

Say: I AM SORRY!

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Abstract

Notes on disclosure and apology in organizational crisis communication

As has been frequently pointed out in very rich organizational crisis academic literature, most organizational crises do not occur as a result of large and sudden disasters or accidents caused from the outside but as a result of neglected mistakes within the organization that accumulate until they turn into a crisis. This article does not deal with the latest COVID-19 related organizational crisis, as this is a very specific context of cause and effect, although an increasing number of research illustrates that the lack of basic crisis preparation for global pandemic was related to the lack of developed crisis prevention systems.

The topic of organizational crisis communication debated here applies even in our contemporary pandemic context generally considered “Act of God” related crisis. Whatever is happening, companies must communicate with their stakeholders and publics. There is no replacement to that communication. Those who do not – perish!

Managers' fault

The fact that organizational crises are in majority of cases results of internal negligence, unethical and unprofessional conduct of managers, puts the question of organizational public communication in the very center of crisis management. In fact, once the company is in full crisis state (which is not always clearly recognized in a concrete time unit), communication becomes one of three equally important levels of intervention, the other two being strategic and operational. People within the organization are often to blame and responsible for crises that often do not affect only the organization itself but can harm the lives, property and interests of a large number of people outside the organization.

When the crisis breaks out, the most important task is to communicate with the publics, which is also the biggest challenge. The public wants to know what happened, what is the damage, who is to blame? Why are the pieces of glass in baby food? Why were employees killed, properties destroyed and live animals in sea dying while the rig had continually leaked oil into the ocean for months? Why are people dying and having permanent damages to their organs after having medical products that were supposed to help them?

People have the right to know! In the age when information becomes viral in minutes, they will get their answers in any case. Let us not forget the good or bad intended tsunami of information that will be served to the publics from civil society sector from organizations and individuals who all also have their own agendas. All this puts an enormous pressure on Chief Communication Officer who is also the part of Crisis Team. If there is an incident management crisis intervention management already embedded in the company strategy, meaning there are developed plans and scenarios of prevention, mitigation, intervention regularly updated, trained, evaluated in simulations, chances are, there is also a lot of communication material prepared in advance that can easily be adapted.

But, as there are no two same crises, communicating in crisis during the crisis and after it will remain a challenge. What to say? How much? Communicators are, in fact, simply put, in a situation where

they wonder if they need to reveal all the circumstances of the case or, as lawyers often advise them, little or nothing at all.

There are, of course, some general rules. The most important and only unchanged rule that is not debated is the rule that one should always tell the truth. But there are many nuances in giving testimony about the truth in terms of the number of facts revealed.

He wants his life back

Organizational communication during a crisis can significantly change an organization's position in legal terms, often to the better, but the risk is always there that it can shake it deeply. Many people already forgot how long was BP Deep Water Horizon leaking in the Gulf of Mexico or how much did BP ended up paying for damages, but many still remember the scandalous sentence of BP CEO Tony Hayward who, when he finally managed to drag himself from yacht cruising back to work to apologize for the lives lost, ocean ruined and properties destroyed saying that nobody wants this solved like him and that "he wants his life back".

So, what to say about the crisis? What not to say?

In American management theory, one can find arguments in favor of complete disclosure since what we do not express can later reach us and cause us harm. (Pagan, 1985) The policy of full disclosure means complete and timely information about the crisis, its causes, course, prospects. In the event, for example, of a chemical spill in a factory, this policy should be made public with all known data that would probably show the company's responsibility for such an industrial accident. According to the policy of full disclosure, furthermore, if not all answers can be given immediately, an investigation is initiated on the spot and as the investigation develops, the information is provided to interested stakeholders and publics. Proponents of a full disclosure policy even recommend ignoring attorneys' advice on the grounds that attorneys are unable to see trees from the forest or discern the company's long-term interests in maintaining credibility with stakeholders and the publics. Crises often question consumers attitudes in terms of product quality, have a negative effect on employee morale, and generally, call into question a carefully built positive reputation over the years.

An additional argument in favor of full disclosure is the belief that all the truth will come to light sooner or later, so it is only logical that even before the public finds out about it or rumors spread, the directors themselves should reveal the facts about the crisis. It is bad for the company, namely, if stakeholders such as consumers, customers or employees would find out from a third party some bad news concerning their interests in the organization.

It is also considered that companies that apply a full disclosure policy to protect the quality of relationships with various stakeholders would find it easier to be "forgiven" any mistakes or deviations that led to the crisis.

If the public sees that you are really sorry for what happened and that you sincerely want to fix the thing and do everything you need not to do it again, in most cases, they will quickly forgive you - said John Hall, (1991), CEO Ashland Oil, which discharged four million gallons of diesel into the Monongahela River in 1988, endangering drinking water in Pittsburgh and North Ohio (Kaufmann, Kesner, Hazen, 1994).

Proponents of a full disclosure policy argue that such a policy is only correct, especially in communicating with the media which are otherwise in such situations under great pressure from their editorial offices and deadlines. If they do not receive the information they seek in time, they will seek other sources of information. If such sources are in some way opponents of the company,

it can easily be shown in the media in the worst possible light. On the contrary, if an organization approaches the media with a policy of full disclosure, company spokespersons may be given the opportunity to control the way their messages are placed in the media while those who avoid journalists and do not give them information are not likely to gain their trust.

The Fame of Tylenol

In support of the use of a full disclosure policy, proponents most often cite various case studies in which such a policy has proven profitable and particularly beneficial to the company. The most frequently mentioned case is the famous *Tylenol in 1985*, when at the center of the crisis that hit the company, which immediately affected the price of its shares, a full disclosure policy was applied and the CEOs of Johnson & Johnson and partner companies were constantly in the most watched programs and fully available to journalists. It was this quick and honest communication that actually saved *Tylenol* from disaster, and the company regained most of its lost market share over the next three years. Years after these incidents, Johnson & Johnson CEOs were called upon to give advice to companies plagued by product crises.

Many cases that prove benefits of full disclosure policy can be found throughout rich history of documented and publicly known and less known or remembered company crises. Another case often cited as evidence in favor of the full disclosure advantage (Kaufman, Kesner, Hazen, 1994) is the case of Procter & Gamble (P&G) and *Rely* brand tampons. In 1980, P&G directors were informed by the Centers for Disease Control in Atlanta that a statistical link had been found between the product and the so-called toxic shock syndrome, a potentially fatal bacterial infection. Shortly thereafter, the U.S. Food and Drug Administration began putting pressure on P&G to withdraw tampons from the market which the company was unwilling to do without real evidence that tampons were indeed harmful as they found no evidence in these accusations. P&G then set out to investigate on its own the link between the product and toxic shock syndrome and to study other studies, and there was no way to prove that there was a link or there were only some slight indications of it. Although, therefore, there was a lack of evidence and it could be concluded that there was no justification for withdrawal from the market, the directors of P&G decided to go public with all the results and, announcing they would have to withdraw the product. Public opinion polls immediately after the announcement showed negative public attitudes, but after a month there was a sharp increase in the popularity of the company, to which the public scored complete honesty.

It was similar in the case of needles and syringes in cans of PepsiCo where the company openly communicated with anyone who needed to get in touch with the company's managers and find out the details of the contamination. When the Food and Drug Administration finally announced that PepsiCo had nothing to do with product incidents, they published their publication to all important newspapers as an advertisement and thanked consumers for their trust and great loyalty.

Proponents of a full disclosure policy cite such situations as difficult situations and point out to financial losses for companies that have not implemented such a policy. One of the most frequently mentioned earlier examples is the problem with the intrauterine spiral called *Dalkon protection*, used to protect against conception. The company *A.H. Robins*, who had bought the rights to the patent in five years, had sold more than four and a half million such inserts. The problems with the product arose immediately, and infections that the intrauterine device could cause, further caused, in some cases, miscarriages, sterility, and in very rare cases, even death.

The company, however, did not give any information to the public that there were problems with the cartridge, nor did it order a withdrawal. A full three years after they already knew there were problems with the product, they continued to advertise it aggressively. When lawsuits against the

company began to pile up in 1975, the product was finally withdrawn from the market, but it took another full nine years for the company to publicly warn women who wore the product to remove it because it was dangerous. The conduct of *A.H. Robins* was legally justified because the company tried to protect itself from legal liability even after the products were withdrawn from the market. The company went so far as to try to prevent women from seeking to sue the company on their intent which so annoyed a federal judge in Minnesota that he sent investigators to the company's premises who found evidence that management had known about the problem for years before they informed public.

Had the company admitted the guilt, it would have found itself in a difficult financial situation due to lawsuits, but it happened nevertheless, and the fact that they kept secret provoked a far greater number of lawsuits than would have been filed otherwise because people were revolted. In the early 1980s more than twelve thousand lawsuits were filed. They had to pay \$ 6.8 million for the first lawsuit, over \$ 245 million in 7,600 cases over the next five years, and the company eventually went bankrupt.

There are many similar cases of big companies who were deeply damaged because of no transparency and lack of communication. Some of less known case are still debated in academic circles and businesses. Another well-known example of a company that also perished precisely because of insincerity and a policy of concealing information is the company Exxon in the case of the tanker Valdez. The CEO did not appear in public for almost a week after the leak, and the company did not want to take responsibility for the accident. From sixth place on Fortune magazine's list of favorite companies, they dropped to 110th place in just one year. Most of the consequences of their public relations fiasco could have been avoided had they communicated openly and in a timely manner with the publics and stakeholders.

Since so many known cases speak in favor of the policy of full disclosure as the only rational option in times of crisis, it can be thought that it is almost strange that despite such lessons from various cases, companies often do not communicate with the public and stakeholders in an honest and transparent manner.

There are also risks and some weaknesses of the full disclosure policy. First of all, this practice is carried out under the assumption that all the facts will always be found out anyway, sooner or later. However, this is not always the case, or, more precisely, we do not have clear information about it because it is difficult to determine how much the company managed to solve a crisis immediately internally without the public ever finding out about it. Even when the information is voluntarily published, it may be that the company had costs due to lawsuits. Open communication does not prevent lawsuits, and it can incite them, as well as anger at hiding the truth can.

Lawyers' advice

There are situations where open disclosure as a policy is detrimental to the organization because when it is implemented, some not particularly dangerous crisis may turn out to be small in comparison to a new crisis produced only by the disclosure of information. Thus, the managers of the *Ford Motor Company*, which found itself in court sued by the driver for the design of the fuel tank around which there were sharp metal objects that could have caused an explosion after three women were killed in such an explosion, revealed in court that they made an analysis of the cost of such deaths. Although the study was required by law and the figures were provided by the official state transportation agency, the company was therefore accused of not caring for human lives and suffered great damage to its reputation.

One of the elements to consider is the fact that the assumptions on which the decision on complete

disclosure is based may often not be completely accurate. Managers often fail to assess all possible deeper and longer-lasting consequences in a crisis. Lawyers warn of direct costs for a company in the event of litigation with clients. The case of the Gulf of Mexico oil spill in 2010 speaks in favor of the fact that the costs are sometimes enormous. In addition to the money BP paid to Gulf Coast residents and businesses, it has paid **\$20** billion to settle suits brought by states and the federal government; a \$4 billion fine levied by the U.S. Department of Justice; and \$32 billion toward the clean-up.

In addition to direct litigation, there are indirect litigation costs, especially in the United States where the publicity of litigation ensures that negative reputation effects are long remembered and reminds participants of a crisis long after it happened and passed. So, for example, after a chemical spill in the Indian city of Bhopal in 1984, one of the first such incident with fatal and huge consequences, the Indian government issued an order to arrest former Union Carbide CEO Warren Anderson and the media again blew up the whole case. Even more than twenty years after the spill, the lawsuits with the victims have not been resolved and negative publicity has been following *Union Carbide* all along.

When litigation in crisis situations drags on for years, it blocks managerial time and creates various additional costs, which can also result in the authorities placing such a company under special supervision or in launching an initiative for legal changes, or the introduction of new laws, or a completely new relations towards the entire industry. Because of the lawsuits that will inevitably follow and all the high costs, attorneys often advise their clients to speak as little as possible because anything can be used in court. Even a casual statement by a lower-ranking official could be detrimental.

Problems of litigation also occur if there are contradictory statements, which is often the case in crisis situations, and the atmosphere created by the media is often transferred to the courtroom and indirectly affects the verdict. It is similar with cases when the factual situation changes after the first statement has already been issued, which often happens in situations where the crisis is prolonged, which then leaves the impression of insincerity and can also be used in court against the company. The result is that lawyers advise company managers not to make any statements at all unless they are sure they are one hundred percent true.

The dangers for the company are multiplied by the rule that in courts in many judicial systems the defendants are obliged to provide the information requested by the injured party during the process, even if that is to their detriment. Of course, the injured party will not ask for information that it does not know exists, so those who give statements and announcements about a case in which the company is involved before the process make the company vulnerable to opponents during the process.

From an extremely practical standpoint, furthermore, lawsuits can provoke additional lawsuits, and many individuals get the will to sue a company if word gets out that someone else has sued and won the lawsuit. Many companies are being sued not only for some measurable damage but often also for emotional pain. For example, in the Croatian Coca-Cola bottling plant in the period from 2000 – 2008, there were at least twenty cases where some consumers came to the company with a proposal to settle for a minor manufacturing error like a change in taste, a foreign object in the bottle that could not be said with certainty that the person did not put it himself as was the case with the previously mentioned syringes in Pepsi cans. Coca-Cola has a policy not to give in to the pressure which is actually a kind of extortion but to offer another product in exchange which as a rule caused great disappointment among consumers who complained because they expected an out-of-court settlement and substantial compensation.

Opponents of full disclosure also argue that this type of communication takes into account the

interests of only one group of stakeholders, most often consumers and clients and does not take into account other stakeholders to whom management obligations also exist such as investors and shareholders, for example. The solution can be more open communication with all stakeholders, but even that is not always the happiest of ends, because it can damage the position of individual stakeholders or the entire company. Thus, after the disaster in Bhopal, India, when the company's shares fell dramatically in value, company representatives emphasized in press releases the company's financial stability and its financial profile, which provoked reactions from the public who felt they did not show enough sensitivity to human lives and health and cared only about money. Similar huge negative publicity can be seen in the fall 2021 with whistleblower accusing Facebook to alter algorithms in favor of news inducing negative emotions for the greater profit, shortly, putting profit before the interest of its main customers and fully ignoring what seems to be the mission of an ethical and responsible company.

So, if be full disclosure as the perfect solution is the myth, which solution is the best? Should a policy of full disclosure be applied, and all facts presented to the public no matter what, or should it not be done?

Starting new crisis

There is, of course, no simple straight forward answer to this question. Crisis communication is part of a crisis management strategy and therefore the decision depends on the nature of the crisis. In some situations, so-called full disclosure will be the only option, while in others it will be more instructive to select information. In the process of deciding how to proceed, the following questions must first be clearly answered (Kaufmann, Kesner, LeeHazen, 2004):

- Could denying some information be fatal or lead to further injury?
- Is the information company a victim or a culprit?
- Are the fabrications that are accumulating in connection with the crisis worse than the facts themselves?
- Can the organization afford to be responsible after the crisis?
- Can the organization afford not to be responsible?

In assessing possible adverse effects, if not all information is disclosed, account should be taken not only of possible short-term but also possible long-term effects, which is often the case with environmental problems. People need to be told immediately what the dangers are, even if they are in the future, and only if there are no risks to human health or the environment, can other factors be taken into account when deciding on a total disclosure policy.

When deciding how to communicate the facts, one must take into account an important question - whether the company is a victim of external circumstances beyond its control, as was the case with Tylenol, or whether it is partly or fully responsible. An example is the disaster in early October 2010 in Hungary when a state of emergency was declared in three districts in the west of the country, after four people were killed and 120 were injured in a spill of toxic red sludge from an aluminum processing plant. The cause was a major incident at an aluminum processing plant that spilled about 700,000 cubic meters of toxic sodium hydroxide with heavy metal salts into the environment. Immediately upon receipt of the information, the Disaster Management Authority of the Republic of Hungary announced that the incident was entirely limited in nature and that no further environmental impacts should be expected. A dam has been set up on the stream into which the remains of alkalis have spilled, so, as they assured the public, there would be no further spread of

toxic substances, and other areas are not endangered in Hungary or in other, neighboring countries. The day after the incident, the aluminum factory where the accident took place addressed the press and the public in the most unusual way - the factory director came to the scene in a closed jeep and under the protection of armed security guards and answered the questions from journalists and angry citizens without getting out of the car. That was enough for the total loss of public trust.

And finally, rumors of a crisis can also do a lot of harm, sometimes far more than the truth itself, which is well seen in the mentioned case with Pepsi Cola where rumors have sparked a veritable epidemic of new cases of deliberate product contamination. To avoid rumors, some companies, release partial information to the public and this can also cause problems. This was the case, for example, with Diow Corning's breast implants in the United States, which were reported to be harmful, so two panicked patients tried to operate on themselves to remove them as a result of hysteria overshadowed by media rumors spreading.

The question of whether an organization can afford to respond after a crisis relates to repairing the damage and possible compensation and other post-crisis costs. If a company is not operationally or financially able to bear the burden of corrective action after the crisis, it has lost the opportunity to reduce the damage for which it will be forced to pay anyhow. Full disclosure means that full corrective action must follow, and it cannot be that corrective action is omitted after disclosure. That would totally ruin the trust of stakeholders and publics with fatal consequences for the company.

Conversely, if the company does not act honestly and openly to the public and reveals all the details, the company may risk losing consumers to the point that they start questioning its other products or services, so the most important thing is to convince consumers and customers of the company's integrity and clear the name of the company from possible suspicions.

The five questions mentioned and some others that experienced managers can add are actually just a test that managers need to undergo in a situation when deciding how to communicate with the public in a crisis. Strategies for this response must be agreed in advance and some situations must be foreseen, which means that in every crisis plan there must be a section on communication in which the company has already developed a communication strategy in crisis and set a framework for deciding on full disclosure policy. The final decision, naturally, will depend on the nature of the crisis and the circumstances, and it is impossible to make it in advance.

The different nature of the crisis also requires different discourses, and public contempt or animosity towards the corporation, whether in the form of some unofficial sanctions or some other form, is a sign that some supra-system has decided to show its disagreement with what has been done (Hearit, 1995). There is not much research into the context in which organizational apology occurs. Based on the models of Marcus and Godman (1991) and Coombs (1995), Hearit (2001) derives four contexts that characterize situations that are likely to result in apologetic discourse:

1. Accidents defined as one-off events that most often occur without any major warning and in which there are innocent victims. Although unintentional, they often have systemic causes.
2. Scandals and illegal actions characterize the context of revealing that a company has intentionally engaged in unethical or illegal activities that damage its reputation and often result in social sanctions.
3. Product safety incidents that most often occur in a manner opposite to that in which accidents occur; instead of appearing at random, they appear over time as evidence emerges from various sources.
4. Cases of social irresponsibility encompass contexts in which critics have redefined company activities as those that violate current social and community norms. These can be simple

activities such as inappropriate public appearances by a company employee or complex ventures such as moving whole companies or parts of them to areas where human labor is cheaper. The most debated case of such a practice is that of treatment of employees (resulting in suicides) in Foxconn plants in China where majority of Apple devices are produced.

There are relatively many sources in the theoretical literature on crisis management on the factors or strategies used by apologists when faced with ethical criticism. In addition to the already mentioned tactics for the defense and restoration of Benoit's image, well-articulated strategies for creating specific messages can be considered in works by Ware and Linkugel (1973). They believe that apologists caught in the act use one of a combination of the four basic strategies.

Denial is simply the rejection of accusations that are declared untrue. Those who cannot, for objective reasons, deny that they have done something, resort to denying the intention to do something, because it is the intention that is the main factor of guilt.

Reinforcement is an identification strategy in which participants are reminded of relationships from the past.

Differentiation is a redefinition of a strategy that divides a unique context into two different senses.

Transcendence occurs when the apologist is able to redefine the context of the alleged wrongdoing in a broader and more abstract sense.

Lying costs

These strategies are applicable to the corporate context. Denial most often occurs when a corporation claims that an incident or accident did not occur through its fault. Support is most often used when a company tries to connect with its public through some identification, for example, by reminding the public how many jobs it has provided to community members or how much money it has donated to charity. Differentiation attempts to change public perception by dividing the problem into two parts. It is probably most difficult to implement transcendence in a corporate context when apologists try to impose some abstract principles that are more important than public interests. According to Dionislopoulos (1986), for example, after the accident at the Three Mile Island nuclear plant, the nuclear industry tried to redefine atomic energy from that needed to produce electricity into the means needed to end addiction. on imported oil.

Apologies are generally a form of self-defense by which an individual defends himself against the attacks to which he is exposed. Corporations are not individuals, but corporations are associated with individuals in public perception, which has influenced the practice that public apologies are usually given by the CEO, and the public expects that. All the more so, if the apology does not follow as soon as possible after the events that caused the crisis, it is considered a failure of the company, but it is also related to the person of the President of the Management Board. The use of the CEO in publicly announcing an apology is twofold. On the one hand, this shows the public the sincerity of the company in "repentance" because it is tied to a specific person who so indirectly guarantees the sincerity of expression. Another factor in favor of using the corporation's first man is the logic of the scapegoat, because in case the process of apology and persuasion for some reason does not correspond to the planned strategy and the company fails to defend itself from guilt, that guilt can be attributed to the leader instead of the whole company. For the same reason, often in communicating with the public in similar situations, companies outsource their lower-ranking officers to "save" the emergency director general if the junior officer fails to perform a persuasion mission.

Which apologetic discourse a company will use depends primarily on the organization's assessment of its own guilt and responsibility. If, for example, in the perceptions of an organization's leadership, it is not their fault, denial and counterattack may be a strategic choice. Likewise, for organizations that are evidently responsible for an incident or crisis, an apology is the only possible option. It is most likely that many organizations fall somewhere between these two extremes, i.e., they are indeed to some extent responsible for incidents or crises, although the level to which their policies and their behavior led to the incident or crisis remains somewhat unclear. According to research, in these situations, companies adopt a differentiation strategy by acknowledging a certain degree of guilt but also by looking for a position where their guilt is reduced. (Hearti, 2001).

Regardless of guilt or not, apology usually has two key strategies.

First, the company must show regret or care for the victims, whether human or environmental, because in this way it shows that it cares about people and nature and not just about money and its profits. This strategy manages to somewhat reduce hostility in public opinion, but companies are not inclined to excessive and explicit expressions of regret for fear of litigation in the use of everything said as a means in litigation and non-litigation agreement.

Another, in any case recommended strategy, is corrective action. In this discourse, the representatives of the organization explain what has already been done or will be done, most often both, so that a similar situation would not happen again and that the current problems would be resolved as soon as possible. They show that they control the situation and will resolve it.

And finally, with all the limitations mentioned above regarding the fear of litigation, it follows that honesty as a strategy to preserve a positive public image, not only for that reason but also based on the basic postulates of communication as open and honest exchange in the context of ethical business, is necessary. Professional communicators in organizations that have found themselves in a crisis, whether or not they have caused it themselves, should, therefore, advise open and honest communication with stakeholders and the public.

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