significant accounting irregularities were announced.
- **Space shuttle Columbia** (February 1, 2003) - exploded.
- **Wendy's** (March 22, 2005) – woman claims to have bitten into a piece of a human finger.
- **Bausch & Lomb** (April 10, 2006) - assertions that contact lens solution could be connected to fungal eye infection.
- **Sago mine** (January 2, 2006) – explosion left 13 men trapped underground.
- **Marsh & McLennan** (October 14, 2004) - accused of fraud.
- **Hyundai** (March 26, 2006) - allegations of slush funds to bribe government officials and a controversial transfer of corporate control.

Some crises generated a great deal of attention, sometimes as many as 60 stories a day, while others generated far less interest. But clearly, on average, the greatest media attention was focused on the first several days of the crisis and there was a tendency for media attention to somewhat level off after that. Figure 1 represents the average number of media stories per day for the above cited crises.
The exception to this trend appeared to be when a company withheld information and let it dribble out a little bit at a time. For example, when the crises were plotted individually, it was clear that there were several additional peaks of attention in the Marsh & McLennan (MMC) crisis, with one peak approximately 13 days into the crisis getting even more attention than the initial peak. (See Figure 2.)
On October 14, 2004, NY Attorney General Eliot Spitzer accused MMC, the world’s largest insurance broker, of fraud. Spitzer claimed Marsh earned more than half its profits the previous year from “payoffs” from carriers who wanted Marsh to steer its clients to them rather than finding the best deal. Investors promptly dumped their shares. By the end of the day, Marsh stock had lost more than a quarter of its value. A glance at news coverage thirteen days into the crisis, where media interest peaks, indicates that was when MMC’s chairman and chief executive, Jeffrey Greenberg, resigned in a move designed to stave off criminal charges and help repair the damage done by the Eliot Spitzer lawsuit. He was replaced by Michael Cherkasky, who as it turns out incredibly enough, was Spitzer’s former boss. In essence, an additional piece of the story was revealed which had been relatively unknown when the story first broke. This additional new information was seen by journalists as newsworthy enough to increase the amount of day-to-day attention they were placing on the story – thus generating a spike.

Similarly, the American Airlines crisis first started gaining attention February 4, 2003 – the date it was first reported that the CEO asked employees for wage cuts in a “last resort” to save the company. However, additional information came to light a couple of months later (on April 17, 2003) – the date that news of executive retention bonuses and pension protections were revealed, just one day after American Airlines union employees agreed to cuts in wages and benefits. The slope for the American Airlines crisis from February 4th until a month following the April 17th “new information came to light” revelation was charted to show the increase in news attention following the previously unreleased information. (See Figure 3.) As expected, there is a distinct peak in attention around day 75 (April 17th). In fact, that peak of attention was even greater than the initial burst of attention. (See much smaller peak of news attention the first week of the crisis.)
New information coming to light does not explain every peak. For example, the first sharp peak – approximately day 57 – coincided with the first union vote. Events that are newsworthy within a crisis remain newsworthy. But the theory does help explain some of the peaks and does help answer one of the research questions. The ramification for a company in crisis that withholds damaging information which later comes to light appears to be the creation of additional media attention. Not only can withholding information cause additional media attention, but that media attention may be even greater than the attention initially generated when the crisis first breaks.

But is the corollary hypothesis supportable? Will releasing all potentially damaging information proactively shorten negative press attention regarding the crisis? The survey results bear this up overwhelmingly.

Ninety-five percent of journalists surveyed said they would be more suspicious of a company if they found that the company had withheld critical information, or tried to cover it up, than if the company had released the information proactively when the crisis first broke. Ninety-three percent said knowing that the company had deliberately withheld information would cause them to dig deeper and harder for additional incriminating information. The overwhelming majority (98%) of journalists say the fact that the company had tried to withhold information would prompt additional coverage; and that most of that subsequent coverage would result in stories that were just as long as those broadcast/published when the news initially broke – in essence doubling the negative coverage and bringing more attention to an already damaging situation.

Impact of Gradual Information Release on Media Coverage and Overall Stock Value
A comparison of Mitsubishi stock value along with corresponding media interest surrounding its 2003-2004 crisis, seemingly indicates that stock value remained on an
even keel in 2003 when media interest was low, but plunged at the height of negative media attention in 2004.

In July 2003, Mitsubishi Fuso recalled for repair nearly 15,000 Fuso trucks and tractors with possibly defective transmission screws. The incident did not garner much media attention at all and there was little stock movement. (See first arrow in Figure 4.)

**Figure 4**

Fuso recalled another 220,000 vehicles in March 2004 (see second arrow in Figure 4) and 180,000 more trucks and buses two months later. In June 2004, an additional 450,000 vehicles were recalled after Mitsubishi Fuso admitted to illegally covering up defects for 8 years.
Note the increase in media attention in Figure 5 – starting in March 2004 when the first of the additional information started dribbling out and followed in April with Mitsubishi Chairman Takashi Usami’s resignation. Note also the even sharper increase in media attention in June as the scandal continued with executive arrests, the additional recalls, and backer Daimler Chrysler’s assertion that it might sue Mitsubishi to recover its $1 billion investment. By June 18th, Mitsubishi stock reached an all-time low (see third arrow in Figure 4) and remained low throughout the time period of most intense negative media coverage. This would appear to illustrate that allowing information to seep out a little at a time can prolong negative media coverage and slow recovery.

Similarly, a comparison of American Airlines’ stock value along with the media interest over the same time period indicates the stock value remained low for several months – while the story continued to develop – coinciding with the peak of media interest. Stock value did not significantly recover until after the peak of news coverage passed and media attention to the crisis waned. (Note the number of media stories in Figure 6 are scaled by a factor of 10 to ease the readability. At the crisis peak in mid-April there were more than 600 news stories.)
In either case, it is impossible to say that the increase in media attention was the sole reason for the stock depression. However, by plotting the change in stock value against the change in value of the industry sector over the same period of time, we can eliminate some of the variance due to standard market fluctuation. As represented in Figure 7 for American Airlines, this difference is nominal over time (note slight black curve) except for some rather sharp variations in April – at approximately the same time as additional information came to light, which in turn sparked the sharp peak in media attention represented in Figure 6.
The survey results also indicate that gradually releasing damaging information will increase the skeptical, if not outright aggressive, nature of news coverage, which in turn can affect public perception.

More than half (67%) of journalists surveyed said if the company had released potentially damaging information up front, they would have trusted the company more than if the information were subsequently uncovered by themselves or a fellow journalist; though nearly one third (30%) said this would have no bearing on whether they trusted or failed to trust the company.

Journalists were split as to whether their perceptions of the company’s trustworthiness and truthfulness would have any bearing on the tone and objectivity of the stories they wrote. Forty-five percent said it *would* affect the slant of their stories. Fifty-five percent said it *wouldn’t*. Those who further clarified this point said that although their words would be objective, they would often approach the story more aggressively and with more skepticism than if all the information had been released up front.

More tellingly, perhaps, if all the information had been released when the crisis first broke, journalists estimate the story would likely have been over within the first 24-48 hours. When additional information comes to light – even as early as one day after the crisis genesis – the number of total stories increases. More damaging, though, is that the total number of stories is more spread out – increasing the length of time the story is kept “alive” and company reputation can continue to suffer damage.

Because of other potential factors which may influence a crisis, it is not possible to determine conclusively that allowing information to seep out a little at a time will cause the stock value to remain lower than if all information had been released proactively. But it does, certainly, increase the potential.
CONCLUSIONS

Findings
Very little research has focused on whether there is a business case to be made for a quick release of damaging information. Amazingly, though, there is a great deal of literature on best practices in public relations, even though the “best practices” have no research to back them. Beyond case studies and anecdotes, however, very few crisis communications principles have been tested. Practitioners have simply accepted these theories without empirical data.

There is now research to support what until now has been only assumption with regard to the potential damage that could be incurred by withholding information. Rather than assuming information needs to be shared forthrightly, we now know the consequence of withholding information will be more media coverage, keeping negative information longer in play and raising the odds of reputational damage. Withholding information which later comes to light can not only cause additional media attention, but that media attention may be even greater than the attention initially generated when the crisis first breaks.

Ninety-five percent of journalists surveyed said they would be more suspicious of a company if they found that the company had withheld critical information, or tried to cover it up, than if the company had released the information proactively. Nine out of ten said knowing that the company had deliberately withheld information would cause them to dig deeper and harder for additional incriminating information. And an overwhelming majority (98%) of journalists say the fact that the company had tried to withhold information would prompt additional coverage.

If all information is released when the crisis first breaks, journalists estimate their coverage of crisis stories could likely be over within the first 24-48 hours. However, when additional information comes to light – even as early as one day after the crisis genesis – the number of total stories increases. More damaging, though, is that the total number of stories is more spread out – increasing the length of time the story is kept “alive” and company reputation can continue to suffer damage. Also, subsequent attention is often more pronounced and more damaging than the initial spike of media attention. And since stock value remains low throughout the time period of most intense negative media coverage, allowing damaging information to seep out gradually can slow financial recovery.

Limitations and Guide for Future Research
Unrelated news of the day may trump stories which would otherwise merit coverage. A business crisis may therefore receive little or no media attention on days when more important news breaks. This could potentially have skewed the story count for some of the crises studied. A comparison against what else was making news in the world on the days in question could rule out such distractions and further determine whether news coverage of each crisis was representative or distorted by other events.
Similarly, the number of crises analyzed was constrained to a relatively small set. Further research with an analysis of more crises would bolster the reliability of the findings.

Finally, the weak survey return rate potentially could have affected the reliability of the results. Administering and collecting surveys in person, rather than relying on participants to mail their responses, could potentially increase the return rate. Additional research using a similarly suitable market should strengthen these findings.

Despite these limitations, this research examined an area where no empirical data existed – and made a contribution. The significance is that now we know what we know based on research findings rather than tall tales. By moving the field of crisis communications further away from folklore and more towards academically supported knowledge, we can increase respect and acceptance of the legitimacy of the profession.
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