CRISIS MANAGEMENT &
THE HALF-SECOND NEWS CYCLE

It's time to adapt crisis management approaches to manage smart mobs effectively.

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EXECUTIVE SUMMARY

- Before the Internet, companies had the relative luxury of managing crises in 24-hour news cycles since that is how the media operated. Today, business issues and corporate crises escalate instantaneously because hundreds of thousands of posts on blogs, and within forums, social networks, newsgroups and wikis are created every half second, sometimes to report on corporate issues and crises. We call this phenomenon the "half-second news cycle."

- Traditional crisis management approaches developed prior to the advent of digital media -- and the half-second news cycle that exists today -- must be adapted to manage crises effectively.

- There are a number of recent crisis situations that escalated online initially that can be studied to understand "what works" and "what doesn't," but "best practices" will only be understood in the coming years.

- Fundamentally, companies must understand online conversations around their brand and be able to respond very rapidly and transparently via the same digital media channels through which news is spread by smart mobs.

- Smart mobs *(see Sidebar I: "The Smart Mob")* are groups of people who are organized by communications and technology, and cooperate in order to achieve a common goal, like attacking a corporation on an issue important to them. There are major differences between pre- and post-digital media crisis situations.

> ## I. "The Smart Mob"
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> Howard Rheingold introduced the term "smart mob" in his book *Smart Mobs: The Next Social Revolution.* Rheingold says: "Smart mobs emerge when communication and computing technologies amplify human talents for cooperation. The impacts of smart mob technology already appear to be both beneficial and destructive, used by some of its earliest adopters to support democracy and by others to coordinate terrorist attacks," We've observed smart mobs in action in all the post-digital media crisis situations we assesses, as well as with our client crisis situations.

- Finally, crisis management teams need to talk about the half-second news cycle and its implications for crisis management now in order for new strategies and tactics to be available in the heat of the next crisis.

THE HALF-SECOND NEWS CYCLE:
AN OVERVIEW

Digital media has changed the rules of crisis management, and companies that ignore the new rules are risking their hard-won reputations.

Before the Internet, companies had the relative luxury of managing crises in 24-hour news cycles. In most situations, news concerning business issues and crises would spike dramatically over the course of a day, peak over the next several weeks and then quickly dissipate. As a result, crisis management teams tended to think and act in 24-hour news cycles.

Today, business issues and corporate crises can – and do – escalate instantaneously, and the impact on companies and their reputations can last indefinitely. Why? Because we live in a world where hundreds of thousands of posts on blogs, and within forums, social networks, newsgroups and wikis are created every second, sometimes to report on corporate issues and crises. We call this phenomenon the "half-second news cycle."

II. "Crises Worth Studying"

Our research found nine crisis situations that are well worth studying in order to better understand how crisis management has changed and must be adapted:

Pre-Digital Media: J&J Tylenol Recall; Union Carbide Bhopal; Perrier Recall; Monsanto GM Food

Post-Digital Media: Kryptonite Locks; Apple iPod Battery: Dell Battery Recall; Coke Dasani U,K.; JetBlue

How can companies protect their reputations under these new dynamics? Having advised Fortune 100 companies on managing crisis situations that escalated on-line, we are well on our way to developing experience-based answers to this important question. To further validate our learnings, GCI's Digital Media Practice studied – and met with – companies and communications professionals in the U.S. and Europe that have been in the trenches of crises *(see Sidebar II: "Crises Worth Studying").* We compared the effectiveness of communications processes used before the advent of Internet-based communications as well as since its arrival. By evaluating what worked and what did not, we identified a number of "best practices" that we believe are crucial for all companies to adopt in the half-second news cycle. This paper offers our insights.

THE WORLD HAS CHANGED

Though they each had different characteristics – and unique consequences – all corporate crises that arose before the advent of the Internet took place during a time that permitted companies and their crisis teams to spend significant amounts of time weighing their options and response approach.

Today, the Internet and digital media have dramatically compressed the time companies have to respond. And, because of the diversity of communications channels, crisis teams today must confront increased complexities, as well.

Then …

- Started with a phone call. Someone would alert the company about the issue.

- Escalated and peaked over 4-8 weeks. Scrutiny would be most intense during the first 24 hours, then subside over the next month or two.

- Played out in mainstream media and behind closed doors. While a crisis played out in newspapers and on TV and radio, corporate crisis teams would meet in "situation rooms" to review issues and map out strategies.

- Public reaction was a function of communication effectiveness. Companies that were better prepared for crisis tended to get more positive coverage and were more successful in maintaining their reputations.

- Died totally in 6-12 months. In all but the most legendary crises, public and media attention faded … as media focused on the next crisis.

- Ended up as "fish wrap." Everyone tended to forget the headlines … minimizing the lasting impact on reputation.

Now …

- The issue festers online. Anyone with a PC and Web access can report and comment on the news through online forums, news groups, blogs, reviews and social networks. This allows people to report on crises within seconds … meaning digital "reporters" frequently break stories well in advance of the mainstream media.

- Coverage depends on managing the "smart mob." Online conversations can quickly gain momentum, creating a "smart mob" mentality. The length and tone of the conversation almost always depends on how effectively a crisis team responds to and manages that mob.

- Public reaction is a function of communication effectiveness. A crisis team's preparedness and responsiveness continues to determine how a situation is covered. And, like before, better-prepared companies fare better. However, standards for responding to digital media are different.

- Live on… and on … and on. The Internet is a permanent, searchable archive, where information about a crisis - and a company's response to it, - lives indefinitely. Search results littered with a company's missteps will impact sales.

Consider how the current media environment would have changed two textbook examples of crisis communications: Johnson & Johnson's Tylenol recall and the Union Carbide Bhopal incident.

The two examples represent the extremes in response time. Tylenol crisis managers overcame the threat of bad publicity by taking prompt and decisive action. Union Carbide was overwhelmed by bad publicity because the company failed to acknowledge the problem and respond promptly to it.

In a digital world, Union Carbide's unraveling would have accelerated because the fury and outrage of the smart mob would have been magnified online – and transmitted worldwide instantly. Tylenol might have succeeded in managing its crisis in a digital world, but what was at the time an agile response would today need to be even more prompt and aggressive in order to prevent the company's reputation from being tarnished in online dialogue.

To understand the current environment better and what works and what does not, GCI Group analyzed its own experiences advising major companies in the computer, pharmaceutical, food and retail industries on digital media and crisis management. Then we assessed other post-Internet crisis situations including well-managed and not-so-well managed cases.

NEW RULES FOR CRISIS MANAGEMENT IN TODAY'S HALF-SECOND NEWS CYCLE

A crisis management plan is like insurance: you hope you never need to use it. However, for most companies crises are inevitable. How well an organization anticipates and prepares for a crisis dramatically improves its ability to manage the situation. Crisis management today plays by an entirely new set of rules, which will continue to evolve in the months and years ahead. Traditionally, the rules for crisis management depended on a quick response. Today, the requirement is aggressive anticipation.

Following are some of the emerging new rules that companies are using to manage crisis situations in the digital media era:

- **Aggressive anticipation:** Dedicated crisis communications teams understand that a crisis can – and probably will – occur at anytime. Most likely, the next crisis will break online.

- **24/7 monitoring of digital media:** A team must continually monitor the online discussion of their company around the world and in all major languages.

- **You can run, but you can't hide:** Effective crisis communication teams understand that ignoring a crisis undermines the company. Today the smart mob can quickly organize global boycotts and protests. A company that mismanages a crisis on the scale of Bhopal will have little chance for survival. Quick action to resolve problems is paramount (*see Sidebar III: "Apple iPod Battery: Quick Action Pays Off"*)

III. "Apple iPod Battery: Quick Action Pays Off"

The early iPods had battery issues. Apple customers discovered their batteries were failing around 18 months post purchase date. iPods had a12 month warranty at the time. Apple offered to replace the defective iPod batteries, charging $250 each, or roughly the cost of a new iPod. This upset some of Apple's highly creative customers – just search with Google for "iPod's Dirty Secret" for an example. The online rants generated media coverage in *The New York Times* and other mainstream media. As the smart mob was getting warmed up, Apple turned the situation around by changing its policy and replacing iPod batteries for $50. They followed up by fixing the battery problem in new iPod models.

Post-Digital Media: Kryptonite Locks; Apple iPod Battery: Dell Battery Recall; Coke Dasani U,K.; JetBlue

- **Transparent CEOs:** Bloggers and others online communicators tend to post their thoughts based on what they know and believe. They value straightforward, honest information and abhor "corporate speak" and PR doubletalk. As a result, companies need to dedicate the CEO and other trusted spokespeople to address the online community in ways they will appreciate.

- **Share the facts as they are gathered:** It's no longer an option to wait and gather all of the facts about a crisis before communicating about the issue *(see Sidebar IV: "Dell's Award Winning Battery Recall").* To do so allows the online community to interpret the facts – and that interpretation can quickly determine how the story plays out in mainstream media. When companies share the facts as they are gathered, they can include their own key messaging and can better control how the online community interprets the situation.

IV. "Dell's Award Winning Battery Recall"

Dell and GCI won a 2007 PRSA Silver Anvil for their crisis management work with both digital and mainstream media surrounding the recall of more than four million laptop batteries. Dell surprised a lot of people, inside and outside of the company, by linking to the first images of exploding batteries that appeared on the net from its Direct2Dell blog. Dell did this to let customers know it was investigating and proactively communicating the recall results. Later, Dell did the right thing by recalling the batteries – the announcement appeared first on Direct2Dell and was followed by more than ten posts to provide more information to its customers and the media. As Dell was deep into its recall, all of its competitors followed with their own recalls.

- **Break glass and blog:** Often the most effective strategy is for a company to share its point of view through its own blog, which can be viewed as the "official" voice of the company. To this end, it is a good idea for all companies to invest in the creation of a blog and have it set to launch in the event of a crisis.

V. "Bloggers Take A Lock Maker To School"

This crisis is well documented. In 2004, a biker named Benjamin Running had some brand new bike wheels stolen and set out to figure out why. He discovered he could open his "break proof" Kryptonite Lock with a 99 cent, plastic Bic pen and posted his findings in a major bike forum. When Kryptonite's call center was not responsive, Mr. Running posted video proof online. You can still find his videos by searching on his name. As a result, the smart mob spread the news rapidly and eventually it ended up in the mainstream media. Twenty days later Kryptonite announced a recall and replacement program. Now Kryptonite monitors online conversations and has relationships with digital influencers and blogs.

- **Embrace the Smart Mob:** Left to their own devices, bloggers and online influencers will create – and prolong – conversations about a crisis. These conversations have the potential to quickly spin out of control. Effective crisis communications teams are those that enter early into the online conversation to share the facts and, more importantly, to talk about the solutions in the works *(see Sidebar V: "Bloggers Take A Lock Maker To School").*

- **Post, post, post:** Once a company decides to enter the online conversation, it must commit to making regular contributions to it. Nothing draws the ire of fellow bloggers more than a blog that includes outdated and irrelevant information as well as ignores the current discussion on the crisis

- **Clean up search results:** Because the Internet represents a permanent repository for crisis information, companies must ensure that the majority of the information includes their key messages about the issue. In addition, over time, companies will want to displace any negative entries – particularly in the first three pages – with more balanced information around their solution to the crisis.

SUCCEEDING IN THE HALF-SECOND NEWS CYCLE

The days when stories took hours to print and then quickly faded from view are over. Today, news is published as it occurs. Bad news persists punishing companies and their executives forever.

We live in a half-second news cycle, which offers both tremendous risks and unlimited opportunities for corporate communications professionals. To avoid the risks and leverage the rewards, you must be prepared to play by a new set of rules.

THE NEW RULES CHECKLIST

Here are the questions – and implications – every company should be prepared to answer in order to adapt their crisis management approaches:

Question	Implications
Where do your customers and prospects spend time online?	• Conduct a study to understand the blogs, forums, newsgroups, social networks and other sites that attract your customers. • This is not just about blogs! We've found that more than 50 percent of the conversation around our clients occurs in forums.
What are they saying about your brand, products, industry and competitors?	• Monitor the online conversation for 4-6 weeks to get a feel for your company's online reputation. • Ideally, every company needs an ongoing monitoring program that reports frequently on what customers are talking about. • Your monitoring solutions will differ based on the volume of conversations and volatility. • Companies like Visible Technologies are bringing sophisticated new solutions to market in 2007/2008 that will improve the effectiveness and efficiency of monitoring.
Who are the digital influencers in your industry?	• Ongoing monitoring will help you understand who is authoritative and leading the online conversations around your industry and brand. • To determine "authority," we like to assess variables like traffic and citation online and in mainstream media. • Once you know the influencers, share information and build relationships with them.
How would you learn about a crisis that is festering online? How quickly would you be alerted?	• Some of our technology clients want to know of issues that may impact their business within minutes of posting. • Slower moving industries may have more breathing room, but "monthly" is not adequate in today's environment.
How would you rapidly communicate with your customers if a crisis escalated online?	• In the early stages of a crisis, telephone, e-mail and leaving comments may be adequate to manage a situation. • If a crisis explodes online, you will need a blog ready to go or at least a page on your website that can be quickly updated so people and reporters will know your company's point of view on the situation. • Your IT team and infrastructure needs to be prepared to manage a spike in traffic during a crisis.
Who needs to understand the half-second news cycle in your company to manage it effectively?	• You need to talk about the half-second news cycle and its implications long before a crisis strikes online or your team won't be able to consider new approaches. • For some companies, we recommend crisis simulation to educate the team on the new dynamics and give them a chance to practice with high probability crisis scenarios.

ABOUT THE AUTHOR

Paul Walker has 25-years of experience in general management, brand-building, marketing, sales, business development, venture investing and consulting. As head of GCI's Digital Media Practice, he is responsible for advising GCI clients on how they can exploit the Internet, social computing and emerging technologies to build their brands, develop markets and generate positive word-of-mouth. He is currently advising Dell, Nike, Whole Foods, Pioneer, Darden Restaurants and a number of European companies on Digital Media opportunities. Formerly, he was with Accenture, a leading strategy and IT management consultancy, and Y&R/Burson-Marsteller. Paul has lived and worked extensively in Asia, Europe and all three U.S. coasts. He is a graduate of The University of Texas.

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