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Role of Corporate Communication During An Economic Crisis

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Abstract:

The recession has deep impact on public relations and corporate communication professionals, forcing them to work longer hours, deal with added responsibilities and stress, and perform within reduced budgets. Any crisis in an organization is difficult to handle - economic crisis being the worst. The reason being that financial worries have the ability to leave a mark on all aspects of life of the affected person. Each person associated with the company will be anxious for information and reassurance. Lack of information leads to speculation, rumor and misinformation, which contribute to eroding of company image and panic among staff and stockholders. Even media is not far behind giving out false information, in the absence of timely press releases. By the time the crisis gets over and all concerned get to know the details, irreparable damage will be done to the company image and reputation. In the absence of clarification and information from the company, employees and stockholders may desert, customers may switch loyalty, media will have a field day airing false stories and government may enforce stringent rules, making it difficult for the organization. Sometimes, those who desert the company are wary of coming back and in future, the public will think twice before dealing with the organization.

Key Words: *Economic Recession, Communication, Company Image*

Introduction:

An economic situation in which a country's gross domestic product or output is sustaining a negative growth for at least two consecutive quarters or six months is called an economic recession. For the National Bureau of Economic Research (NBER), "recession is a significant decline in economic activity lasting more than a few months". Economic recession lasts for eleven months and may reach until two years. While a recession that is short lived is called economic correction. Meanwhile a sustained recession turns into a depression.

What causes recessions to happen?

There are complex reasons as well as simple reasons why economic recessions happen. John Maynard Keynes states that there are "animal spirits" as driving elements for a recession. "Animal spirits" could be confidence, uncertainty, and pessimism. These "animal spirits" prevent objectivity and quantitative analysis. An example where these "animal spirits" take over, is when consumers lose interest on products and outputs. On the eve of an economic recession, there will be overproduction. Supply will exceed the demands of products and goods.

This will push companies to increase prices and consumers will lose confidence and will be uncertain in purchasing products. Until the event that consumers will stop buying. Another example for this element

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driving recession will be the psychological impact the events of the September 11 attacks on consumers and the people. Some economists suggest that recession may not only be caused by events that have large or huge impact on the people. Events that hurt particular companies or industries can also cause recession. Major innovations or change in a price of a major component needed in the completion of the product can have dramatic effects on some firms. These may cause reduction of workers or production.

Overconsumption can also be a cause of recession. Spending more that what is necessary may lead to recession and poverty. And example will be the major fuss over the expenditure of the United States in the Iraq war. Economists are saying that the United States should be careful with their consumption in the future.

Government economic policies can be used to avoid economic recession. But failure to provide good economic policies can lead to recession. There are some errors that can be made in economic policies. There are some economic policies that can lead to a boom and bust. This means that the economy is running in an unsustainable pace. Inflation is increasing.

Another policy error is that the policymakers themselves are not attentive enough to see the increasing inflation and onset of recession. Policymakers often times regard the onset of recession as just a slow economic growth and will correct themselves. But failure to address this may lead to more economic disasters.

To summarize, economic recession can be brought about by external as well as internal economic shocks and widening imbalances in the economy. Numerous ways can cause recession. Steps can be undertaken to avoid altogether this kind of economic scenario to happen. But the most difficult part is to recover from the impacts of this economic turmoil.

Objectives of the Study

1. To maintain corporate brand image in the recession.
2. To identify the factors which make corporate communication a great success.
3. To investigate the importance of internal and external communication for the organization.
4. To evaluate the importance and effectiveness of communication.

Role of Leadership communication During Recession:

Leadership is about ascertaining a method for people to contribute so that it can result in a significant achievement. It is a process that enables a person to influence others to achieve a goal and directs an organization to become rational and consistent. Leaders carry out these processes by leveraging their leadership traits such as values, ethics and knowledge. Following issues should be taken by a leader seriously during recession.

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Be a leader. Leaders don't have to have all the answers. Tell employees what you know and what you don't. Explain the steps the organization is taking to identify issues and resolve problems. Knowing senior executives are there to lead through uncertain economic times is crucial to your people.

Be visible. Credibility, conviction and passion are important messages that only actual presence can convey. Employees can benefit from seeing engaged and informed senior leaders through webcasts or other interactive vehicles.

Use your team. Make sure the management team knows how and what to communicate, and that no one is a bystander. Limit potential damage from leaders' informal conversations that are overheard and ripple through every organization.

Share responsibility. Be clear about what you want your managers and your workforce to do. People want to help – tell them how. It's never a bad time to reinforce customer focus.

Give up the myth of message control. Find ways to listen to what's on employees' minds. Monitor the press and social media for what's being said about your company and your industry. Have a process for quickly developing and distributing answers to rumors and for clarifying inaccurate statements, such as possible layoffs.

Show your strengths. Reinforce the core competencies and values that make your organization successful. Talk about how they'll help the organization thrive in the future.

Be humane. Some employees are experiencing personal trauma from falling account balances and home prices. Acknowledge their pain and make them aware of the resources at their disposal, such as your company's Employee Assistance Plan (if you have one).

Be coordinated. Coordinate your internal and external messages. Employees should hear company news from the company first.

Role of Corporate communication department during an economic crisis:

The uncertainty caused by lack of internal communications can cause staff to be less productive. It can also cause high performing employees to jump ship. Low morale within remaining staff can impact customer interactions and damage brand identity. In a competitive marketplace, organizations need to be agile, to reduce process inefficiencies and to increase effectiveness across the business. Effective employee communications plays a critical role in achieving these goals with an investment that's small compared to value gained.

Don't cut employee communications

When budgets are tight and the future looks uncertain a knee-jerk reaction can be to pull back to the bare essentials and not try anything new. Organizations may be tempted to cut costs in areas such as Internal Communications at a time when effective employee communications are even more essential.

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Engaging. Use engaging employee communications channels. Overt tools such as Desktop Alerts can be used to achieve maximum cut through for important and/or urgent messages and updates.

Digital Signage on screensavers provides a more passive and visual way to raise awareness of key themes. Web 2.0 channels allow you to quickly and easily set up secure online blogs, discussion forums and interactive helpdesks with little budget or IT resource.

Measurable. Ensure the channels you use provide full reporting on message cut-though and readership. This can be particularly important for HR communications during uncertain times.

Track performance. Use staff surveys and polls as a way to assess what's working, measure attitudes and levels of understanding as well as tracking trends.

Targeted. Use channels that allows messages to be customized and targeted to specific staff groups.

Repetition. Use a range of different ways to communicate and repeat key themes so that messages do not become ‘wall paper'.

Reduce information overload. Use a staff Emag to aggregate ‘news and admin' updates in order to reduce email overload and the impact it has on productivity.

Drive performance. Use staff quizzes to gather cost savings or efficiency initiatives, reinforce messages and new behaviors.

Build community. Use staff electronic magazines to allow staff to tell their own stories in their own words. Social media channels should be authenticated to employees computers to allow staff to securely participate in online discussion forums and blogs.

Be visible, honest and open

Be willing to communicate before you have all the answers. Employees need communication ‘right now' to remove uncertainty that may be hindering their productivity. Not communicating with employees does not mean that they are not communicating. It means that you have lost control over any positive messaging and the chances are excellent that your employees are painting a far worse picture than is actually occurring.

Tell employees what you know, what you don't know, and when you will provide further information. Explain the steps the organization is taking to identify issues and resolve problems. Don't make promises you may not be able to keep.

Be open and transparent with performance data. Candor helps gain public support for necessary actions that may follow. Employees rarely feel worse after having positive contact with a genuine, candid leader.

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A CEO / senior managers blog can act as an ongoing ‘town hall meeting' that makes senior managers more accessible to staff. Staff can ask questions and seek clarification in a format that is similar to open dialogue.

Be timely

Coordinate your internal and external messages and be timely. Employees should hear company news from the company first. Nothing is worse to an employee's moral than hearing about changes to their organization from media sources or family and friends before they have been informed by their employer.

Keep track of when employees last heard from you and schedule when you'll send updates, regardless of developments.

Manage Rumors

Manage rumors. Get information out early and explain that you will provide regular updates, rather than letting rumors proliferate whilst you wait. In the absence of alternative information, staff may accept available rumors as "the truth" (if the rumors weren't true they would have said so) causing you to lose your best people first.

Some organizations set up an online discussion forum specifically as a ‘rumor mill' where staff can anonymously post anything they have heard. Executives may not want to sanction a rumor mill. However, rumors exist regardless of the channel and a discussion forum provides an opportunity to correct them quickly.

Limit potential damage from managers' informal conversations that are overheard and serve only to undermine other communications efforts or create rumors. Use secure channels for electronic ‘manager only' communications.

Conclusion:

Some organizations fail to make effective corporate communication during economic crisis. These organizations will face problems in employee productivity, market share, employee morale, profitability of the company and customer base. If organizations want to be competitive even during the economic crisis, they must make effective and successful corporate communication.

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