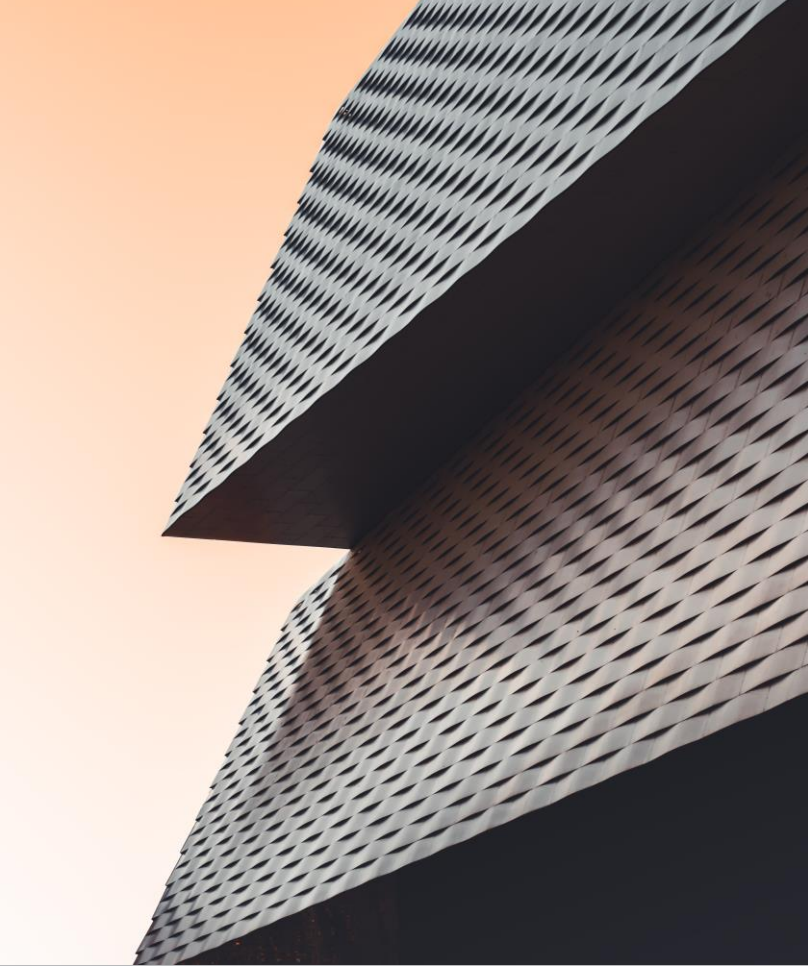# hero
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Hero Outlook. Crises

**Business, Crises and Communication.
Risks and Its Management**

February, 2021

About this document

The insights and recommendations in this document cover risk factors that cause communication crises, but are not about business risk itself.

Because we focus on business communication, we inevitably work within the management and business administration fields. Nevertheless, our aim is to limit ourselves to business communication and business behaviour in the eyes of society and interest groups.

We have deliberately tried not to overload this document with statistics and tables and have sought to keep the information focused, showing the overall picture, changes and trends.

We read a lot and check various sources, don't be surprised to find ideas from other public sources here: we are aware that not everyone has time to read, so we select the most relevant information and summarize it .

If you consider this information relevant to your partners or customers you can share it with them, just contact us and we will provide the copy (you will find our contacts at the end of this document).

It is required to indicate the source when quoting or referring to this information.

Long-term trends

Factors and changes that increase the instability of public opinion and communication channels
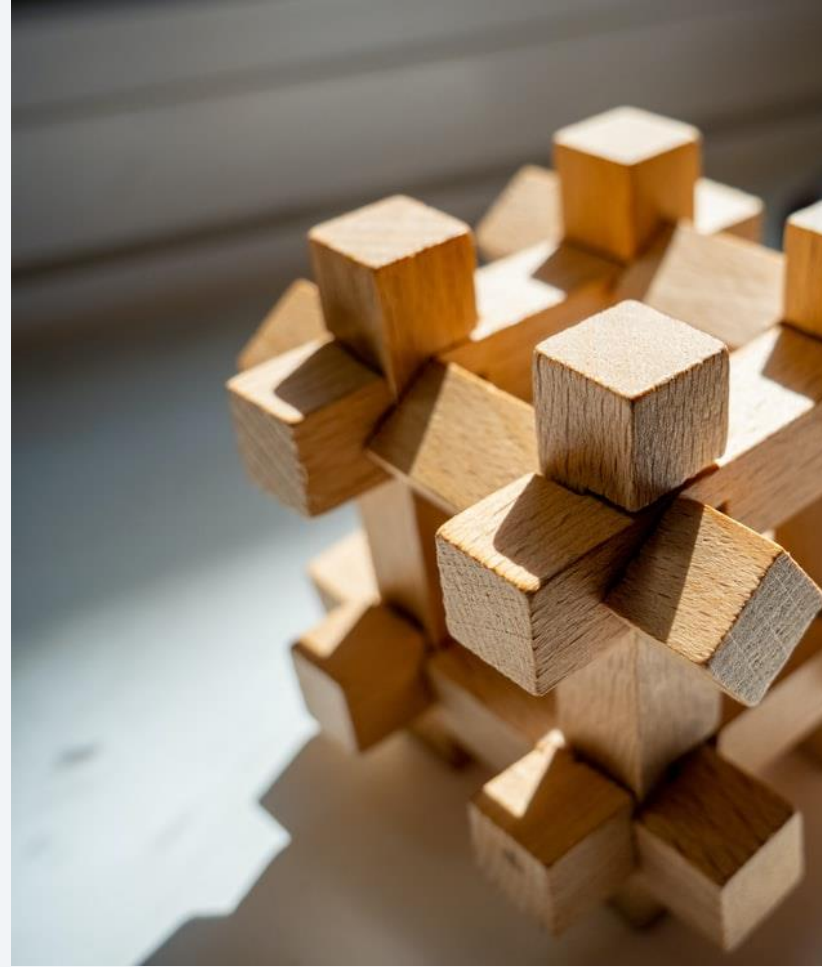
Tech trends

The market share of social networks compared to the traditional media is growing rapidly. This leads to an increased dominance of populist (emotional, irresponsible, etc.) information and pressure on ordinary journalism, which is bound by laws and codes of ethics.

- The most notable example is the Cambridge Analytica scandal, when the outcomes of the 2016 US presidential election and Brexit were affected by Facebook.

Smartphones (which are essentially a computer-camera hybrid) allow people to connect to social networks as often as possible; therefore, the information that enters social networks spreads very quickly and reaches a vast number of people.

The Internet and social networks share two important aspects:

- A phenomena known as 'infinite air', not limited by the number of pages (as a newspaper) or a length of time (TV, radio).
- Nothing is ever 'forgotten', i.e. even information published many years ago can be instantly found via search engines.

Social trends

- Society is placing ever-increasing demands on businesses, some of which are even unreasonable and unworkable. The most important of them are related to:

    Climate change
    Protection of the environment and animals
    Personal data protection
    Working conditions

- Social media companies have taught and accustomed people to gather and disseminate information quite quickly, i.e., to put pressure on the public domain and, through it, on decision-makers.

- Employees are becoming a source of crisis in business communications, as they increasingly make public employer's conduct cases and decisions, they think are wrong

In 2020, additional business risk factors appeared in Lithuania

Public spirit

In 2020, 4 events – the 30th anniversary of the Independence of the Republic of Lithuania, events in Belarus, the Seimas elections, and the COVID-19 pandemic – stimulated the growth of citizenship attitudes, meaning even less tolerance for decisions and actions that have been pushed to the 'grey zone'.

Increased sensitivity

The COVID-19 pandemic and the quarantine associated with it are troublesome for the society. People are losing jobs and incomes, responding more intensely than usual to what they consider to be wrong or unfair business practices. People more emotional are less tolerant, less forgiving, and less understanding.

Number of scandals

Recently, a number of negative events and scandals related to environmental protection and animal welfare conditions have taken place in Lithuania. As a result, the topic of social responsibility or environmental damage have become especially relevant.

New restrictions

Public and governmental pressure, in particular on the environment, will only increase as regulations tighten. One such example is the introduction of a disposable plastic ban.

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Business opportunities in times of crisis

LESS RATIONALITY

The media is becoming less resilient to manipulation as journalists have less time to analyse the subject matter and information they receive.

MORE EMOTION AND DRAMA

With the decline of analysis, the media is increasingly moving to merely broadcasting events and speeches/opinions.
Displays of emotion and drama generate better readership/viewership numbers for the media

WINNERS

In this situation, the winners are those who have an 'built-in audience', i.e., those who have the ear of journalists: state officials, politicians, residents (who can also communicate emotions and drama).

Reality can be distorted by pseudo-events (e.g., pickets, boycotts, etc.)

LOSERS

Business:
- has no 'built-in audience',
- cannot communicate emotions and drama (must remain logical and rational),
- has limited room to create pseudo-events.

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Summary of the current situation

SPEED

Negative information spreads extremely quickly

SOCIAL MEDIA

Public space is increasingly dominated by social media, where communication is often emotional and irresponsible

ABUNDANT CHANNELS

There are a lot of communication channels and their number will only grow. Therefore, a rare communication crisis could potentially be localized

PRESSURE

Society and the state are increasing the pressure on business

SENSITIVITY

People are irritated and more sensitive due to the challenges of COVID-19

EMPLOYEES

Employees are becoming a source of crises

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We are concerned about trends that are accelerating and deepening communication crises and making it increasingly difficult for businesses to avoid them and protect their reputation.

Today communication crises are best handled by the businesses that focus on their prevention and management

Business vulnerability

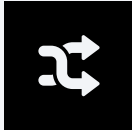Reducing the risk of communication crises and preparing for them

Most common types of communication crises

Disasters
Unforeseen events, accidents, etc. Not necessarily the fault of the company
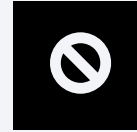
Conflict
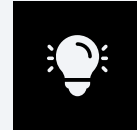Information wars, controversy. Strong opposition and opponents

Malignance
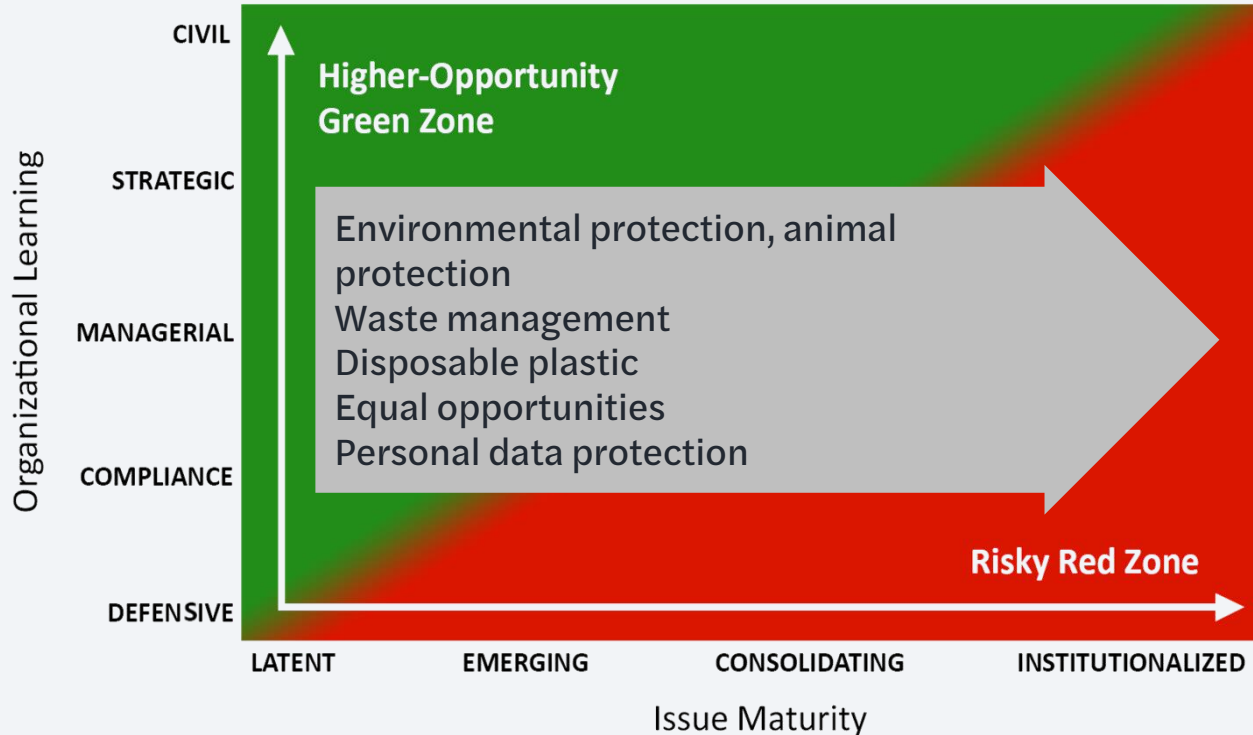Revealed violations of law or ethics

Value crises
Prolonged damaging business communications or a series of negative events caused by the company

Business vulnerability

Over the last two decades, and after Lithuania's accession to the European Union in particular, an increasing number of risk factors have been heading to the red zone and are included in laws and regulations imposed by the state (institutionalized)

Higher-Opportunity Green Zone

Environmental protection, animal protection
Waste management
Disposable plastic
Equal opportunities
Personal data protection

Risky Red Zone

Organizational Learning

CIVIL
STRATEGIC
MANAGERIAL
COMPLIANCE
DEFENSIVE

LATENT   EMERGING   CONSOLIDATING   INSTITUTIONALIZED

Issue Maturity

Business vulnerability

By analysing the crises that have arisen over the last few years and the trends of changing public opinion, we have drawn up the following list of the main sources of communication crises

Environmental protection (pollution)	Water, air pollution, noise (sound pollution), destruction of nature (legal deforestation), abuse of domesticated animals and pets, etc.
Contradictions within the local community	Outrage, accusations of non-compliance with agreements, legislation, regulation of neighbouring populations.
Injuries to personnel	Workplace injuries and deaths, occupational diseases and hazards.
Employee dissatisfaction	Pay scales, legality, working conditions, behaviour and attitudes of company management.
Customer dissatisfaction (service)	Poor quality, rude service, employee behaviour, improper communication.
Service/product quality	Poor quality goods, burdensome return policies, warranty issues. Partial or temporary suspension of activities and services.
Business management	Violations of the law, tax evasion, corruption, trading in influence, non-transparent activities, violations of personal data processing regulations, etc.

Business vulnerability

In our expert opinion and based on public sentiment, different sectors should focus on the following:

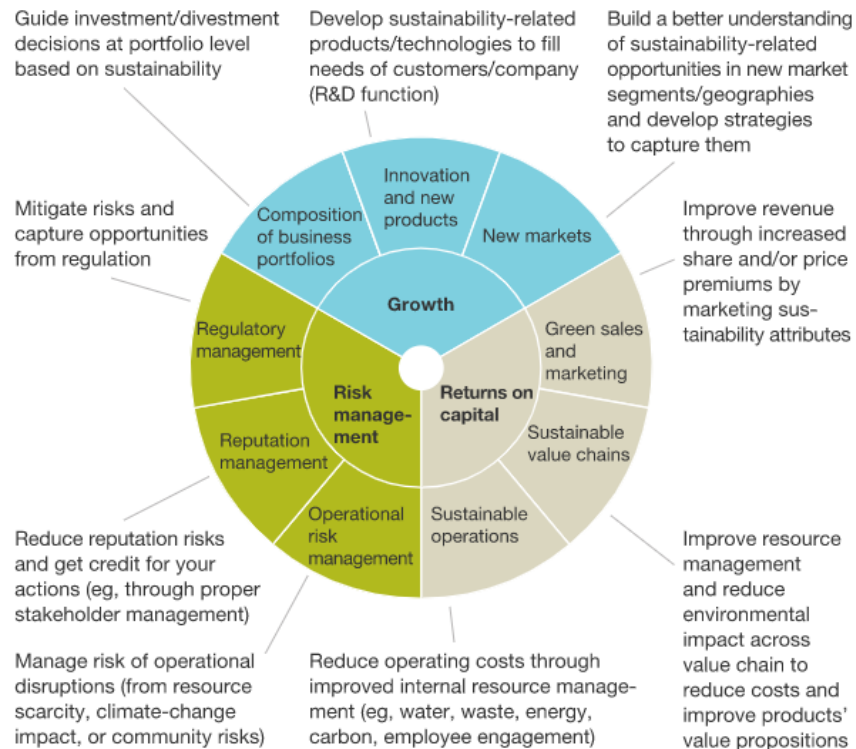|	Manufacturing, industry	Trade	E-commerce	Transport	Construction	Catering	Hospitality
Environmental protection (pollution)	3	1	0	2	2	1	1
Contradictions within the local community	3	2	0	1	2	1	1
Injuries to personnel	3	1	0	3	3	0	0
Employee dissatisfaction	1	3	1	3	1	3	2
Customer service	0	3	3	0	0	3	3
Service/product quality	0	1	3	0	1	3	1
GDPR	3						
Business management	2						

0 – minimal (no risk), 1 – low risk, 2 – medium risk, 3 – high risk

How to prepare?

Infrastructure	• Periodic and critical evaluation of available infrastructure. • Implementation of additional safeguards (e.g., sealing of valves, installation of safety measures).
Law	• Periodic critical evaluation of available documents (e.g., formalization of occupational safety procedures). • Procedures, rules, instructions – so that in the event of a crisis, the company can quickly identify the source of the crisis and say: 'We did our best to prevent that from happening.' • Early notification of all stakeholders, legal formalization of the privacy policy and regulations.
People	• Always remember that human (employee) error is a common cause of communication crises. Therefore, it's worthwhile to implement technical safeguards that eliminate the chance for human error whenever possible. • Warning signs, instructions for use, explanatory materials, etc. • Training, motivation, promotion of information exchange within the company. • An organization undergoing change has additional risks –such cases require more attention to change management and communication
Communication	• Preparation of communication plans and crisis management guidelines for employees (time becomes one of the most important resources in the event of a crisis). • When planning changes and new projects, plan communication ahead and start implementing early, notify people of the changes to come. • When crafting communications, bear in mind that there are not only customers, but also employees, partners, the state, the community, etc. • Communication crisis training for managers and responsible employees.

Companies are pursuing sustainability in a way that creates value.

Guide investment/divestment decisions at portfolio level based on sustainability

Develop sustainability-related products/technologies to fill needs of customers/company (R&D function)

Build a better understanding of sustainability-related opportunities in new market segments/geographies and develop strategies to capture them

Mitigate risks and capture opportunities from regulation

Composition of business portfolios

Innovation and new products

New markets

Improve revenue through increased share and/or price premiums by marketing sustainability attributes

Regulatory management

Growth

Green sales and marketing

Risk management

Returns on capital

Reputation management

Sustainable value chains

Reduce reputation risks and get credit for your actions (eg, through proper stakeholder management)

Operational risk management

Sustainable operations

Manage risk of operational disruptions (from resource scarcity, climate-change impact, or community risks)

Reduce operating costs through improved internal resource management (eg, water, waste, energy, carbon, employee engagement)

Improve resource management and reduce environmental impact across value chain to reduce costs and improve products' value propositions

Source: Sheila Bonini and Stephan Görner, "The business of sustainability: McKinsey Global Survey results," Oct 2011, mckinsey.com

Sustainability
(corporate responsibility)

We recommend taking more serious approach to investing in sustainability, as it not only strengthens a business's reputation and reduces business vulnerability, but also improves corporate resilience to communication crises and facilitates their management.

Sustainability also helps enterprises to anticipate, prepare for and manage business risks.

See the sustainability value map prepared by the international management consulting company McKinsey & Company, especially the risk management section.

Source: https://www.mckinsey.com/business-functions/sustainability/our-insights/the-business-of-sustainability-mckinsey-global-survey-results

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If you have a communication crisis

A timely, speedy response is critical

Laws and communication are equally important: they must be coordinated and neither should be dominant

Identify the type of crisis – your communication depends on it

Act quickly but never lose your sense of perspective, look far ahead

It is critical to have information about and awareness of what is going on, to know what the important interest groups think about you

If you are in a crisis undeservedly and are later absolved, make every effort to correct the erroneous information

If you have any questions, please feel free to contact us

ADVANTAGES

- Leading communication and PR agency

- A team of 30+ professionals

- 15+ years of communication experience. Both in Lithuania and other European countries

- Experience with more than 50 communication crises; crisis management expertise

- Crisis management in both traditional media and social networks

OUR PARTNERS

- Law firms

- Lobbying firms

- Sustainability (corporate responsibility) professionals

- Change management professionals

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THANK YOU!

Kęstutis Gečas

kestutis.gecas@inkagency.lt

+370 685 18450