

## **ADEQUATE COMMUNICATION RESPONSE DURING A CRISIS**

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### **Abstract**

*Crisis situation is a major challenge for any company. A problem has developed into a crisis and the company will have to use all their resources to preserve their reputation and to prevent material losses and bankruptcy. In times of crisis it is very important to act wisely and with it openly and honestly cooperate with the media, to seek support from the staff and to call for an understanding of society as a whole. But crises can be of any kind, not only natural or man-made disasters. Especially for financial and credit institutions and mainly the banking system, the public trust and its preservation and validation are vital. This is the purpose of this paper to show the immediate, direct contact between the probability to generate a crisis as a result of broken confidence in the organization and ways to respond to the upcoming crisis by using comprehensive and proactive tools for communication with government and legal institutions, customers and the society as a whole.*

*Keywords: Communication, Crisis management, Crisis communication plan, Business continuity management*

### **INTRODUCTION**

There is many different in types and content literatures on the "right" communication in times of crisis. Therefore, I will not present theoretical postulates, known very well by the professional community. On the basis of the available resources, methods and methodologies for communication in such situations, I will make attempt to analyze the actual crisis, developing in the banking system of Bulgaria, a crisis caused by the loss of confidence in several Bulgarian banks.

On 20 June 2014, the Bulgarian National Bank (BNB) placed under conservatorship (under Bulgarian legislation), the fourth largest bank in the country - Corporate Commercial Bank (CCB). CCB requested this from BNB because for one day its clients withdrew more than 500 million euro. Immediately broke a limited banking crisis - another Bulgarian bank exam liquidity problems because again in one day customers withdrew 400 million euro. This was the First Investment Bank (FIB). BNB and Ministry of Finance, however, together with the President and the Government of Bulgaria, in this case acted appropriately and for this bank the crisis was promptly controlled. However in the mean time, the actions of the leadership of FIB were also adequate to the situation and contributed to neutralize the threat of expansion of the crisis and possible bankruptcy.

However, this was not the case with the processes developed in CCB. While in the case of FIB management acted properly, using virtually all the instruments available for proper communication with the surrounding the bank environment, the CCB management acted too but exactly the opposite way, doing everything wrote books that should not be done in such cases. The result is there, on 23 October were published the results of the auditor's report that suggests BNB to implement a procedure for the revocation of the license of that bank and the announcement of its bankruptcy.

In the following lines I will present the nature and development of the crisis with CCB, bending her through the prism of the theory and practice of Business Continuity Management (BCM) and focusing on the individual elements of communication in both the current crisis (not consider the case for example in terms of psychology of mass communication). And I do it with the clear knowing that BCM is basically the management of business organization and "intersection" of all subsystems of the management system of the company, which makes it particularly important for the prosperity of each company (Kiril, 2014). The theme issued is an element of the stage Development and Implementing of BCM Response in the Business Continuity Planning Life Cycle. And it's not just finding the issue but having the knowledge necessary to be aware of exactly where and exactly what to do to create and implement an adequate response to the threat concerned about the company.

## **THE CRISIS OF CCB AND THE ROLE OF COMMUNICATIONS**

"My tongue, my enemy" (and friend of the investigator). This wonderful proverb fits the present situation in recent months about the CCB (as well as "first thought, then said," but proverbs are not the focus of this report).

CCB crisis began, or rather was triggered by several unmeasured actions and speech of various institutions, officials (by judicial and government authorities) and bank employees.

Almost simultaneously with the placement of the bank under conservatorship by the BNB prosecutors arrested three members of the management of CCB with charges of attempted murder of Member of Parliament (MP), which was considered by all to be one of the closest persons to the owner of the bank. Within a few days the prosecution formally apologized for its mistake and the court case against the three was terminated. Along with these processes began uncontrolled accusations between the MP and the owner of the bank, which the media gladly presented to society and thus the crisis in CCB began its rapid and irreversible development. In fact, the crisis was caused by ignorance on the part of the management of CCB of elementary requirements of communication in times of crisis and its inability to "talk" with the media, judicial and government authorities and society as a whole.

And the crisis passes (because at this point it remains) through all known stages of any crisis, as if we are watching live the realization of the written in all the books in this area.

Firstly, everyone was surprised! In the books (Seeger et al, 1998) there are known many cases, which are forming a principle that the raging crisis, whatever its origin is, always comes with surprising bursts. The surprise was result of many events, but the fundamental was that nobody expected so-called "the bank of the powers" to get so painful "hit below the belt" by all that until yesterday supported it and allowed it to develop for several years until the magnitude of the fourth-scale bank in the country (on the one hand, several political parties did everything possible SOEs to keep their money in the bank, and on the other, patronized the bank and did not allow controllers to perform their duties conscientiously against CCB). Unexpected those blows (in Bulgaria, is an open secret why the bank was "unloved" by the ruling, but that is not the focus of this report), management alone turned to BNB for assistance, ie, to place the bank under conservatorship. This step was in full compliance with the legal requirements and CCB expected BNB to help them as they helped FIB. Indeed, the BNB started to operate within the law and appointed audit of CCB. And here was the error of CCB, which expected that as before, the BNB will "look through fingers" its duties as hitherto has done the banking supervision, and provide financial support for the bank. What a surprise it was when the management realized that there will really be an audit in strict accordance with the law. Surprise overtook management of CCB, which was unprepared for actions in this environment (they were accustomed to act in a situation of so-called "sterility").

Next, to this day the crisis develops in a situation of complete lack of information. There happened many unexpected events. Rumors started. All sides turned to BNB for clarification. Although the BNB acted in law its actions were also chaotic and it failed promptly and properly to organize the audit of CCB (several times were changed conservators and audit firms). It was difficult to understand everything that was happening. Why BNB acted as inadequate to the situation is

not an element of this analysis. More importantly why the actions of the management of CCB were so inadequate and did not provide convincing evidence to the society for the stability of the bank. Their appearances before the media were uncoordinated, sporadic and could not capture the "pulse" of the crisis, resulting in not only the customers of the bank, but the whole society does not know to this day what the truth is and what will happen.

As a result of all this uncertainty the events escalated and the crisis grew. Everyone wanted to know what happens in reality and if the rumors circulating are true? In the moment where rumors spreaded on a large scale it was and is difficult to get accurate information. As already noted, the bank tried to respond in the "right" way for it all happening, but events moved too quickly. With each passing day the confidence in the bank declined to come to October 23, 2014, when the audit report came out and it turned out that according to international audit companies ("Ernst & Young Audit" Ltd., "Deloitte Bulgaria" Ltd and "AFA "Ltd) "the hole" in CCB is 4.2 billion Bulgarian levs, or nearly \$ 2 billion euro. The reaction of almost all state institutions (with a few exceptions, such as the Ombudsman of Bulgaria who did not believed the auditors), even supporters of its reorganization was in the direction of bankruptcy and the closing of the bank.

It is difficult to determine at what point CCB lost control of the crisis. The escalation of the crisis was so fast, because of events occurring simultaneously, that even if you had trained staff to work with the media CCB would have not been able to adequately respond to what is happening, they just missed the moment to react. False information was in the news channels and went in newspapers and to fill the air. Spread of rumors was very difficult to control. The owner of the bank was arrested in Serbia at the request of the Bulgarian Prosecutor's Office, the bank executives were removed by conservators appointed by the BNB, key management turned against their colleagues, many employees of CCB were de facto excluded from work, the CFO and the cashier were indicted. And all this in just three months from June to September, given that in May the same year, regular audits of banking supervision of BNB has come out with a conclusion that in the bank all is well and allow it to acquire as subsidiary bank the French bank "Victoria".

Of course, the development of the crisis has been fueled by outside forces for the banking system. Media, public organizations and society as a whole "feed" from rumors, "concerned", politicians, commentators from all levels express their views on the ongoing developments, the media waiting for response from the BNB and CCB, public wants answers, customers want to know what happens. After all, everyone wants to help, but in practice this does not occur, because the events that accompany the development of the crisis are not controlled. Although Oman Investment Fund (which owns 30% stake in CCB) wishes to

participate in the reorganization of the bank, the prospects for the latter are not favorable for the loss of confidence in it went so far that hardly restoration of its activity in any shape can be done in standard, conventional methods. Throughout its "well-wishers", depending on developments, will seek to prove that they were right, that will hinder the recovery of the bank or the recovery of its activity.

Subjected to this unbearable pressure from everywhere, the owner of the bank and its management feel abandoned by everyone. The owner of the bank, Tsvetan Vassilev, has already announced with sadness that it had happened. Probably advised by lawyers, he applies the following maxim: "Everything we say can be used against us", "the best thing to do is to remain silent." But does it make sense, however, of such behavior? The latter only shows that common sense, which can generate saving options for exiting the crisis is now "clouded" and is unable to help in this situation. This is the penultimate stage of the unfavorable development of a crisis, in this case, these are inadequate and chaotic actions of the management of CCB.

The last stage in such cases (hopefully will not get there) is panic. Extremely dangerous situation for all, not only for the organization, in this case CCB, but for society as a whole. For the scale of Bulgaria, the bank's assets and the distributed loans are significant and bring it into bankruptcy as a result of panic that can be generated in state institutions from the requirements of the legal framework and/or pressure from the European Union to pay immediately to depositors (up to € 100,000) will have a direct destructive effect on the economy of the country. Payment of deposits means that the other obligations of the bank above the guaranteed funds are subject to greater risk not to be recovered and thus structurally-defining companies and a number of municipalities in the country to lose a significant amount, which could affect their activity for years to come (to say the least, because it can lead to bankruptcy).

### **WHAT HAD TO BE DONE IN THIS SITUATION BY THE MANAGEMENT OF CCB?**

The answer to the above question is very simple - it had to put into practice the techniques described in the literature on crisis PR. But why only this? Would it be enough? I think not. And not because the crisis PR is underdeveloped theory and practice, but because there are very few cases where this course is integrated into the Business Continuity Management System (Kiril, 2014). And I think only such integration could have saved CCB from bankruptcy, by not letting the credibility in it to fall so low.

But what still had to be done by CCB in the current situation? First of all, they had to define and analyze problems, formulate goals and objectives (eg to provide accurate and current information to the media), to develop a strategy, program and action plan, select and implement specific communication techniques, etc. They had to be aware of the principle that

"In times of crisis what you say is as important as what you do" (ECP-601). These are known to all steps in a crisis and one can say - are we sure that the management of CCB has not applied them in practice? As it should be momentarily noted that in their actions it was not demonstrated the use of similar methodologies and techniques.

In such cases (especially in financial and credit institutions and the banking system, where rules the credo "fly and bank are killed with newspaper") determinant factor in the management actions should be to manage multiple communication issues, and in first place, the interaction with media and the management issues related to the company's image, in this case the bank. The ability to manage these issues in times of crisis is a key point as in crisis PR, and in BCM.

Preliminary discussion of possible issues that can be addressed to the bank could help it to prepare base points that will ensure public in its ability to control the situation, and present it in its best light. Many of the issues that the media can ask are predictable, so I will try to specialize in the following way:

- Why this happened?
- Is it true that poor practices were applied in the management of the depositors' funds in the bank?
- What are you doing in this case?
- When will the problem be solved?
- How will you prevent this from happening again?
- What measures are taken to protect the interests of your depositors?

Of course, these are just some of the issues that management could ask himself about. Unfortunately again I must say that the answers to these and other issues interesting to the community were not given by CCB.

There can not be standardized requirements for companies regarding their contacts with the media, but can be formulated some general guidance in this area:

- The existence of a crisis communication plan that is part of the general plan for crisis management;
- Must be formed Crisis Staff, which to:
  - be formed before the crisis, and not be the result of improvised and hasty decisions;
  - be prepared and trained (for the purposes for which it is created) to be tested and not to cause with its actions more confusion.
- Determination of a speaker (but not the owner of the bank) to communicate with the media to discuss issues and agreed questions;

- Preparation of interviews for each media separately - television, radio, newspapers, electronic media. Presentation of the same texts in the same way with the media is the biggest mistake that anyone can do (although a significant number of companies, if not all, make this mistake).

Everything said here (and not said but available as knowledge and experience) is known to the professionals. I just tried to frame the steps that CCB could realize and which I believe would significantly reduce the pressure from all sides on its activities and to maintain, as far as the trust of the community, to help them to keep their customers and from there to prevent the collapse and bankruptcy.

### **THE NECESSITY TO INTEGRATE AN ENGAGEMENT WITH CRISIS MANAGEMENT**

But as I mentioned at the beginning of the previous section, would they have dealt better with the challenges of CCB and its surroundings if there was only one employee or employees who are responsible for PR campaigns? Again, my answer would be "no"! In most cases, PR employees are engaged in "polishing" the image of the company, in very few cases, these professionals have experience and knowledge to carry out a risk analysis and implement crisis management. But even they are qualified in these areas again in many cases those few cases in which we have such employees (view of the author and not official statistics), they can not believe that the crisis created due to loss of trust in the company can befall out of nowhere and lead to loss of its activity. They do not prepare in advance for crises, do not train and play out scenarios simply because it is not on the agenda in front of them. They have focused on improving the image of the company to increase profits, and not to protect its image from the potential threats and loss of confidence. They believe that if it comes to a situation to protect the image that would mean that they have not done their job. At the same time, however, they consider that the issues of crisis management in the event of loss of confidence is their privilege and opportunity to "shine" in front of the management and to get a promotion at work or serious reward. Unfortunately, in most cases, where there is no relevant experience and knowledge the results of their work and desire to "shine" are all negative.

On the contrary, the BCM professionals are trained to prepare and respond appropriately to crises of all kinds. They can not and will not think "it will never happen to the company". They prepare precisely for the cases where the company will fall into a risky situation, so plan, provide resources, train, create different scenarios played out in different settings and strive to create conditions to minimize losses, including reducing the time during which the

company's operations will be hampered or eliminated. Unlike others, these professionals think and act with the awareness that crises can happen at any time and for unexpected for anyone.

That is one of their main advantages over everyone else in the company, which in one way or another are concerned with crisis management. And those engaged in this activity, to varying degrees, can be governing bodies to: risk assessment, human resources management, financial management, environmental management, quality assurance, corporate social responsibility, trust in company, security, etc. The main question is: "For each case, when the crisis may result from the creation of problems in any of these areas, do we need you to train specialists for crisis management in each of these areas?". Of course it should, but should we train them "for themselves" without considering that each crisis is a result of problems in more than one of these areas? The latter means that this training should be based on uniform principles, to be organized by a single center. These two objective requirements can be fulfilled only by the BCM system. Only within this system can be integrated the efforts of all concerned with the crisis management.

This is my humble opinion and message to the professional community - to ignore personal and professional bias and to unite their efforts in the training of specialists in crisis management, including those involved in PR activities in the company. The identity of all will be saved, but the synergistic effect of the unification of efforts of all involved will contribute solely in benefits to all participating in the integration process. This can be done within the BCM framework and used by this system principles, methods and tools.

## **CONCLUSION**

It is necessary to note that no company is "immunized" against accidents or emergency situations. Most incidents and crises happen without warning (or warning is ignored by the "all knowing" management of the company). Incidents or crises can happen at the worst and the most inconvenient time, as the impossibility of quick and appropriate response can create the conditions for the escalation of the incident or crisis. Without a formal framework for crisis management the company has to rely on luck and instinct.

Unfortunately neither luck nor instinct teamed in the case of CCB. Throughout the whole time the bank "went after the events", as if there were implemented half of the above management actions in such crises they could have hoped to continue to operate as a banking institution.

There are numerous reasons for this, not just a banking crisis in the country (I do not want to go into political overtones), but one of them I believe is the lack of experience and a desire to learn how to communicate with the media guides to BNB and CCB.



Episodic, uncoordinated and non-professional actions of the management of CCB led to the problems that we see today. Will anyone take a lesson from what is happening in the issue area and will someone bring its activities in accordance with the requirements of the Business Continuity Management?

It is difficult to answer the above question. I took the liberty to send to all the heads of banks in Bulgaria the textbook that I made based on existing theory and practice in the field of BCM, including my experience with the development and the successful implementation of the project „Development of tools needed to coordinate inter-sectoral power and transport CIP activities at a situation of multilateral terrorist threat“, under the European Programme Prevention, Preparedness and Consequence Management of Terrorism and other Security Related Risks“. Again, unfortunately, it turned out that the management of the banks "knows everything" and did not need the advice that I gave them, to pay attention to BCM. But it is not so important, more important is that BNB as a result of the raging crisis with CCB decided to pay a membership application to the European Banking Union in order to prevent such described in this report crises (which is great because so far the ego of the management of BNB could not admit and deny the benefits of such participation and cooperation). I sincerely hope that the members of the European Banking Union have built modern and reliable systems for BCM!

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