



Burson-Marsteller

crisis club

CRISIS COMMUNICATIONS IN A DISRUPTIVE ERA



Burson-Marsteller has been conducting its crisis surveys since 2009. For this year's survey PSB conducted a total of 426 online interviews in Europe, Middle East and Africa, amongst business-decision makers in August 2015.

Business-decision makers are defined as respondents who:

- Are aged 25 or over
- Are full-time or self-employed/business owner
- Have final or significant decision-making power in their business
- Have business decision-making authority for at least a department if not their organisation as a whole
- In each country, the sample was evenly split between respondents from large enterprise businesses and from SME businesses

About Burson-Marsteller

Burson-Marsteller, established in 1953, is a leading global public relations and communications firm. It provides clients with strategic thinking and program execution across a full range of public relations, public affairs, reputation and crisis management, advertising and digital strategies. The firm's seamless worldwide network consists of 73 offices and 84 affiliate offices, together operating in 110 countries across six continents. Burson-Marsteller is a unit of WPP, the world's leading communications services network. For more information, please visit bm.com.

About Penn Schoen Berland

Penn Schoen Berland (PSB), a member of Young & Rubicam Group and the WPP Group, is a global research-based consultancy that specialises in messaging and communications strategy for blue-chip corporate, political and entertainment clients. PSB's operations include over 200 consultants and a sophisticated in-house market research infrastructure with the capability to conduct work in over 90 countries. The company operates 11 global offices in Washington D.C., New York, Seattle, Los Angeles, Denver, London, Hamburg, Madrid, Dubai, Delhi and Singapore, which are supported by in-house field capabilities and fully equipped to provide the complete creative solutions PSB clients need. More at www.psbresearch.com.



Introduction by Jeremy Galbraith

Jeremy is Burson-Marsteller’s CEO for Europe, Middle-East, Africa and Global Chief Strategy Officer. He has helped leading organisations, companies and governments to develop strategies to defend and build their reputations, particularly when dealing with difficult issues and crises.

The findings of Burson-Marsteller’s 2015 crisis survey emphasise we are living through a disruptive era with communicators facing a perfect storm of challenges.

The upturn in the global economy has seen new brands enter old markets and small innovators rapidly expand, challenging traditional brands. In this year’s research the threat posed by the arrival of these “disruptive innovators” has risen to the top of the list of potential crises a business may face.

At the same time, the online revolution has made it easier than ever before for individuals and groups to attack or organise activity against a business. Cyber hackers can access data, armchair campaigners, “clicktivists”, can protest from their living rooms and pressure governments and regulators to act. And this is all set against a backdrop of a massive erosion in the trust the public places on the words and actions of big business.

So how should communicators respond? There are four key learnings:

1. Live your Corporate Purpose and focus on the customer through this lens
2. Look to the future – communicators have a key role in trend spotting and market monitoring
3. Be prepared to innovate - shake up your communications model and Be Bold
4. Have a fully comprehensive crisis plan

In this report four of Burson-Marsteller’s crisis experts offer expert comment on some of the challenges of communications in a disruptive era. We’d be delighted to share the detailed findings of the research with you and your communications team so do get in touch if this would be of interest.

Over the last three years, has your sector seen new entrants into your market and / or innovative business models that could threaten your future?



73% Agreed



26% Disagreed

Thriving in an age of disruption

Business has always been about innovation but brand loyalty has been replaced by convenience and price as the shift of power in the marketplace has seen the customer become the boss.

The digital revolution has been a leveller, putting an emphasis on innovation so that new, lean start-ups are able to challenge traditional businesses with the launch of an app or effective social media campaign that goes viral.

From a media perspective, the narrative of David versus Goliath appeals as a story to the public who are encouraged and inspired by unlikely victories for the self-styled underdog.

Except the victories are no longer unlikely and the disruptors tend to play by a totally different set of rules, whether it is news websites not demonstrating the same degree of scrutiny to a story or a company not applying the same level of due diligence to their employees. This approach has been driven by the customer's constant demand for faster and cheaper.

The impact of the disruptive innovators can be seen from the stores that have vanished from high-streets to the demonstrations held by traditional businesses to highlight the threat to their future.

The average life span of a company in the US has dwindled dramatically from around 65 years in the 1960s to only 15 years now. Similarly, the CEO of a Fortune 500 company is expected to keep their job for less than five years today, compared with 10 years in 2000.

For the customers, the impact of disruption can be felt in every walk of life, from how we shop to how we travel and how we learn. The challenge for the corporations that are used to dominating their market is how to stay ahead in an environment now characterised by continual change. Or, ultimately, how to disrupt the disruptors.

In the last 12 months
21% of businesses have experienced a crisis relating to a new or innovative business model entering their sector.

New and innovative business models entering the market is the highest single predicted **communications risk** of the next 6-12 months.



Comment by George Godsal

George is Chairman of Burson-Marsteller's Corporate and Crisis Practice in EMEA. He has worked extensively with world-leading companies in numerous countries advising on and managing the handling of a wide range of crisis issues.

Horse-drawn carts and sailing ships, landlines, CDs, camera film and PCs - history is littered with examples of great innovations discarded as a result of new breakthrough technologies. Hence, disruptive innovation is hardly a new concept, but when the world's largest taxi company is just 6 years old and owns no vehicles and the world's largest accommodation provider is 7 years old and owns no real estate, it is pretty clear that we are living in an era of particularly intensive disruptive innovation.

Technology-enabled companies, and often web-enabled start-ups, are changing the way that so many industry sectors operate today. Hotels and taxis aside, the automotive, banking, gambling, media, real estate, and retail sectors, to name just a few, all face fundamental change as a direct result of disruptive innovation. Of businesses polled for our Crisis Survey, 73 per cent said their future success had been threatened within the last three years by either new market entrants or innovative business models.

The disruptive innovation story is a familiar one. On one side you have the disruptor, with its clever technology and exponential growth in consumer support. On the other, a product or service with a deeply entrenched market position, with years of operating experience, and often an established legal and regulatory framework within which it operates. You might say that disruptive innovation is primarily a business rather than communications issue, but what is undoubtedly the case is that whichever side you're on - whether the disruptor or the disrptee - the waves of incredible innovation that we witness today are causing massive headaches amongst communicators.

Innovative business causing the most alarm

Our Crisis Survey found that "new and innovative business models entering our sector" was the highest ranked issue that businesses across EMEA expect to encounter in the next six to twelve months, and the second most frequent type of crisis that companies had experienced to date.

Naturally, when faced with their market being turned upside down, companies will do everything in their power to defend their market position. Communicators play a key part in this: from tracking consumer sentiment online, to researching and crafting messaging in order to articulate a company's purpose and identity, as well as reaching out to stakeholders to elicit endorsement and support.

But it is never an easy ride for the disruptors either - their progress is marked with significant communications challenges. However much of a following a disruptor builds with consumers early on, their radical business models tend to prompt regulatory scrutiny.

“Communicators play a key part in defending market position”

The way in which they enter new markets is critical. A failure to build a coalition of support from a broad base of stakeholders early on can cost them dearly both in time and money, neither of which can afford to be wasted in the battle against competing innovators and an industry aggrieved by the disruption.

Whatever the breakthrough innovations of the next few years will be, what is certain is that they will continue to emerge ever more frequently, and communicators play a vital role in helping to enhance corporate resilience in a particularly disruptive era.

Construct a battle plan by building bridges with stakeholders

One of the many consequences of the financial crisis has been a greater willingness by governments and regulators to investigate and act to legislate around big business. The belief that light touch regulation failed to curb the banks' behaviour has led to an increasing determination amongst the public and politicians to challenge corporate behaviour.

Campaigns to change the laws of one country have quickly flared up into campaigns across borders. Corporate tax, women on boards, environmental protection and regulation of new technologies are a few of the issues being addressed by campaigners, governments and regulators around the globe.

The corporate tax issue is a clear case study of how companies can come under pressure on many fronts on the same issue. Corporate and public affairs teams are having to simultaneously address the following: political pressure from MPs, consumer/NGOs action and boycotts, government legislation (e.g. the UK's Diverted Profits Tax") regulatory investigations by European Competition authorities, leaks of corporate tax rulings and investigative journalism (eg, the so-called "Lux Leaks"). Most recently, calls have been made for multinationals to be denied access to the European Institutions for refusing to participate in hearings on corporate tax.

Having public affairs involved in a crisis response can help to gain a political consensus around an agreed or shared set of messages and forestall regulatory intervention. This will subsequently help quell the clamour of public and media opinion for punitive action and prevent a negative narrative from developing.

In any crisis situation, whether the issue is health and safety, environmental, consumer protection, an industrial dispute, scandal or wider reputational issue, effective engagement with government and regulators pays dividends (often literally) down the line as a crisis unfolds.

Which groups do you most fear being targeted by during a crisis?

1. Government / regulators
2. Print media
3. Consumers empowered by social media
4. Consumer rights campaigns
5. Online influencers (e.g. Twitter celebs)
6. Online change groups (e.g. change.org)
7. Environmental pressure groups
8. Influential blogs or forums
9. Pressure groups or NGOs
10. Trade unions and labour unions



Comment by Andrew Cecil

Andrew is Chairman of Burson-Marsteller's EMEA Public Affairs Practice. Previously he led the European Public Policy function for Amazon. He has extensive experience leading complex, multi-market assignments on business-critical political, regulatory and legislative issues.

Perhaps every CEO and COO's worst crisis scenario is an (ill conceived) intervention or threatened intervention from regulators, government or politicians. Such an event not only guarantees to prolong the life of the media story and add fuel to the fire of public opinion, but knee-jerk policy making is never ideal and can have a long lasting impact on the business's bottom line and delivery against corporate objectives.

Our research shows that political risk continues to rank highly as a source of concern for business decision-makers, with 25 per cent of businesses having encountered a crisis resulting from either intense regulatory or political scrutiny.

Digging deeper, what is also interesting is that the data shows that businesses not only fear a political or regulatory crisis itself, but that an additional concern is that political audiences are often the most feared actors once in a crisis, irrespective of whether the crisis stems from a political or regulatory context. This "amplifier" effect of political and regulatory audiences merits specific consideration in terms of preparing for and anticipating a crisis.

"Political and regulatory audiences are very diverse and their expectations and responses are equally so"

One of the other challenges for businesses in a crisis context is that political and regulatory audiences are very diverse and their expectations and responses are equally so. For example the constituency MP and a regulatory body – say a competition or tax authority – will communicate very differently in substance, approach and timing in response to a crisis situation. And more and more these risks transcend geographic borders and do so in real time.

So how should business leaders prepare for and manage these risks? While no one should suggest that political or regulatory crises can be anticipated - there are genuine "black swan" events that simply cannot be foreseen - there is much that can be done to ensure that a business is well positioned to manage a political or regulatory crisis.

A good starting point is to distinguish between the risk of a crisis that stems from a political or regulatory issue versus one where the political or regulatory audiences are merely "amplifiers".

For the latter, the baseline scenario is that communications channels should already exist with relevant political and regulatory stakeholders. In respect of risks arising from political or regulatory issues, in many – albeit of course not all - instances organisations are aware of what these risks are. However, what they fail to do is systematically identify and analyse these and if appropriate look to "hedge" these risks.

Identifying and analysing these risks, can at a minimum ensure that organisations are better prepared and can even mitigate any crisis that evolves. Importantly, identifying and analysing these risks can also allow organisations to make substantial changes to avoid "sleep walking" into a crisis.

Be prepared to be the next victim of a cyber-attack

From dating websites to long-established insurance companies, businesses from the most diverse backgrounds nevertheless share the fear of becoming the latest victim of cyber-crime. Their woes have become a constant theme of the news agenda and a reminder of the fragility of a brand's reputation.

With the digital revolution has come a greater threat to businesses which have transformed their use of technology but now find themselves more vulnerable to online security breaches. Cloud computing services and the outsourcing of records has made data protection increasingly difficult.

The number of data breaches has increased by 10 per cent in 2015, with 246 million records compromised worldwide. The average cost of the most severe breaches has doubled in the last year alone, with big businesses being forced to pay a minimum of \$2.5 million to deal with a crisis. For small businesses, the cost can be as much as \$500,000.

But the reputational cost to a company can be just as damaging and takes longer to recover from. A business that falls victim to a cyber-attack, particularly involving a breach that leads to the loss of personal data, can struggle to regain the trust of its customers.

The most comprehensive system of data collection imaginable has been created as people have been asked to share an increasing amount of personal information. With the public's acceptance and embrace of the online revolution, from form-filling to cloud storage, has come an ever greater responsibility for companies.

Personal privacy is still expected as a given. Compromising that can cripple a business, both large and small, and devising a strategy of prevention is set to continue to be one of the most important corporate challenges of the future.

In the last 12 months
18% of businesses have
experienced an online or
digital security failure

In the next 12 months
10% anticipate they will
experience an online
digital or security failure



Comment by Karen Doayne

Karen heads the US Crisis Practice for Burson-Marsteller. She provides strategic counsel in reputation management, issues management, public affairs, litigation communication and risk communication. Karen was named by PRWeek magazine as one of the nation's 22 top crisis counsellors.

Data breaches have become a major cause of crises for corporations, government entities and other institutions. Yet the vast majority of data breaches, while troublesome, do not become reputational crises for the affected organisations. What separates the “incidents” from the “crises” is, in part, the scope and nature of the breach: crises are most likely to involve breaches that are extremely large and expose personal financial data, health data, or embarrassing corporate information or internal communications.

But it is equally clear that the way the organisation communicates about the breach plays a substantial role in its impact on reputation. Cyber incidents have unique communications considerations because of their complexity and the additional stakeholders who often get involved, such as law enforcement, security experts and “pundits,” regulatory agencies and elected officials.

Some key communications principles to keep in mind:

- **Put victims first.** Continuously evaluate your response against the concerns of the customers, employees or others whose data may have been jeopardised. Regardless of the legal requirements for notification or compensation, what would you expect and need if you were in their place? What messages and actions will maintain those stakeholders’ confidence in your organisation?
- **The nature and full impact of a breach may not be known for some time; do not publicly provide information that has not been confirmed.** Avoid declarative statements about facts or numbers when the full extent of the incident is not yet known, and couch all facts in the context of it being an ongoing investigation and use a term such as “what we believe to be the case at this point.” Having to correct information later will only diminish credibility.
- **Prepare for confusion among affected individuals, media and others who are not cyber experts.** Expect more questions than might accompany a product quality issue, act of violence or other event for which the public has a better understanding. Responses must avoid complicated descriptions and jargon. Also, consider whether some messages or responses are more credible coming from third-party experts.
- **Expect government involvement.** The perpetrator of a large-scale cyber-attack may be a nation-state or state-funded. Regardless of the intent, government officials often want to comment, seek control of the message, and work closely with the media. To help facilitate coordination, it is important your team be familiar with law enforcement requirements and establish working relationships with appropriate government bodies well in advance of an incident.

“Prepare for confusion among affected individuals, media and others who are not cyber experts”

Finally, crisis preparedness is crucial with regard to cyber-security incidents. In today’s communications environment, if you are not fully prepared from both an operational and communications standpoint it will be extremely difficult to stay ahead of the story and contain the reputational impact. Be sure your crisis plan includes a data breach scenario, and test your readiness with a crisis simulation at least once a year.

The armchair activist: the rise of the online campaigner

The arrival of social media opened new opportunities for businesses to communicate with customers, but it has also created a public relations minefield that many companies continue to have difficulty navigating.

While platforms such as Facebook and Twitter can help a company to shape its identify if used imaginatively, the interactive nature leaves them vulnerable to a range of negative media coverage, stemming from online criticism to unwise tweets.

Social media has become the first place for customers to go to complain about delayed transport, poor food or glitches with new technology. Its immediacy and global connectivity gives every consumer's tweet or post the potential to go viral, leaving companies faced with trying to keep up with crises that gain a momentum and direction that can be impossible to control.

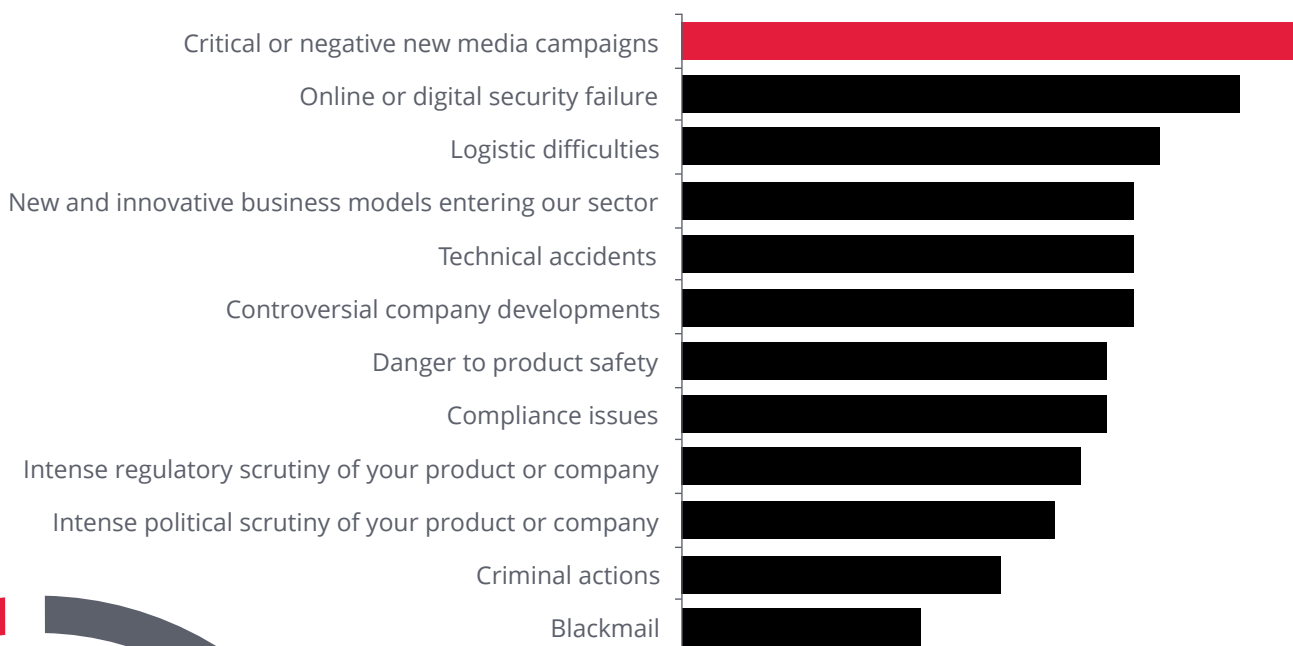
Even those companies who do try to use social media proactively can find campaigns designed to create positive interaction can backfire, most commonly when a hashtag is hijacked negatively as a vehicle for derision rather than promotion.

As intimidating a space as it may be, not engaging is not an option however, because it is essential for a business in retaining control of its brand. Research shows that use of social media is continuing to grow and not just amongst the younger generation. People aged between 55 and 64 represent the fastest growing demographic on Twitter and Facebook, with their representation soaring by 79 and 46 per cent respectively since 2012.

Many businesses are still struggling to catch up with the social media revolution even though the way it is being used has evolved to see the online campaigns became a new force for mobilising opinion. Petitions on websites such as Change.org and Avaaz attract millions of supporters and pose a different dilemma for organisations.

Understanding how to successfully interact with social media and respond sensitively to online campaigns is fundamental to any company looking to adapt to the ever-evolving way business is conducted.

Which of the following potential situations would you say your company is most vulnerable to?





Comment by Charlie Howard

Charlie is a specialist in issues and crisis planning and management at Burson-Marsteller. Amongst his varied crisis management experience he has advised leading brands on their social media and crisis management strategies, writing crisis guidelines and helping to build and train corporate social media teams.

One of the prevailing theories of crisis communications is the value in building “reputational credit” – goodwill and trust in your brand, which can be “spent” when times get tough in maintaining confidence in your business. The ultimate expression of this confidence is to be seen as a business that represents quality and leadership in its sector.

Yet, conversely, research suggests that the businesses that are the most trusted and respected are actually the most vulnerable to being attacked online.

Asked which groups they most fear being targeted by during a crisis, respondents to our Crisis Club survey identified the usual suspects – government, traditional media and consumers – but online campaign groups are a notable new entry.

From a communications standpoint, the implications of online activism, also referred to as “clicktivism”, remain cloaked in uncertainty. Who is being targeted and do these clicks really matter?

To unravel these questions, we examined past campaigns originating in the UK on Change.org - the most popular online activist platform. Our research shows that in the history of Change.org in the UK, 51 petitions have gained over 100,000 signatures, and collected more than 15 million signatures in total – a huge signal that this area cannot be dismissed easily.

Perhaps unsurprisingly, just over two thirds (68%) of the 51 campaigns are aimed at the UK Government with less than a quarter focusing on businesses. However, what is more counterintuitive is that 75 per cent of the corporations targeted were not disreputable firms, but businesses regarded as “institutions” in the UK, from the BBC and British Airways to John Lewis and even the Glastonbury Festival.

In many cases rival businesses could have been targeted in their place but it seems the more an institution is valued and the higher its reputation, the more vulnerable it is to attack.

There are a range of reasons for why this may be. With an existing emotional attachment to the brand, the public may be more likely to feel let down when it is seen to err. Prized institutions are also a riper target for broader issues such as the Living Wage, taxation, and product sourcing issues.


“If you believe in your position, defend it”

But what does this mean for these high-profile institutions, or indeed those who aim to become one?

Firstly, treat being targeted as a compliment - not many businesses get this level of attention!

Analyse the situation dispassionately. Take soundings from people less emotionally involved in your business. There is often a case to be made for change but equally also a case for maintaining the status quo. If you believe in your position, defend it – but whilst acknowledging the nuances.

Finally, avoid retreating in defence. Instead, when change is appropriate, embrace the opportunity to continue to lead the way in your sector, by engaging in a meaningful way to effect change around things that matter to your consumers. That doesn't necessarily mean effecting changes that put you at a competitive disadvantage; instead consider how to work together with your sector to become the kind of business your consumers want to see. If you are leading the change, you will be recognised and heralded for it.



**Burson-Marsteller's 24/7 crisis network
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or global level with just one phone call:**

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