

Never Let a Good Crisis Go to Waste: The Role of Culture, Perception and Common Sense in Crisis Management

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No matter the organisation or industry, a crisis can always come knocking. In 2017, McKinsey & Company reported that the word ‘crisis’ appeared in headlines related to Fortune 100 companies 10 times more in 2016 than it did in 1990.^[2] The potential reputational risks inherent in crises have also increased. In 2012, Oxford Metrica said there is an ‘80% chance of a company losing at least 20% of its value in any single month, in a given five-year period’^[3] following a crisis. The rise of social media compounds the issue, fast elevating what was once local news into global headlines. Today, whether in communications, legal or corporate affairs, whether located in Latin America or anywhere in the world, preparedness to not only navigate a crisis and the reputational risks it brings, but also to find the value and opportunity in it, is essential to protect, preserve and strengthen an organisation and its reputation.

The tenets of a crisis

No organisation, public or private, is exempt from facing a crisis. It is only a matter of when, of what magnitude and how the crisis will impact an organisation’s reputation. Today, no one is immune from an organised or casual attack. With social media, a credible story even without data or confirmation can become a crisis in a matter of minutes, putting one in the eye of the storm even when not facing a real problem. Truth now often yields to perception, and perception can quickly destroy a hard-won reputation.

A crisis is the result of an unidentified problem – and each must be analysed and addressed separately. A crisis is an isolated event exposing a serious risk to an organisation, often the manifestation of a failed process that has not been identified or addressed. Either the problem was not apparent or was disregarded; in other words, there was no clear symptom of the failure. It is critical to never lose sight of the fact that, in the vast majority of cases, solving the crisis and solving the problem are different and independent issues. The teams, efforts and emotions involved in managing both issues will be interdependent, but should not be confused or allowed to overlap. Facing a crisis, one’s priorities must be clear.

Make reputation management a business process

All crises are internal and external. In our hyperconnected world, where information travels at an unprecedented speed, anything that happens to an organisation externally can affect its employees, and everything that happens internally can impact its external stakeholders. Segmenting the conversation is just an illusion.

Knowing this, every crisis can have a wide-reaching impact – with consequences that, until recently, were not always considered. For instance, talent attraction and retention is a crucial competitive advantage. Today, younger workers are much more likely than ever before to change companies, switch industries or start new careers. Organisations must offer more than competitive compensation and benefits packages to retain their most valued employees. Employees must believe their employer holds the same values and has a reputation they want to be associated with. Therefore, a poorly managed crisis can negatively impact employee morale, retention and talent attraction.

The role of employees in crisis management has also evolved. Employees may be the source of a crisis, for example, by demanding a new standard of conduct from their employer on a certain topic, or by being the subject of poor conduct themselves. On the other hand, employees can also be a vital watchdog for potential crises in an organisation, acting as some of its strongest allies and fiercest protectors. Hence, it is critical that communication with employees is not neglected in times of crisis.

Crisis management is a conversation. Like it or not, a crisis (and how it is perceived) is unpredictable. Similar to today's news cycle, a crisis lasts for as long as people care about it, and they will reconstruct the situation according to their own experiences and perceptions. A critical risk inside an organisation may not resonate with the outside world, yet a minor incident inside an organisation can ignite a firestorm of media negativity. To prepare for the unpredictable, listening to stakeholders is critical. The better an organisation understands the issues that are meaningful to its stakeholders, the easier it is to engage, respond and be heard when necessary.

With these tenets in mind, we offer five recommendations to effectively manage a crisis to preserve and protect an organisation's reputation. As Daniel Diermeier from the University of Chicago said, 'reputation is to companies what health is to individuals; we may claim that it is our most important possession, but we pay little attention to it until a crisis hits.'^[4]

If every organisation can face a crisis, every organisation should incorporate reputation management as a business process in its overall business strategy. Moreover, elements of a crisis management process should be used to develop the organisation's ongoing narrative^[5] to build credibility and protect its reputation.

In this context, reputation is a set of perceptions held by anyone with an interest in the organisation (stakeholders). It is now recognised by organisations as an important intangible asset since a good reputation helps attract the best talent, facilitates business partnerships and may prevent unwarranted limitations to an organisation's licence to operate.

However, stakeholder perceptions constantly shift over time, putting the onus on organisations to continually refine their messages to positively resonate with stakeholders and, when necessary, act in response to new expectations or standards of conduct. As posited in the Arthur W Page Society's report, 'The Authentic Enterprise':

Demands for transparency are at an all-time high, and give no sign of ebbing. This is blurring the lines between companies' 'inside' and 'outside' behaviours and communications. At the same time, in a world where the tools and relationships of reputation and influence are available to all – the irresponsible as well as the responsible, friends as well as foes – the identity and definition of an enterprise or institution is subject to far less control than in the past. In many ways today, businesses – but also communities, individuals and nations – are in an acute and high-stakes battle for their identities and global reputations.^[6]

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As it is virtually impossible to validate and verify all stakeholders' assumptions, valuable insights can be gained through good listening practices. This allows an organisation to define crisis management strategies for each audience, tailor authentic, relevant messages and reach the right audiences through the right channels. This is only possible when reputation and crisis management are considered ongoing, critical business processes – as crucial to the health of an organisation as human resources, quality, finance, legal and marketing.

Likewise, reputation and crisis management require a strategy, structure, capabilities, processes, resources, as well as measurable targets with key performance indicators (KPIs) that are visible and accountable to an organisation's leadership.

If a crisis is viewed only as peril, paralysis will be the response. In contrast, if a situation is also approached as an opportunity, it offers the potential to build reputation, empathy and understanding of one's organisation.

For example, in the event of a natural disaster, such as a flood, a company selling construction equipment or perishable goods may see its financial viability compromised in the short term. At the same time, this regrettable situation offers the opportunity to provide in-kind support, through donations of goods and services, which can strengthen those companies' ties with the community for the long term.^[7]

Understand the influence of an organisation's culture

Exercise common sense whenever possible

Or consider a company with an employee who has been seen on social media behaving inappropriately. The organisation's first reaction may be to adopt a robust defensive position, allocating responsibility to the individual and immediately terminating him or her for violation of company policies and values. Another approach is to make this an opportunity to implement corrective measures for the short term (suspension) and long term (company-wide training pledge); show it is an organisation that listens, learns and corrects; and reaffirm its principles, values and beliefs.

Think of a fast-food chain that runs out of ingredients for one of its main offerings owing to problems with a new delivery contract. This results in limited menus and even the temporary shutdown of hundreds of locations, enraging consumers. Management may choose to provide a detailed explanation and allocate the responsibility, or at least some responsibility, to a third party. It may also communicate its plan to restore normality. Conversely, management may acknowledge its fault in a humorous way and apologise to consumers using a novel approach that may attract attention, generate traditional and social media buzz, and help to restore the trust of its loyal consumers.^[8]

Alternatively, consider a scenario where a consumer alleges finding a foreign object inside a beverage company's can, a situation that rapidly garners attention on social media. The beverage company could ignore the complaint, hoping it will simply go away, or provide a technical explanation dismissing the possibility of a foreign object in its product. A better remedy would be to seize the opportunity to raise awareness of the company's quality and traceability systems. Stakeholders and journalists could be invited to tour production facilities, ask questions of experts, and learn about the company's quality standards and the breadth of its product portfolio. The resulting media coverage may not only help reverse negative perceptions about the product and its quality, but also build greater trust in the company and its management.^[9]

Beyond the seriousness of the case or the fault of the organisation, it is important to remember that the initial reaction itself is the organisation's first opportunity to humanise a situation. To do that, it is important not to delay a response. Silence can be mistaken for indifference and with that an opportunity will be lost.

The benefit of an expedient, thoughtful and human response can be seen in the reaction of Starbucks when they faced global backlash in 2018 after a store manager asked two African-American men, while they were waiting for a friend, to leave the store. The men were subsequently arrested but not charged. Immediately following the incident, Starbucks Chairman Howard Schultz, released a statement saying, 'I'm embarrassed, ashamed. I think what occurred was reprehensible at every single level. I take it very personally, as everyone in our company does, and we're committed to making it right.' Soon after, Starbucks closed thousands of stores for a one-day racial bias training session for nearly 175,000 employees. Their actions

cost millions of dollars, but as Schultz later stated: ‘This is not an expense but an investment in our people and our company. And we’re better than this.’^[10]

In this situation, Starbucks saw the opportunity by offering what its stakeholders expected: an act of contrition and an expression of remorse that was later backed up with meaningful action. Depending on several factors (including, but not limited to, the organisation’s fault in the situation), a simple apology can sometimes make a big difference and change the trajectory of a crisis, moving it effectively into the ‘recovery’ phase.

Equally important as timing is controlling instincts when facing a crisis – and how people behave is often rooted in an organisation’s culture. Culture is the set of values and behaviours that constitute the environment of an organisation and, at the same time, define it. If order, process and communication are valued, it is more likely that these will be the attributes of an organisation’s response to a crisis. If chaos and misinformation are rampant, the same could be expected when responding to a serious incident. The response to a crisis is often considered an indicator of an organisation overall, making the relationship between culture and reputation both direct and interdependent.

In critical moments, culture acts as a network of internal containment and a reserve of ‘reputational capital’. Culture can provide the character and, at the same time, the necessary control to cope with anxiety. It acts as the regulator of the organisation’s ‘amygdala’, a part of the brain that regulates emotional processes, among which is fear, the very origin of inaction.

An organisation’s culture has a direct effect on crisis management because it impacts leadership’s decision-making process by serving as its North Star: it mitigates doubt, reduces reaction time and can serve as a common thread to connect one action with another. Consumer-focused organisations in particular listen and quickly adapt as they recognise the need to ‘elevate their game’ and help solve the problem.

Conversely, the absence of a strong corporate culture can immediately affect a crisis response process.

According to Helio Fred Garcia, a professor at New York University School of Business, the three fundamental elements for facing a crisis are intellectual rigor, deep knowledge and emotional discipline.^[11]

Can intellectual rigor be had in an organisation that is afraid of the truth? If courtesy is more valued than confronting the hard truth, the reality of a situation will be largely unknown, making it difficult to resolve a situation or at least mitigate the risk.

Build trust, remember timing

Final considerations

In organisations where hierarchy and power are more important than deep knowledge and expertise, crises tend to last longer. Without knowing the root cause of a situation, it is nearly impossible for an organisation to really understand what failed – especially if those who understand the granularities of the process are not part of the conversation.

Finally, emotional discipline is not always present in crisis scenarios. On the contrary, anxiety is frequently the norm. When an organisation's culture lends itself to clear, shared and reinforced processes, it has a soothing effect on employees. It becomes a source of meaning, criteria and support for the teams responsible for solving the crisis and the underlying problem.

Especially in large and transnational organisations, local and personal beliefs coexist with the culture of the organisation, making the argument that common sense and simplicity are a foundation on which most crisis management processes can be built.

Common sense, at its essence, is simply defaulting to what most people would think or do in the same situation. Acting with common sense does not release responsibilities but simplifies the decision-making process. Moreover, it has another advantage: it is (or should be) easily assimilated by anyone. If it is well decoded, it is not necessary to explain the reason for an action governed by common sense.

To exemplify to the extreme, compare the reaction of parents to certain corporate behaviours. For example, when parents hear a child cry in pain, they say: 'What happened?' They try to define the situation. Identify the victim. Analyse the context. Recall similar experiences. They arm themselves with basic information and context before acting.

Notably, in most crisis situations, the main victim is external, but reacting as a victim is not an uncommon response from organisations. When this happens, organisations are often perceived as tone-deaf and find themselves in an aggravated situation.

Going back to the scenario of parents and an injured child, after collecting basic information and identifying the victim, parents will protect the distressed child and mitigate the remaining risk. If they feel overwhelmed by the situation, they will ask for help. After making sure that the condition afflicted by the victim is over, it is time to put together the best possible team, find more information, validate possible diagnoses or scenarios and then act accordingly. Then they continue listening, learning and adapting as the situation demands.

Another clear example of how common sense works in the corporate world is when it comes to the 'recovery' phase. Once the critical situation is mitigated and the victim comforted, it is time to review the causes of the problem and put in place measures to stop it from happening again.

Notes

All told, in many scenarios, the instinctive steps taken by parents can often be applied when an organisation is in a crisis. It is innate common sense that will ensure some degree of success.

Of course, common sense is not the only consideration when managing a crisis. Identifying legal liability and allocating responsibilities are also relevant. You should always listen to the advice from counsel, yet legal considerations should be an input and not the sole driver of your response, or an excuse for inaction.

If all crises could be resolved like the parent–child example, few would go on to jeopardise the continuity of an organisation. Unfortunately, this is not the case because we have omitted a fundamental factor in our example: the pre-existing bond of trust that exists between a parent and child. Would the outcome be the same if it was a stranger who came to the child's aid? Probably not. And the grief would only increase.

For this reason, organisations must deliberately work to develop trust with key stakeholders, both internal and external, as they can have a role in a crisis at some point, and trust will play an important role in the response and reaction. Therefore, an organisation must foster the bonds of trust well before a critical situation occurs. If it does, the organisation may accrue some 'reputational capital' that will enable it to engage and be heard. If it does not, it could amass 'reputational debt' that will put it in a problematic position even before a crisis appears.

According to a worldwide survey from the public relations firm Edelman, the general population's confidence in organisations varies from 47 per cent (press and governments) to 56 per cent (companies and non-governmental organisations).^[12] Knowing this, we again see an opportunity. For an organisation that is widely distrusted, a crisis poses less reputational harm because the expectations for that organisation are already low. However, a crisis may also offer the chance to build trust and improve its reputation.

Another equally important factor to consider is timing. This is not to be confused with speed, which can lead to recklessness, causing tension and anxiety in a crisis situation. Timing refers to seamlessly joining the conversation in a meaningful way. In a crisis, timing is everything.

As Diermeier states: 'How your company handles the decisive moment will have a lasting impact . . . rarely will others pay as much attention as they do when a company is on stage during a reputational crisis.'^[13]

To ensure you are building the trust of your stakeholders, before timing your initial response, consider these three questions:

- Do we have an outside-in perspective?
- Are we considering the short and the long term?

- In hindsight, will this approach make our organisation proud?

Ideally, the honest response to each should be 'yes'.

No organisation is exempt from the risk of a crisis, which may brew inside or outside its walls. Crisis management, while based in process and rigor, is still subject to a great deal of uncertainty. Preparation is essential.

Crises and reputation are closely connected. A good reputation can be a protective shield during a crisis, increasing an organisation's capacity to participate in the conversation and be heard by its stakeholders, while a bad reputation can be a source of significant vulnerability.

Reputation and crisis management are both business processes and need to be managed as such. Proper management requires strategy, structure, capabilities, processes, resources, as well as measurable targets and KPIs that inform managerial decisions. As seen time and again, an impulsive, reactionary approach can only harm an organisation's reputation.

In different forms and degrees, every crisis involves a shortage of trust and time. Trust is only built over time by listening to and engaging with stakeholders. If trust is not present when a crisis hits, an organisation's efforts must be even greater to protect its reputation. A timely reaction can bring a significant advantage when managing a crisis, while an untimely one can further complicate matters – even when the substance of the response is right.

Organisational culture can be the North Star that mitigates doubt, reduces reaction time and serves as a framework for decisions and actions in times of crisis. Moreover, an organisation's mission, vision and core values should guide the preparation of the strategy and execution of the plan. An organisational culture that nurtures transparency and simplicity, and puts customers or consumers at the centre, can provide a valuable road map in moments of crisis.

Common sense is a crucial reference during critical times, yet it is not always used. Although simplified to the extreme, the illustration of the child crying for a parent's help is a useful reminder. First, identify and listen to the victim (or alleged victim), assess potential harm, provide comfort and basic support. Then, move to identify the potential causes of harm, call for support (if and when needed), and adopt corrective and preventive measures to avoid recurrence. Ensure lessons have been learned from the process.

Finally, beyond preserving its very existence, the goal of every organisation's crisis management process should be to retain or recover the trust of stakeholders. One can start by asking three simple questions about the organisation's perspective, prospects and public image, and answer each with honesty.

Perceiving a crisis exclusively as a threat narrows an organisation's vision and options; it can also result in inaction and aggravate the situation. Conversely, seeking out the not-so-obvious opportunity in a crisis may reveal avenues for upside or, at least, a faster path to recovery. There is opportunity in every crisis: never let a good crisis go to waste.

^[1] Pablo Jimenez-Zorrilla is the global vice president for reputation and communications, and Gregorio Lascano is the global director for corporate reputation and issue management at Anheuser-Busch InBev.

^[2] 'Are you prepared for a corporate crisis?', McKinsey & Company, 2017.

^[3] Reputation Review, Oxford Metrica, 2012.

^[4] 'Reputation Rules: Strategies for building your company's most valuable asset', Daniel Diermeier, McGraw-Hill, 2011.

^[5] In this context, by 'narrative' we mean a story that provides identity to and brings together the members of an organisation. It is formed by shared values, beliefs and expectations and provides context to the intent, objectives and actions of the organisation, both past and future, internally and externally.

^[6] 'The Authentic Enterprise: An Arthur W. Page Society Report', 2007.

^[7] Grupo Modelo (AB InBev's Mexican subsidiary) took a similar approach in September 2017, in response to an earthquake that caused significant loss of life and material damage in several Mexican states, including to some of the company's brewing and distribution operations. After securing immediate assistance for its affected employees and their families, Grupo Modelo halted its beer distribution operations in certain parts of Mexico and made its fleet fully available for the distribution of relief goods. Moreover, the company partnered with Nestlé to provide bottled water to people in need in the affected areas. AB InBev's US operation (Anheuser-Busch) is also widely recognised for its long-standing commitment to providing emergency relief. Since 1988, the company has periodically halted beer production to can and distribute safe, clean drinking water to people affected by natural disasters.

^[8] This was the case of KFC in the United Kingdom, in February 2018, when it rearranged the letters of its famous logo to spell 'FCK'.

^[9] This scenario resembles a real-life situation experienced in May 2017 by one of AB InBev's breweries in China.

^[10] 'Starbucks Gets an "A" in Crisis Management', [Forbes.com](https://www.forbes.com), 10 May 2018.

^[11] 'The Agony of Decision', Helio Fred Garcia, 2017.

^[12] 2019 Edelman Trust Barometer, Global Report.

[\[13\]](#) id. note 4.

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