Crisis Communication in Croatian Business Organizations

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A B S T R A C T

Effective management of the communication process is an important factor of successful crisis management in business organizations. Effective communication implies an uninterrupted flow of all relevant information in all directions and at all levels of a business organization, as well as communication with its external environment. In crisis situations the management has to quickly answer these questions: What happened? How it happened? How to act during crisis? What to do so that the crisis is not repeated? Each filtering, deforming or reduction of information can lead to disastrous consequences. Pre-prepared crisis communication plans and the encouragement of the open and honest communication with all stakeholders inside and outside of a business organization are an indispensable part of successful crisis management. The goal of the research is to analyze the management of communication processes in crisis situations in Croatian business organizations, i.e. to investigate the extent to which attention is paid to the crisis communication between a business organization and its public. Research shall be conducted through a survey on the multiple stratified samples of Croatian business organizations.

Key words: crises, crisis communications, crisis management

Introduction

Facing and solving of different types of crises is becoming an everyday of business organizations. If they want to survive and succeed on the global market, the business organizations have to adapt fast and constantly to overall challenges that result from the internal and external environment. The impossibility to adapt to newly created conditions, delayed identification of risk, failure to be prepared to potential dangers and inadequate behaviour in crises can be fatal for business organizations.

Considering the similarities and differences in defining crisis, one can say that crisis is every unplanned event that may seriously endanger the safety and lives of employees, customers/clients or wider public, cause interruption of routine operations and activities of business organizations, cause physical and material damage and seriously endanger the financial result and reputation of the business organization.

Thus, crises threaten the survival ability of business organizations, prevent achievement of goals and sometimes even their survival[1]. Crises put the business organization under the magnifying glass of all stakeholders in a business organization so that crisis communication is an important factor of successful crisis management.

In crisis situations, management must respond quickly to questions: What happened? How did it happen? How to act in times of crisis? and What to do in order to prevent crisis from happening again? and therefore crisis communication has to be addressed seriously in order to minimize the consequences and the scope of crisis.

Crisis communication involves collecting and sending of information during the crisis in order to fill the information gap, allow understanding of the situation and facilitate the decision-making.

Apart from the moment of occurrence and the period during the crisis, crisis communication includes also numerous activities that need to be done before the occurrence of the crisis. Predicting the possibility of the occurrence of various types of crises and preparing for them are of strategic significance for business organizations.

This is the basis to start preparing the crisis and crisis communication plans, forming of crisis teams, training

spokespeople and defining key stakeholders of a business organization. Upon the end of the crisis detailed analysis has to be carried out, the communication effectiveness has to be reviewed and the newly acquired experience incorporated into the future activities aimed at learning from the crisis, that is, non-repetition of possible errors incurred during the crisis period.

Communication process management plays an important role in crises management in business organizations. Effective communication means an uninterrupted flow of all relevant information in all directions and at all levels of business organization, as well as the communication with its external environment. Through communication, the business organization becomes an open system in interaction with its internal and external environment[2]. For the communication to be effective during crisis, it is necessary to ensure a smooth flow of relevant information to all stakeholders in a business organization. The messages have to be consistent, unambiguous, adapted to the interests and needs of the stakeholders, and transferred by appropriate media.

According to Osmanagić Bedenik[3] there are two basic strategies of communicating with the public in crisis situations: defensive and offensive strategies of communication.

Defensive communication strategy indicates partial reporting within and outside the business organization, suppressing and even denial of crisis. This strategy is also called the policy of concealing and suppression. On the other hand, the offensive communication strategy means complete, sincere and timely information of the public thus preventing rumours, avoiding insecurity and loss of confidence.

Effective crisis communication relies on the offensive communication strategy based on the values and principles of the business organizations that include responsibility, sincerity, openness, two-way communication with all stakeholders of the business organization and sensitivity to issues of the community.

Assuming that the managers of business organizations in Croatia have raised awareness of the need for systemic and effective crisis management as well as the importance of crisis communication with all the stakeholders of the business organization, the aim in the paper was to verify whether the Croatian business organizations understand the importance of crisis communication with all stakeholders and how much the business organization management encourages open and sincere communication and free flow of information in all directions and at all levels of business organization.

The aim of this paper is to analyze the management of communication processes in crisis situations in Croatian business organizations, i.e. to study the extent to which attention is paid to crisis communication between the business organization and its stakeholders.

Material and Methods

In the period from 5 February to 10 March 2013 a preliminary survey on the topic »Crisis Communication in Croatian Business Organizations« was conducted. Some hundred business organizations on the Croatian territory were contacted by e-mail, telephone and in person, and they received a questionnaire with request and invitation to participate in the survey. The questionnaire contained 29 questions.

For the purposes of the survey a special, multi-stratified sample of business organizations on the Croatian territory was designed.

The sample of business organizations was stratified with respect to the size of the business organization, regional affiliation, and type of activity. The business organizations included in the survey were selected appropriately, in accordance with the interest to participate in the survey. Although business organizations were guaranteed full anonymity in completing the questionnaire, a large number of business organizations refused to participate in the survey referring to the secrecy of data. This made it difficult to carry out the survey and prevented the realization of the planned sample. The survey included 31 business organizations, and data processing was performed by using standard statistical procedures by means of statistical program SPSS.

Because of the small number of business organizations that accepted to participate in the survey the used sample cannot be considered as representative, and the obtained survey results cannot be applied to the entire basic set of the survey. However, this preliminary survey and the obtained results can serve as a model for further study of this issue.

Results

Considering the size of the business organizations, out of the total of 31 business organizations included in the survey, 83.90% have more than 250 employees and belong to the category of large business organizations. The survey included 9.70% medium-sized business organizations (50 to 250 employees), and 3.20% of small business organizations with up to 50 employees. For one business organization no data about the size were indicated in the questionnaire. The survey included most of the business organizations whose core activity is production. These are business organizations engaged in the production of food and beverages, production of tobacco products, furniture manufacturing, production of medicines and production of oil and oil products. The structure of the surveyed business organizations according to the core activity is presented in Figure 1.
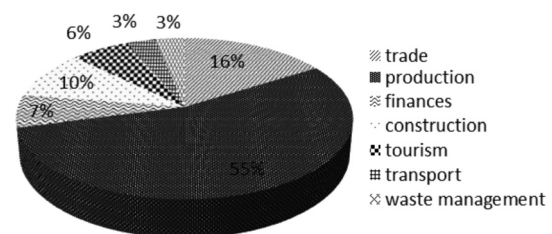

Fig. 1. Activities of business organizations.

The surveyed business organizations are mainly in private, mostly local ownership (67.70%), 16.10% of them in private, mostly foreign ownership, 12.90% of them are in state or public ownership, and for one business organization no data were entered in the questionnaire about the ownership structure.

The survey included business organizations in six traditional Croatian regions that include 21 counties. The majority of the surveyed business organizations (39%) were registered on the territory of the City of Zagreb and the Zagreb County. The structure of the business organizations with regard to regional affiliation is presented in Figure 2.
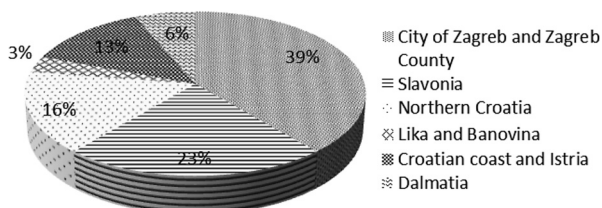

Fig. 2. Regional structure.

For successful functioning of the business organization, including also successful crisis management, the support, understanding and participation of the management is crucial. Regarding their role and importance, the survey tried to include precisely the top managers. The questionnaire was completed by 58% top managers in the business organization (presidents and board members, directors), 22.60% of medium-level managers (heads of departments, business functions and business units), 9.70% of lower level managers (supervisors, foremen) and 9.70% of respondents not involved in managerial activities in the business organization. There are 90.30% of business organization managers included in the survey who have a university degree, 77.40% of managers are male, and 74.20% of them have more than 15 years of working experience.

Figure 3 shows that the largest number of managers of the surveyed Croatian business organizations considers communication with the public during crisis as important and extremely important.

Also, 58.10% of surveyed managers believe that timely communication with the public during the crisis extremely affects the keeping of reputation while 41.90% of them think that it does have influence to a certain extent.
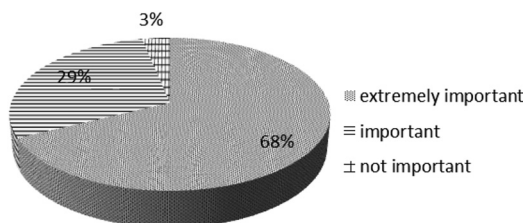

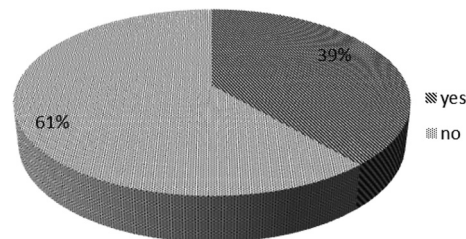*Fig. 3. Importance of crisis communication.*

Fig. 4. Crisis communication plans.

Although as many as 97% of managers of the surveyed business organizations consider crisis communication as important, i.e. extremely important, only 39% of business organizations included in the survey have a prepared crisis communication plan. The obtained data are presented in Figure 4.

The data obtained through the survey have shown that in all the surveyed business organizations there is a person or service responsible for crisis communication with the stakeholders of the business organization. Crisis communication in 80.60% of surveyed business organizations is the responsibility of the administration office whereas in 19.40% of business organizations this responsibility lies with the service of public relations or corporate communications. The services of the consulting agencies are not used by any of the business organizations included in the survey.

The persons who completed the questionnaire, mainly managers of the business organizations, were requested to estimate the level of agreement with the statements formulated in accordance with the assumptions that effective communication means a smooth flow of all relevant information in all directions and at all levels of the business organization, feedback about the quality of work and achievement of the goals of the business organization, creating and maintaining a climate of mutual trust and cooperation with all the stakeholders of the business organization and open, sincere and motivating communication top down and bottom up.

The communication process in business organizations is conducted through a system of formal and informal communication. Formal communication represents a pre-planned, systemic, official and continuous process of information transfer in spoken and written form[4] through vertical and horizontal/diagonal formal communication channels, established by the management. On the other hand, informal communication is based on personal contacts of all employees of the business organization, intersects the channels of formal communication and can contain a range of information important for the business organization so that it should not be neglected by the management.

Formal vertical communication proceeds in two directions: from management towards the employees, and vice versa, from the employees to the business organization management. The communication starting from the management of the business organization is popularly called top-down communication. In this direction travel

the decisions made by the management and management instructions, information on the mission, vision and goals of the business organization as well as feedback on the quality of the work of the employees. Absence of trust and openness between the management of all levels of the business organization and the employees may lead to suppression and filtering of large quantities of information which eventually leads to failure to understand the tasks, misunderstanding in their execution or rejection of communication in general. According to some estimates, namely, only 20% of information[4] reach the bottom of the organizational pyramid precisely because of their filtering and loss on the way from the top towards the base. Therefore, the communication process needs to have feedback in order to know whether the information has been perceived in the way intended by the sender[2].

It is that 90% of surveyed managers believe that the management in the surveyed business organizations encourages free flow of information in all directions and at all levels (Figure 5), and 87% of respondents of the surveyed business organizations believe that the business organization management encourages the creation and maintenance of the climate of mutual trust and information exchange with all the stakeholders within and outside the business organization (Figure 6).

Ninety percent of the respondents think that bottom-up communication is efficient and that it ensures insight into the achievement of the goals of the business organization, the actual condition, work and possible problems of the subordinates (Figure 7).

Also, 94% of the respondents agree or strongly agree with the claim that horizontal communication and information exchange among departments is successful and that it improves understanding and troubleshooting within the business organization (Figure 8); 97% of respondents believe that top-down communication in a business organization is motivating, open and oriented to the achievement of the goals (Figure 9) and that man-

agement ensures feedback on the quality of work of the subordinates and the achievement of goals (Figure 10).

Compared to the data about the level of management including the persons who completed the questionnaire, the obtained answers about the satisfaction with the flow of information and established communication channels at the surveyed business organization do not come as a surprise. The surveyed managers are of the opinion that communication in the business organization is open and includes all the stakeholders of the business organization.
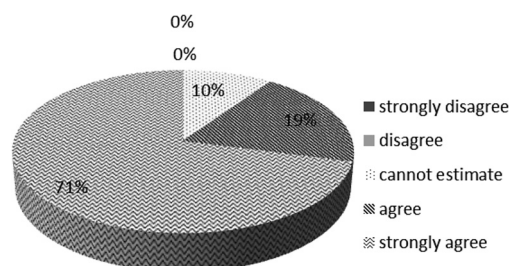

Fig. 7. Communication towards top ensures insight in the achievement of goals, work and problems of the subordinates.
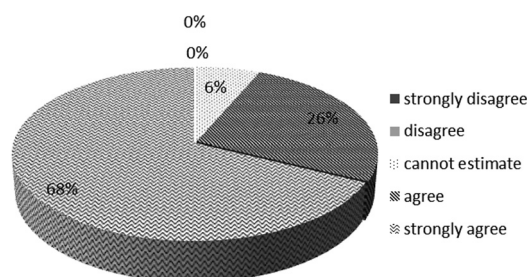

Fig. 8. Horizontal communication improves troubleshooting within the business organization.
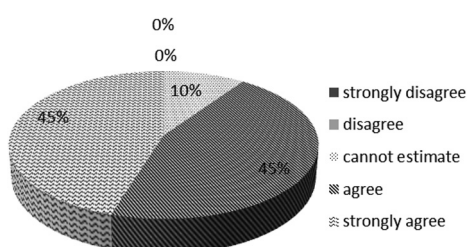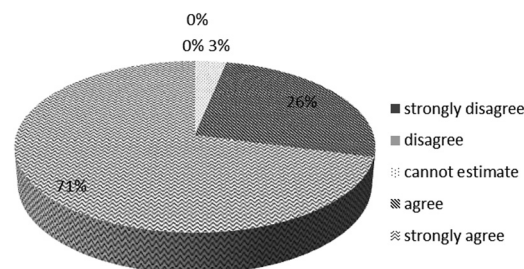

Fig. 9. Communication towards the basis is open and motivating.

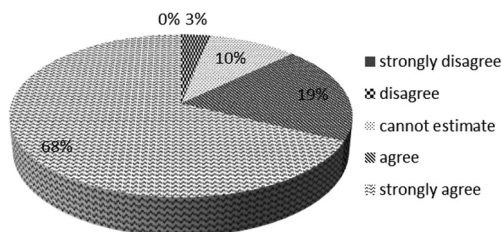Fig. 5. Free flow of information.

Fig. 6. Management stimulates creation and maintenance of the climate of mutual trust.
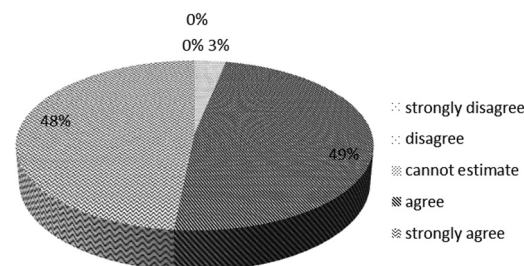

Fig. 10. Feedback on work and achievement of goals.

However, it would be interesting to check the experiences of the employees and their satisfaction with the formal and informal channels of communication in business organizations and the extent to which the opinions of the employees about the quality of the communication process coincide with the opinions of the surveyed managers.

Discussion and Conclusion

Crisis situations require fast response and efficient communication with all the stakeholders of a business organization. The results of preliminary research on the topic »Crisis Communication in Croatian Business Organizations« carried out by the method of survey on a suitable, multi-stratified sample which encompassed 31 business organizations on the Croatian territory provided insight into the attitude of the managers of the Croatian business organizations about crisis communication between a business organization and its stakeholders from internal and external environment.

The research was designed to verify to what extent the Croatian business organizations understand the importance of crisis communication with all the stakeholders of a business organization and whether the management encourages open and honest communication and free flow of information in all directions and at all levels of the business organization. The results showed that 97% of managers in the surveyed business organizations considered communication with the public during crisis as important. Also, the surveyed managers agree that timely crisis communication has influence on the maintenance of reputation of a business organization, and that crisis communication in 80.60% of the surveyed business organizations is the responsibility of the management of the business organization. However, regardless of their understanding of the importance of crisis communication, only 39% of the surveyed business organizations have pre-prepared crisis communication plans.

Compared to the data obtained in 2009 as part of the research on crisis management in Croatian business organizations[5] when only 18.90% of the surveyed business organizations had a crisis communication plan, it may be concluded that the managers of the business organizations are becoming increasingly aware of the importance of being prepared for the occurrence of various types of crisis.

The obtained results indicate high satisfaction with the flow of information in the surveyed business organizations. The surveyed managers believe that all formal communication channels are open in all directions and that the business organizations encourage the creation and maintenance of the climate of mutual trust and information exchange with all stakeholders within and outside the business organization.

Given the relatively small number of business organizations included in the survey, the suggestion is to continue the empirical research on a representative sample of the Croatian business organizations with the introduction of additional questions.

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KRIZNO KOMUNICIRANJE U HRVATSKIM POSLOVNIM ORGANIZACIJAMA

S A Ž E T A K

Učinkovito upravljanje komunikacijskim procesom važan je čimbenik uspješnog upravljanja krizama u poslovnim organizacijama. Učinkovita komunikacija podrazumijeva nesmetan protok svih relevantnih informacija u svim smjerovima i na svim razinama poslovne organizacije, kao i komunikaciju s njegovim vanjskim okruženjem. U kriznim situacijama, menadžment mora brzo odgovoriti na pitanja: »Što se dogodilo?«, »Kako se dogodilo?«, »Kako postupati za vrijeme krize?« i »Što učiniti da se kriza ne ponovi?«, a svako filtriranje, deformiranje ili reduciranje informacija može dovesti do katastrofalnih posljedica. Unaprijed pripremljeni krizni komunikacijski planovi, poticanje otvorene i iskrene komunikacije sa svim dionicima unutar i izvan poslovne organizacije neizostavan su dio uspješnog upravljanja krizama. Cilj istraživanja je analizirati upravljanje komunikacijskim procesima u kriznim situacijama u hrvatskim poslovnim organizacijama, tj. istražiti u kojoj se mjeri pridaje pozornost kriznoj komunikaciji između poslovne organizacije i njenih javnosti. Istraživanje će se provesti metodom ankete na višestruko stratificiranom uzorku hrvatskih poslovnih organizacija.