CHAPTER TEN

Bad-News Messages

Learning Objectives

After studying this chapter, you should be able to do the following:

LO10.1 Describe how delivering bad news impacts your credibility.

LO10.2 Explain considerations for deciding which channels to use when delivering bad-news messages.

LO10.3 Summarize principles for effectively delivering bad-news messages.

LO10.4 Compose effective bad-news messages in person and in writing for various audiences, including colleagues, external partners, and customers.

LO10.5 Deliver and receive negative performance reviews constructively.

LO10.6 Review bad-news messages for effectiveness and fairness.

WHY DOES THIS MATTER?

Business inevitably involves giving bad or disappointing news to people. Perhaps you need to turn down a proposal, reject the business of a supplier, deny the claim of a customer, give a negative performance review to a subordinate, reject the idea of a colleague, explain that you do not like a product or service, notify your boss of mistakes you've made, or even tell employees that they will be laid off. Not all communications in business are pleasant. Because business is competitive by nature, turning others down is common.

Delivering really bad news is extremely stressful to most business professionals. In the Great Recession that began in 2008, 37 percent of human resource workers considered changing profession due to the frequency with which they were forced to deliver the news to employees that they were being laid off.[1] Management consultant Mark Blackham explained this uncomfortable predicament: "Bad news is bad news no matter how you spin it. It changes people's futures. This is one part of life that is not much fun, and you cannot make it better with words."[2]

In this chapter, we focus on several principles for delivering bad news in person and in writing. In the majority of workplace situations, you and your organization will continue to hold a working relationship with the recipients of bad news—whether they are colleagues, external partners, or customers. Therefore, your overarching goal is to create a path forward that is in the long-run interests of each person involved in the situation. Moreover, one of your goals is to help bad-news recipients maintain a positive image of your organization. Read the following short case, which will be the basis for five examples of delivering bad news shown throughout this chapter.

Hear Pete Cardon explain why this matters.

bit.ly.com/CardonWhy10

Chapter Case: Bad News at Marble Home Makeovers

Who's Involved

Juan Hernandez, business manager at Marble Home Makeovers (The business fabricates marble countertops, tiles, vanities, and bathtubs. It also installs and remodels home bathrooms and kitchens.)

- Overseeing fast growth as the company transitions from a small, regional company to a large, nationwide supplier

Cindy Cooper, loan officer at Wilson Citizen Bank

- Has acted as a small-business loan specialist for the prior four years

Jake Adelman, shift supervisor at Marble Home Makeovers

- Promoted to shift supervisor two years ago largely due to his ability to improve employee morale

Situation 1 (Tuesday afternoon)

Cindy Cooper Informs Juan That Marble Home Makeover's Credit Line Will Be Reduced Substantially

Cindy is in charge of small-business loans. Bank officials just decided that the bank was holding excessively risky credit lines with the majority of its small-business clients. Cindy was told to rein in dozens of these credit lines by reducing them by 50 to 75 percent. She called and met with several of these clients over the past week, many of whom stated they did not know how to meet the bank's sudden demands.

Next, Cindy needed to contact Juan and inform him that the bank would be cutting the credit line down from $100,000 to between $30,000 and $50,000. She knew this would be difficult news for Juan because Marble Home Makeovers faced some challenging cash constraints.

Situation 2 (Wednesday morning)

Juan Needs to Break the News to All Employees That Work Hours Will Be Reduced

Juan Hernandez sighed in frustration. He'd slept poorly last night because of anxiety. Today was going to be a long day. He had lots of bad news to pass around—to employees, suppliers, and customers. Juan had delivered bad news many times before, but it never got easy.

Juan gathered most of the employees for a 15-minute meeting. He broke the news that the company was temporarily suspending any overtime work and cutting back on shifts. Juan knew some of the workers lived from month to month and that these new changes would hurt them. The meeting, however, was cut short by a surprise safety inspection by an Occupational Safety and Health Administration (OSHA) officer. Thus, Juan needed to send out an email to clarify the news he had delivered in the meeting. He had not had a chance to answer all the questions, and some employees were not at work that day. He definitely wanted to get out more complete information right away.

Situation 3 (Wednesday afternoon)

Juan Needs to Tell a Supplier That He Has Selected a New Supplier

Juan's current supplier is a relatively small chemicals company run by Nick Jensen. Juan had relied exclusively on Nick's company for chemical supplies for the past three years. However, Juan had decided that a rival company was a better fit.

Situation 4 (Wednesday afternoon)

Juan Needs to Inform an Unhappy Customer That He Is Rejecting Her Claim

Juan needs to respond to an email complaint from a customer who complained that a marble countertop the company had installed in her home had a crack. She requested that Marble Home Makeovers replace the countertop or pay her $495 (the original price). The countertop had been manufactured and installed five years previously, well beyond the two-year warranty.

Situation 5 (Wednesday afternoon)

Juan Delivers Negative Feedback to an Employee

Juan conducts quarterly performance reviews for each of his shift supervisors. Today, he is meeting with Jake Adelman, who is one of the most popular employees in the company. Jake is outgoing, friendly, and inspiring to his workers. Juan has become close friends with Jake, and they regularly go out for lunch together.

One of Jake's primary responsibilities is to ensure that each outgoing shipment to construction wholesalers is complete and that all items are free of defects. In the past few months, however, several wholesalers have complained that Jake's shipments did not contain the correct items. In two cases, nearly every item in the shipments contained defects. Juan deemed Jake's quarterly performance as poor and knew he needed to confront Jake about these problems.

Task 1

How can Cindy inform Juan of changes to his credit line and also preserve business with Marble Home Makeovers? (See the section on delivering bad news in person to customers.)

Task 2

How can Juan write a message to employees informing them that they will have reduced work hours without excessively reducing employee morale and commitment? (See the section on delivering bad news in writing to colleagues.)

Task 3
How can Juan tell a longtime supplier that he has chosen a new supplier and still maintain goodwill? (See the section on delivering bad news in writing to external partners.)

Task 4
How can Juan reject this customer's claim but retain her loyalty? (See the section on delivering bad news in writing to customers.)

Task 5
How can Juan tell one of the most popular employees that he is not performing well? (See the section on delivering bad news in person for performance reviews.)

Maintaining Credibility When Delivering Bad News

LO10.1 Describe how delivering bad news impacts your credibility.

How you deliver bad news strongly impacts your credibility. Any perceived dishonesty or deception can damage your credibility.[3] Communication specialist Dave Zielinski described how failing to effectively deliver bad news during tough times can damage credibility over the long term:

> Employees, who have long memories, tend to remember how they were treated, not what marching orders they received, in times of corporate turmoil. When it comes to how they perceive the organization in the aftermath of such troubles, those who communicated openly, honestly and frequently will lay the foundation for future loyalty and overall organizational health.[4]

Zielinski's point is clear: Honesty and openness are key. Although people do not like to get bad news, they expect the truth.

Among the most trusted and successful sports agents and business advisors, David Falk is often recognized for his straightforward and honest approach to business. Basketball star Michael Jordan, who signed on with Falk as his agent, stated the following about him:

> There are moments in everyone's lives when you have to trust that your advisor will look you in the eye and tell you the truth, even when it's not what you want to hear. I always knew that David would tell me what he truly felt even when it wasn't popular or politically correct. As much as I always valued his skill for negotiation and his creativity in marketing, I especially admired his courage to express his convictions when it mattered most.[5]

Falk earned credibility because of his courage to deliver bad news: "Failing to tell the truth is not simply dishonest," he said, "it's ineffectual. . . . It took me a while but I came to recognize the beauty in being blunt. While I always tried to be respectful and mindful of the other person's feelings, I was also firm and to the point. . . . I believe being honest, even brutally so sometimes, creates the best atmosphere for long-term success."[6]

Falk's comments highlight the idea that trust and long-term success in business are built on honesty in bad-news situations. His experiences are not unique. Research shows that honesty and openness can lead to more trust in the bad-news bearer. The consulting firm Siegel+Gale conducted research about delivering bad news during the Great Recession. Through the research involving hundreds of customers of financial service companies, the consultants concluded the following:

> During this time of economic crisis, many organizations struggle to communicate unfavorable news—from lower earnings and shrinking market share, to cuts in service and increases in prices. While many assume that communicating bad news to customers shakes relationships and breeds mistrust, Siegel+Gale's latest . . . survey reveals that delivering bad

news the right way can actually strengthen customer relationships and lay the foundation for increased trust when conditions improve.[7]

Although one should never view the delivery of bad news opportunistically, those who deliver bad news appropriately enhance their credibility. It shows character on your part to tell people the truth, even when it's hard for all parties involved. In particular, bearing responsibility for your own role in causing the bad news shows your commitment to transparency and honesty, further bolstering character. It shows caring when you do all you can to lessen the impact of bad news on others and exhibit forward thinking that considers their needs. It shows competence when you have a track record of success in tough situations and demonstrate a good plan for overcoming the challenges you face.

Applying the AIM Planning Process for Bad-News Messages

Guidelines for Bad-News Messages

- Deliver the bad news in a timely manner.
- Choose the right mix of channels.
- Sympathize with the bad-news recipients and soften the blow.
- Provide a simple, clear rationale.
- Explain immediate impacts.
- Focus on solutions and long-term benefits.
- Show goodwill.

Planning is critical to delivering bad news in a way that best serves all parties involved and leaves the door open for productive cooperation in the future. Yet, since bad news should be delivered in a timely manner, planning must be tackled as soon as possible. Many times, bad-news recipients are hurt less by the bad news than by how long it took to receive it. Your challenge, then, is to start planning efficiently as soon as you discover the unpleasant news.

Understand How the Bad News Will Affect Your Audience

Delivering bad news often creates stress, anxiety, and other strong emotions. You may feel eager to relieve yourself of these feelings. More than with other types of messages, you may need to work hard to focus your message on serving others. You can make the situation better for the recipients by understanding the nature of the bad news and its impacts on them, delivering the news in a timely manner, and choosing the right mix of communication channels.

Deliver the Bad News in a Timely Manner The adage *no news is bad news* applies when colleagues, clients, or customers know you are in the process of making decisions that can impact them. In the absence of information, they often assume the worst. Sometimes, as people are wondering what the bad news may be, they may even pass their speculations on as part of the rumor mill. In these cases, you lose control of the message and can lose credibility if others think you have wrongfully withheld information. Never wait too long to deliver bad news.[8]

On the other hand, don't deliver bad news when you don't know the details, since this can cause unnecessary anxiety. For example, announcing that there *might* be budget cuts or layoffs or pay cuts without any specifics could cause more alarm than is warranted. You will be the judge of this.[9]

LO10.2 Explain considerations for deciding which channels to use when delivering bad-news messages.

Choose the Right Mix of Channels Generally, bad news is best delivered in person. This allows rich communication, where you can use verbal and nonverbal cues to show your concern and sensitivity. You get immediate feedback from those receiving bad news and can respond to their discomforts right away. In many unpleasant situations, you can immediately come up with options and solutions.

However, delivering bad news in writing also has advantages. By placing the bad news in writing, you can control the message more carefully and ensure that you state the bad news precisely and accurately. However, you do not have the ability to respond immediately if the message recipients misinterpret the bad news. Moreover, many people view bad news in written form as callous and impersonal. See Table 10.1 for a summary of advantages and disadvantages of delivering bad news in person and in writing.

TABLE 10.1

Advantages and Disadvantages of Bad News in Verbal and Written Forms

Verbal Delivery	Written Delivery
Advantages • Can use and observe nonverbal cues • Can more easily demonstrate intentions • Can more effectively clarify and explain the bad news • Can respond to concerns immediately	*Advantages* • Can craft message more carefully • Can document the message more easily • Can provide a message that serves as a reference (provide directions, suggestions, and options for future actions) • Can deliver message to more people more efficiently
Disadvantages • May hinder effective delivery, interpretation, and discussion of bad news due to strong emotions • Requires more time • Less able to document the bad news • Less able to provide directions that bad-news recipients can reference later	*Disadvantages* • Unable to demonstrate concern through nonverbal cues • Unable to immediately respond to concerns • Unable to work out mutual solutions • Less able to control long-term impacts on working relationships

As you consider which communication channels to use, analyze the nature of the bad news. In research from medical and social psychology literature, researchers have identified three aspects of the bad news that impact how you approach delivering it: severity, controllability, and likelihood. **Severity** is how serious or detrimental the bad news is. **Controllability** is the degree to which the bad-news message receiver can alter the outcome. **Likelihood** relates to the probability of the bad event occurring.[10]

As controllability decreases and likelihood and/or severity increase, richer channels of communication are most appropriate. For example, laying someone off should certainly be done in person. There is no controllability (the employee cannot undo being laid off), there is complete likelihood, and there is high severity (the employee will be unemployed and potentially without income and other benefits such as health insurance). When bad news becomes more controllable, less likely, and/or less severe, less-rich channels are more often justified. In Table 10.2, you can see appropriate responses in terms of richness for various combinations of severity and controllability.

Of course, your preferred communication channel is not always available. For example, if you work in a virtual team, you may not have the option of delivering bad news in person. Or if you hold a high-level leadership position, you simply cannot take time to speak to each person affected by your decisions. Where possible and appropriate, choose richer communication channels.

LO10.3 Summarize principles for effectively delivering bad-news messages.

Develop Your Ideas

Gathering the facts from a variety of sources is critical for bad-news messages. Often, you are dealing with emotionally charged issues, situations that are open to multiple interpretations, and/or situations where the potential consequences are severe. If you gather as much information as you can from a variety of sources, you're more likely to make objective judgments and propose fair solutions. Make sure you are aware of your own emotions and how they impact your thinking. You might ask yourself whether your reaction to the situation involves any defensiveness, rashness, or favoritism.

Components of *Indirect* Bad-News Messages

- Ease in with a buffer.
- **Provide a rationale.**
- **Deliver the bad news.**
- Explain impacts.
- Focus on the future (as appropriate).
- Show goodwill.

Show concern.

Structure Your Message

One choice you'll make when delivering bad news is whether to make your message more or less direct. For most bad-news messages, you'll ease into the bad news and allow the affected person to prepare for the potential shock. In less-direct messages,

TABLE 10.2

Types of Bad News and Richness of Communication Channels

Type of Bad News	Example	Written Only (Example: Email)	Verbal Not in Person (Example: Phone)	Verbal + Nonverbal Not in Person (Example: Video Call)	Verbal + Nonverbal in Person (Example: Meeting)	In Person + Written (Example: Meeting + Follow-up Memo)
Low Severity + High Controllability	Colleague's idea is rejected	*	*	*	*	*
Low Severity + Low Controllability	Customer claim is rejected (Figure 10.8)	*	*	*	*	*
Medium Severity + High Controllability	Vendor chooses another supplier (Figure 10.6)	*	✓	✓	✓	✓
Medium Severity + Low Controllability	Employees given fewer work hours (Figure 10.4)	✗	✗	✓	✓	✓
High Severity + High Controllability	Employee receives poor performance rating (Figure 10.10)	✗	✗	✗	✓	✓
High Severity + Low Controllability	Employee laid off	✗	✗	✗	✗	✓

✗ = rarely acceptable; * = depends on communication channel in use or preferred by bad-news recipient; ✓ = preferred.

you'll describe the rationale for the bad news first, whereas in more-direct messages, you'll give the bad news and then provide the rationale.

Components of *Direct* Bad-News Messages

- Ease in with a buffer.
- **Deliver the bad news.**
- **Provide a rationale.**
- Explain impacts.
- Focus on the future (as appropriate).
- Show goodwill.

Show concern.

Sympathize with the Bad-News Recipient and Soften the Blow

When bad-news message recipients know you are concerned about them, they generally respond without antagonism and even appreciate your honesty. In person, most people make a judgment about your genuine concern for them based on many factors, including your past treatment of them and your nonverbal behavior. In writing, you are less able to use nonverbal behavior to show your sincere concern and appreciation.

For written messages, several techniques help the bad-news recipient prepare emotionally. First, using a neutral subject line often helps the reader recognize that the news will likely not be positive. However, since it is not direct (does not state the bad news), it allows the reader to momentarily adjust psychologically to accept the bad news.

Also, in some communications, you may use a one- or two-sentence buffer to start the bad-news message, which softens the blow. A **buffer** is a statement to establish common ground, show appreciation, state your sympathy, or otherwise express goodwill. Table 10.3 provides several examples, each of which is intended to draw connections between the message sender and message recipient and reduce the sudden emotional impact for the recipient.

When you show sympathy to your readers, you let them know you share their sorrow or trouble in some part. However, limit such expressions to one or two sentences, and make them sincere and professional. Avoid taking responsibility if you are not at fault. For example, the statement "We're sorry to hear about the crack in your countertop"

TABLE 10.3

Buffers for Bad-News Messages

Type of Buffer	Example
Neutral statement	SUBJECT: Decision on Bid for Annual Contract with Marble Home Makeovers
Appreciation	Thank you for submitting your competitive bid to supply and deliver plastic resins for the upcoming year.
Sympathy	We're sorry to hear about the crack in your countertop.
Common ground	Reducing work hours creates unwanted financial challenges for our employees.
Compliment	Thank you for your excellent work, especially during this temporary period of cash flow challenges.

does not imply responsibility, whereas the statement "We're sorry that the countertop we installed has malfunctioned" may.

When delivering bad news, you may choose to use a form of buffer referred to as a **teaser message.** These messages, often written, signal to recipients that an upcoming conversation or other communication may involve unpleasant news. The teaser message prepares recipients emotionally yet does not reveal specific information. Neutral statements such as "I have some feedback to give you this afternoon" or "I'll share with you what our clients thought of your ideas" help employees prepare for news that may be partially negative.[11]

Deliver the Bad News Throughout the delivery of bad news, find ways to express concern for recipients. By showing that you care, you may help them bear the news better and respond constructively. Generally, make the expression of concern brief, and stay attentive to the receiver's response. Be aware that excessive displays of concern may sound like a pity trip.

Get to the point fairly quickly—that is, express the bad news and explain the reasons for it clearly. Recipients of the bad news generally expect an explanation for why a decision was made. Stick to the facts so recipients will not try to fill in the blanks and come to the wrong conclusions. If you skirt around the bad news, your audience often views your efforts as evasive, thus weakening your credibility.[12]

In written bad-news messages, the neutral subject line and short buffer can soften the blow and show sympathy. However, make the buffer statement short, and, again, get to the bad news fairly quickly. You don't want readers to feel you are purposely downplaying or hiding the bad news by burying it within the message. You also don't want the readers to get their hopes up only to have them dashed later in the message. In these instances, bad-news recipients may even feel misled. If you find yourself writing an extremely indirect bad-news message, ask yourself whether you should instead meet in person or pick up the phone.

Provide a Clear Rationale and Specific Feedback Recently, research about delivering bad news to customers in the financial industry has shown that when banks clearly explained the reasons for the bad-news decision, customers felt more trust toward the bank. In response to letters that offered little (i.e., "market conditions and maintaining profitability on your account") or no explanation, customers made comments such as the following: "This makes me feel like the bank wants to squeeze me for all they can. They're not interested in me as a loyal customer; I'm just a number to them." By contrast, customers who received full explanations in the letters were twice as likely to consider the organizations credible. They used statements such as the following: "They seemed honest and up-front. They were forthcoming and direct with their information, which is always good." Furthermore, the researchers showed that clear, specific, and simple language built trust, whereas vague, general, and legal language created suspicion and anger.[13]

The most obvious and primary benefit of using simple and specific language is that recipients are more likely to interpret the information as honest and up-front. An additional reason to use simple and specific language is that bad-news recipients struggle to process information in bad-news situations. Since many recipients may experience strong emotions and begin thinking ahead about what the bad news means for them, they are less capable of processing complex information.

Explain Immediate Impacts Once you've explained the bad news and the reasons for it, discuss the immediate impacts on recipients. In most situations, avoid moving directly to a discussion of what the bad news means for the company. Your focus should now be on the bad-news recipients, who will naturally be wondering, "What does this mean for me right now?"[14]

Resist the impulse to minimize the negative impact. By honestly describing the negative impacts, you address the foremost concern in the recipients' minds—themselves. If you skip this step, which many people prefer to do since it is not pleasant, you may lose the attention of the bad-news recipients for two reasons. First, they can't process other topics. They are fixated only on the potential impacts on themselves. Second, they may be annoyed if you move immediately to what you consider the silver lining, showing you are detached from their immediate needs.

Focus on Solutions and Long-Term Benefits Most bad news is not permanent. In other words, it usually involves a temporary setback. So once you've described the immediate impacts on the recipients, move to a constructive, forward-looking approach. Where possible, describe realistic solutions, steps to overcoming the current problems, and/or the benefits that current sacrifices make possible. Ideally, you can describe solutions and benefits that the bad-news recipient can control.[15]

Focusing on solutions and long-term benefits should take a positive tone. However, be careful about the good news/bad news approach. The recipients of bad news may react negatively if they perceive that you are downplaying the impact of the bad news on them.[16]

Show Goodwill Keeping the door open to working together constructively in the future should be one of your top priorities in nearly all cases. You may be demoting an employee from a current position today but promoting that same employee two or three years down the road. You may be denying the claim of a customer today but hoping for that customer's repeat business far into the future, and you're definitely trying to ensure that customer tells others that you are credible. You may say no to a supplier today but expect good terms on contracts from that same supplier in the future. It's not even uncommon for companies to ask laid-off employees to return to the company. In the process of delivering bad news, try not to burn bridges.

Getting the Tone, Style, and Design Right

When you discuss bad news with others, use your tone and nonverbal behaviors to show your interest and concern. Notice the recipient's nonverbal behavior as you deliver the news. Your ability to manage emotions—yours and others—during a bad-news discussion strongly influences your future working relationship. Research about providing feedback in performance reviews has shown that providing negative feedback with a positive tone actually makes employees feel more positive than when they receive positive feedback with a negative tone. In other words, the power of delivery often outweighs the content of your message in feedback situations.[17]

When you write your bad-news messages, carefully consider tone, style, and design. Aim for a *tone* of genuine concern in a professional manner. Also inject some positive direction to the message, but don't provide false hope or seem out of touch with the impacts on message recipients. Use a writing *style* that is simple, accurate, and jargon-free. Doing so helps people process information quickly and accurately. Since bad-news recipients may be experiencing strong emotions and allowing their thoughts to wander, they are less able to process information accurately. Therefore, use clear language that they will not misinterpret. Finally, maintain a simple *design*. If your message looks too slick, bad-news recipients may believe the message is designed more to impress than to meet their needs.

Delivering Bad News in Person to Clients

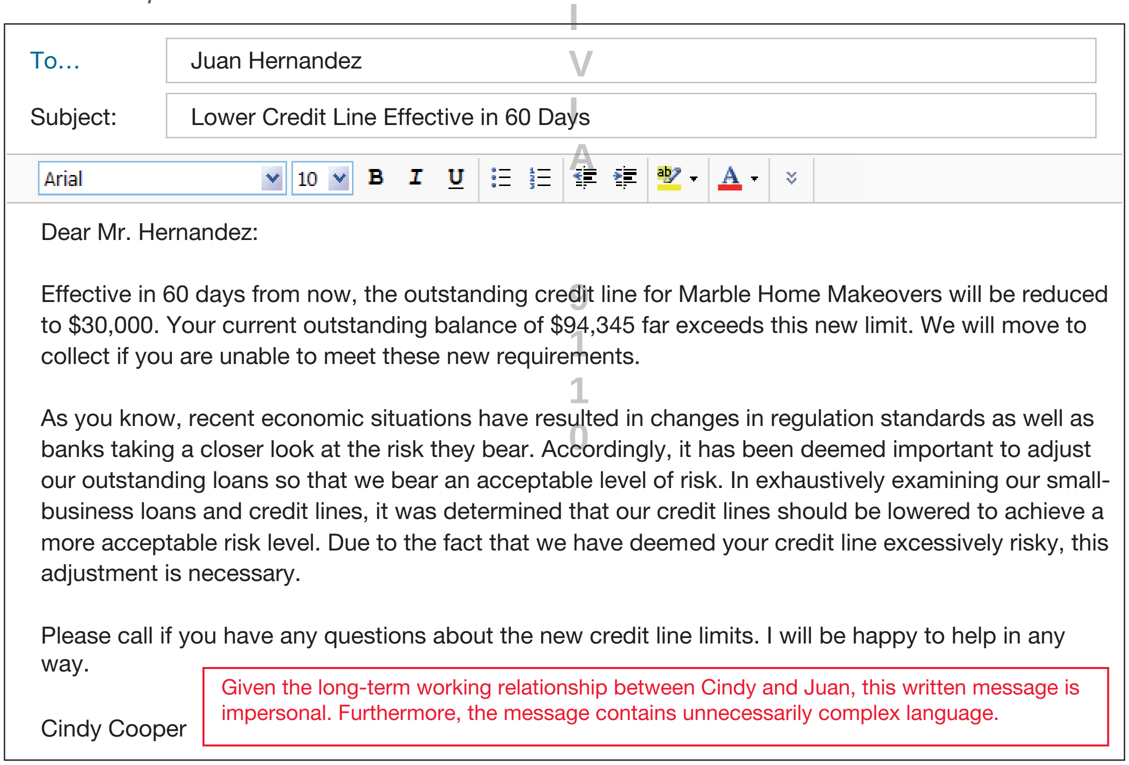
LO10.4 Compose effective bad-news messages in person and in writing for various audiences, including colleagues, external partners, and customers.

In any business, you develop close working relationships with clients over time. You become aware of their needs and hopes. In many cases, you've had to struggle to gain their business and you're constantly working to keep them satisfied with your products and services. Providing bad news to these clients is stressful, since you do not want to let them down, and you know that your success depends on their business.

In the first situation from the chapter case, Cindy Cooper needs to inform Juan Hernandez that the bank will reduce the credit line to his business by between 50 and 75 percent within a few months. Since Marble Home Makeovers is currently in a poor cash position, this new policy is serious and could be viewed as medium severity. Since the bank has some flexibility in establishing the new credit line terms (reduction of between 50 and 75 percent within 60 to 90 days), Juan may be able to negotiate the best possible terms. Therefore, he does have some control. In Cindy's less-effective approach (see Figure 10.1), she writes an email message, which is not as rich and personal as required based on the severity of this situation. In the more-effective delivery (see Figure 10.2), Cindy calls Juan, meets with him, and follows principles for delivering bad news effectively.

FIGURE 10.1

Less-Effective Delivery of Bad News to a Client


To... Juan Hernandez

Subject: Lower Credit Line Effective in 60 Days

Dear Mr. Hernandez:

Effective in 60 days from now, the outstanding credit line for Marble Home Makeovers will be reduced to $30,000. Your current outstanding balance of $94,345 far exceeds this new limit. We will move to collect if you are unable to meet these new requirements.

As you know, recent economic situations have resulted in changes in regulation standards as well as banks taking a closer look at the risk they bear. Accordingly, it has been deemed important to adjust our outstanding loans so that we bear an acceptable level of risk. In exhaustively examining our small-business loans and credit lines, it was determined that our credit lines should be lowered to achieve a more acceptable risk level. Due to the fact that we have deemed your credit line excessively risky, this adjustment is necessary.

Please call if you have any questions about the new credit line limits. I will be happy to help in any way.

Cindy Cooper

Given the long-term working relationship between Cindy and Juan, this written message is impersonal. Furthermore, the message contains unnecessarily complex language.

FIGURE 10.2

More-Effective Delivery of Bad News to a Client

Cindy was tired of telling her small-business clients the disappointing news that their credit lines would soon be severely reduced. She sighed and called the next person on her list: "Juan, the bank is making some adjustments to small-business credit lines. I'd like to meet in person as soon as possible to explain what this means for your business." Juan replied, "I can stop by this afternoon since I'm in town today." Having worked with Juan for over five years, she knew meeting the bank's demands would be challenging for his business.

Phone call with a somewhat urgent but neutral tone serves as a BUFFER and allows Juan to prepare emotionally.

[Later at the bank]

Cindy: Juan, thanks for stopping by on such short notice. The bank is making some major changes to the terms of our small-business credit lines, and I wanted to let you know about these changes right away. Because of so many recent bank failures around the country, we requested an audit to help us evaluate our situation. The audit results showed that we hold far too much debt, and we're putting several policies into place to place the bank in a safer financial position. These policies will impact your business, so I wanted to explain the new terms and discuss how we can work together in meeting them.

Provides RATIONALE for changes in credit line terms.

Juan: This sounds serious. What are the changes?

Cindy: For most small-business credit lines, including yours, we're reducing the credit line by between 50 and 75 percent. We expect to make the policy effective in between 60 and 90 days, and the bank will move to collect on outstanding credit above the new limits. Today, I'd like to discuss ways to lower your outstanding credit so that you'll remain on good terms once the new policy goes into place.

Delivers the BAD NEWS.

Juan: Well, Cindy, this comes as quite a surprise. This will put tremendous strain on our business. Exactly how much do we need to pay back and in what time frame?

Cindy: In your case, you're currently using nearly $94,000 of your $100,000 credit line. We will cut the credit line to between $30,000 and $50,000 in 60 to 90 days. Based on our conversation today, including your ideas for reducing your outstanding balance, I'll make a determination this afternoon. What are your projections for cash flow over the next three to six months? What can you do to improve your cash situation rapidly?

Explains IMMEDIATE IMPACTS.

Juan: We are facing some challenging cash constraints, but the long-term position looks strong. We've expanded during the past two years from a regional market to a national one. Our revenue has grown by 400 percent in just one year, and we've increased the number of employees from 15 to 50 in a year and a half. With all this growth, we've moved into a new building and invested heavily in new equipment and facility improvements.

We currently have five bids on several large projects. I expect us to get at least two of these. If we receive any of the five bids, we could immediately pay back the credit line.

Cindy: What if you do not receive any of the bids?

Adopts a listening orientation.

Juan: In that case, our only option would be to lay off employees or reduce work hours. We do currently hold some excess inventory. We could temporarily reduce work hours and thus lower payroll expenses by relying on this inventory. . .

Focuses on the FUTURE and shows GOODWILL.

[After continued discussion, Cindy decides to cut the credit line to $50,000 in 90 days since Juan has agreed to temporarily reduce payroll expenses. The employees will not be happy about this change.]

Delivering Bad News in Writing to Colleagues

One characteristic of high-performing organizations is that employees volunteer information with one another, even when it is bad news. In many organizations, however, employees are reluctant to share bad news. They do not want to disappoint others, and they do not want to be blamed. When many employees in an organization avoid sharing bad news, the result is the mum effect. The **mum effect** occurs when the chain of messages within an organization is filtered at each level to leave out or inaccurately state the bad news. The message that top executives often hear ends up being unrealistically rosy.

One tragic example of the mum effect is the 1986 space shuttle explosion. During the investigation, Nobel laureate Richard Feynman found that engineers had predicted the probability of a main engine failure at between 1 in 200 and 1 in 300. Top decision makers at the National Aeronautics and Space Administration (NASA), however, had been informed by reports that had progressively gotten more positive through several layers of bureaucracy, and they had thus believed the probability of main engine failure was closer to 1 in 100,000. While the shuttle disaster is an extreme example, businesses repeatedly underperform and even fail on projects due to the mum effect.[18]

When most employees deliver bad news and negative feedback to one another in open, honest, caring, and rich environments, organizations tend to exhibit higher morale. On the other hand, when most employees do not share bad news or do so impersonally, organizations tend to exhibit lower morale. In practice, many companies have cultures of delivering bad news impersonally. In a survey of 292 employees, only 37 percent stated that the primary means of delivering bad news in their companies was face-to-face meetings. The other primary means of bad-news delivery were emails (29 percent), letters and memos (12 percent), internal employee websites (8 percent), teleconferences or videoconferences (6 percent), and company newsletters (3.5 percent).[19]

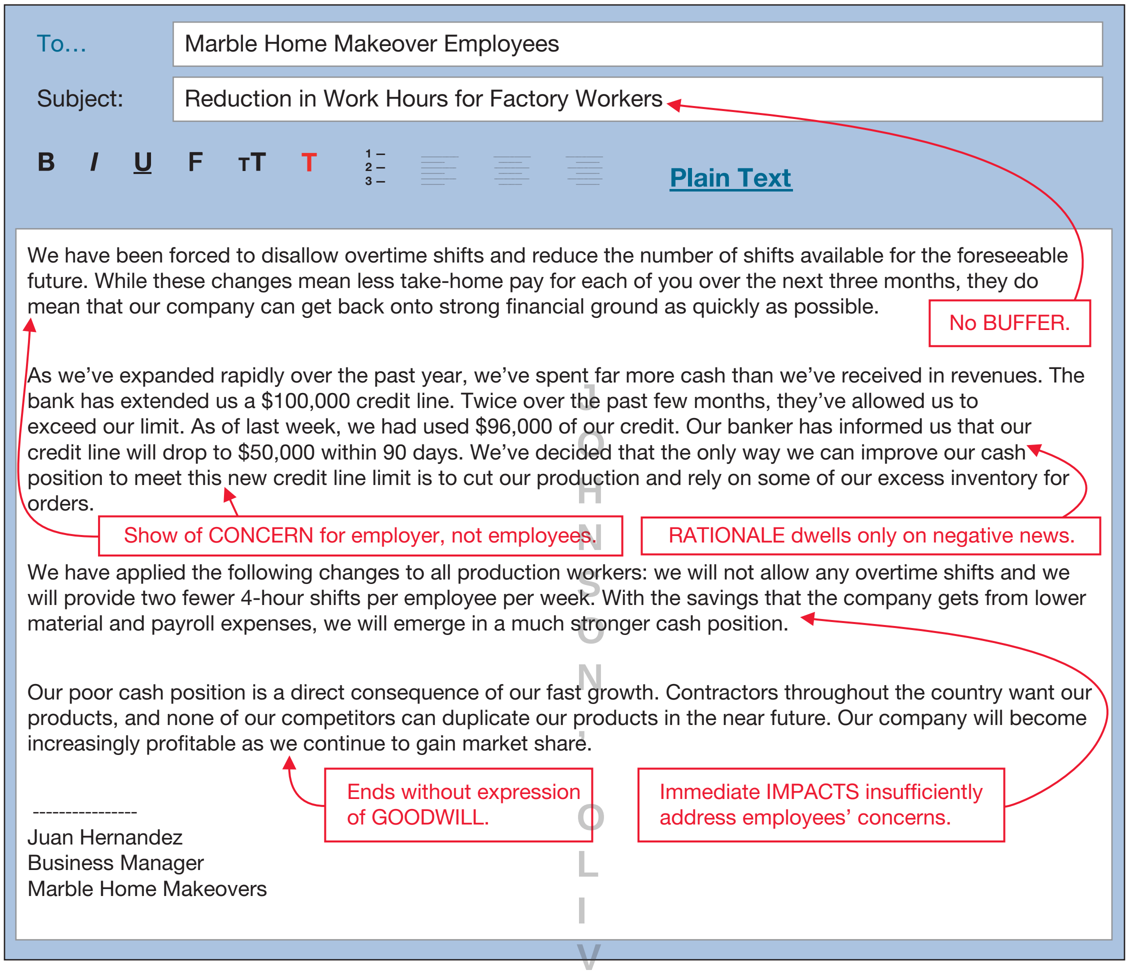
McGraw Wentworth, a consulting firm, recently issued a report about delivering bad news during the Great Recession. The report explained, "Using an impersonal e-mail format to deliver bad news is very poor business form. Your employees will feel your organization has no respect for them. They will not forget the callous way they received bad news and when the economy turns around, they may be the first people looking for new opportunities."[20]

In all management positions, you will need to give bad news to your boss, your peers, or those you supervise from time to time. Your ability to deliver bad-news messages constructively will foster a transparent and open work culture. As appropriate, internal bad-news messages should show appreciation for the efforts of employees and look to the future.

In Juan's case, he is delivering news to the production workers that the company needs to reduce their hours for three months. He broke the news first in a rich environment—a meeting. Next, he is writing a follow-up to provide complete details and serve as a reference to employees. In the less-effective example (see Figure 10.3), Juan leaves out a buffer and focuses primarily on the needs of the company. This approach will anger many employees and reduce company loyalty. In the more-effective example (see Figure 10.4), Juan focuses on the employees—their needs and concerns. He does not sugarcoat the news. He clearly describes the reasons for reducing work hours. He also clearly explains the likely negative impacts (specific ranges of loss in income). Many employees will likely respect him for his openness and honesty. Juan concludes the message with forward-looking and positive thoughts about opportunities for the employees. This is appropriate as long as Juan can deliver on these promises.

FIGURE 10.3

Less-Effective Bad-News Message to Employees



To... Marble Home Makeover Employees

Subject: Reduction in Work Hours for Factory Workers

B I U F TT T Plain Text

We have been forced to disallow overtime shifts and reduce the number of shifts available for the foreseeable future. While these changes mean less take-home pay for each of you over the next three months, they do mean that our company can get back onto strong financial ground as quickly as possible.

As we've expanded rapidly over the past year, we've spent far more cash than we've received in revenues. The bank has extended us a $100,000 credit line. Twice over the past few months, they've allowed us to exceed our limit. As of last week, we had used $96,000 of our credit. Our banker has informed us that our credit line will drop to $50,000 within 90 days. We've decided that the only way we can improve our cash position to meet this new credit line limit is to cut our production and rely on some of our excess inventory for orders.

We have applied the following changes to all production workers: we will not allow any overtime shifts and we will provide two fewer 4-hour shifts per employee per week. With the savings that the company gets from lower material and payroll expenses, we will emerge in a much stronger cash position.

Our poor cash position is a direct consequence of our fast growth. Contractors throughout the country want our products, and none of our competitors can duplicate our products in the near future. Our company will become increasingly profitable as we continue to gain market share.

Juan Hernandez
Business Manager
Marble Home Makeovers

Delivering Bad News in Writing to External Partners

In most business positions, you will work extensively with external partners. External partners can include suppliers, consultants, or joint-venture partners. These are people you interact with often over extended periods. You will often have deep working relationships with them. Most often, you are better off breaking bad news to them in a rich communication channel—that is, in person or by phone. Writing makes sense, however, when you are providing a formal notice (i.e., rejecting a bid or proposal), when the bad news is not severe, or when your audience prefers corresponding in written form. When you break bad news in writing, you will generally follow up with a phone call or visit.

Juan has purchased extensively from Nick Jensen over the years, so rejecting his bid is not easy. In the less-effective example (see Figure 10.5), Juan does not provide useful feedback and does not indicate any interest in future work together. In other words, Juan has directed the message away from any business interest of Nick's. Nick may decode Juan's excessively personal display of concern (thanking him for

FIGURE 10.4

More-Effective Bad-News Message to Employees

To... Marble Home Makeover Employees

Subject: Temporary Change in Work Shifts over Next Three Months

B *I* U F тT T 1 2 3 **Plain Text**

Neutral subject line as BUFFER.

Hello Marble Home Makeovers Team:

I want to further explain our *temporary* policy of eliminating overtime shifts and reducing the number of shifts available. While these changes mean less take-home pay for each of you over the next three months, I want to assure you that we are doing all we can to quickly get back to normal work hours.

Shows CONCERN.

Why We Must Change Work Shifts

Your great work has contributed to our rapid expansion over the past year. Expansion has brought growing pains, and we've spent far more cash than we've received in revenues. Our bank has extended us a $100,000 credit line. Twice over the past few months, they've allowed us to exceed our limit. As of last week, we had used $96,000 of our credit line. Our banker has informed us that in 90 days, our credit line will be lowered to $50,000. To meet this new credit line limit, we need to make some temporary changes.

Working with our banker and our four shift supervisors, we've decided that the only way we can improve our cash position is to cut our production and rely on our excess inventory for orders. Production expenses, including payroll, account for nearly 75 percent of our expenses. So, temporarily lowering production is our only option for improving the cash position quickly.

Provides RATIONALE.

What These Temporary Changes Mean for You

The changes in work shifts will be applied to all production workers. The following two changes apply for the next three months:

- No overtime shifts
- Two fewer 4-hour shifts per employee per week

Explains immediate IMPACTS.

We estimate that these changes will cost each of you between $175 and $325 per month. We know many of you depend on your full wages, and this temporary change creates an unwanted burden. We are putting these changes into place as a last resort. We will do all we can to get your take-home pay back to normal as quickly as possible.

How We'll Keep You Updated

I will update you weekly about progress we are making to improve our cash position. Please feel free to drop by my office anytime if you have specific questions. I expect that we will emerge with a strong cash position within three months.

What the Future Holds at Marble Home

Discusses the FUTURE.

Our poor cash position is a direct consequence of our fast growth. Contractors throughout the country want our products, and none of our competitors can duplicate our products in the near future. As we continue to grow, we will need experienced employees to move into management and other exciting positions, creating many opportunities for each of you in the next few years. Thank you for helping us grow so quickly in the past year and helping us get over this temporary financial hurdle.

Juan

Concludes with statement of GOODWILL.

being such a great friend and asking him out to lunch) as a less-than-straightforward way of saying no and an end to a working relationship. In the more-effective example (see Figure 10.6), Juan keeps it short, but he accomplishes the basic goals of a bad-news message. He expresses goodwill, explains why Marble Home chose another supplier, and leaves the door open to future business. Providing the rationale for this decision is helpful to Nick. It gives him an opportunity to improve the competitiveness of his company by focusing on these weaknesses. This professional

FIGURE 10.5

Less-Effective Bad-News Message to a Supplier

To... Nick Jensen

Subject: Plastic Resins

B I U F тT T 1 – 2 – 3 – Plain Text

Hi Nick:

The BUFFER and show of CONCERN are vague and excessively personal.

As you know, we recently accepted bids for annual contracts from a variety of companies, including yours, to supply and deliver plastic resins for the upcoming year. We received bids from four companies and looked at a variety of factors in determining what was right for us. Your bid was excellent. We were particularly impressed with your commitment to providing products on shorter notice than in the past. Clearly, you are improving your already fantastic delivery system.

Nick, we have always appreciated working with your company. This has been an extremely difficult decision-making process. But, we have decided to go in another direction. You have always provided your products reliably, but in today's economy, we simply have no choice but to go on price alone. You have been a great friend to me, and I hope to see you around town. Let's stay in touch and go out to lunch when you've got a chance.

Juan

RATIONALE is not specific or constructive and does not lay out possibility of FUTURE professional cooperation.

FIGURE 10.6

More-Effective Bad-News Message to a Supplier

To... Nick Jensen

Subject: Decision on Bid for Annual Contract with Marble Home Makeovers

B I U F тT T 1 – 2 – 3 – Plain Text

Hi Nick:

Neutral subject line and show of appreciation as BUFFERS.

Thank you for submitting your competitive bid to supply and deliver plastic resins for the upcoming year.

We reviewed the bids with three chief criteria in mind: price, delivery schedule, and inventory management.

We have accepted Hunter Chemical's bid to supply and deliver plastic resins for the upcoming year. Hunter Chemicals offered us slightly better pricing. Also, we were impressed with Hunter Chemical's ability to deliver product on shorter notice and link its online order system directly to our online inventory system.

Nick, we have always appreciated the dependable service your company has provided. We will continue purchasing lumber supplies from you, and I will notify you next year when we are ready to accept bids again for chemical supplies.

Best wishes,

Juan

Concluding paragraph contains statements focusing on the FUTURE and GOODWILL.

Specific RATIONALE shows CONCERN and provides basis for FUTURE cooperation.

courtesy is not always appropriate or necessary. You'll be able to make this judgment based on the corporate culture where you work. Although Juan and Nick generally correspond by email, a follow-up phone call from Juan could strengthen their working relationship.

Delivering Bad News in Writing to Customers

In many positions, you will have direct contact with customers. You have probably already worked in jobs where you interacted extensively with customers and likely had to deliver bad news. You certainly have been an angry customer who has received bad news, so you can relate! Bad-news messages to customers contain the same essential components as other bad-news messages. However, when writing this kind of bad-news message, you want to emphasize the options available—solutions the customer has control over. In most bad-news situations, customers are interested only in solutions. They do not want long descriptions of why you can't meet their demands. Also, they do not want to be blamed for anything. Even when customers are at fault, use neutral language (avoid you-voice and use passive verbs) to point out mistakes.

Juan is in a situation with a customer who has made an unreasonable claim, so he is not going to replace the product or provide a refund. You will often encounter similar situations. In the less-effective example (see Figure 10.7), Juan unnecessarily blames the customer. Because he uses you-voice ("since you did not purchase the countertop with a warranty, you will not receive a refund"), the tone is accusatory and even confrontational. Furthermore, the message is not helpful enough. It offers some hastily written, vague advice. The customer will likely decode this response as uncaring.

In the more-effective message (see Figure 10.8), Juan provides both a buffer and expression of sympathy in the first sentence. Although Juan denies the claim, he provides thorough, detailed options for helping this customer. Most customers would be delighted with this level of responsiveness. This message expresses goodwill. In every part of the letter, the attention to detail and expressed hope to get the countertop fixed show goodwill.

In jobs where you interact often with customers, you are unlikely to have enough time to write an original bad-news message like Juan's to each customer. However, you probably face three or four broad types of complaints. By using templates with common explanations and solutions, you can quickly tailor a message to individual situations. For example, Juan could create a template that contained two options—one for customers who might fix the products themselves and the other for customers who might want a service visit. Then he could rapidly modify various details for the individual situation.

Delivering and Receiving Negative Performance Reviews

LO10.5 Deliver and receive negative performance reviews constructively.

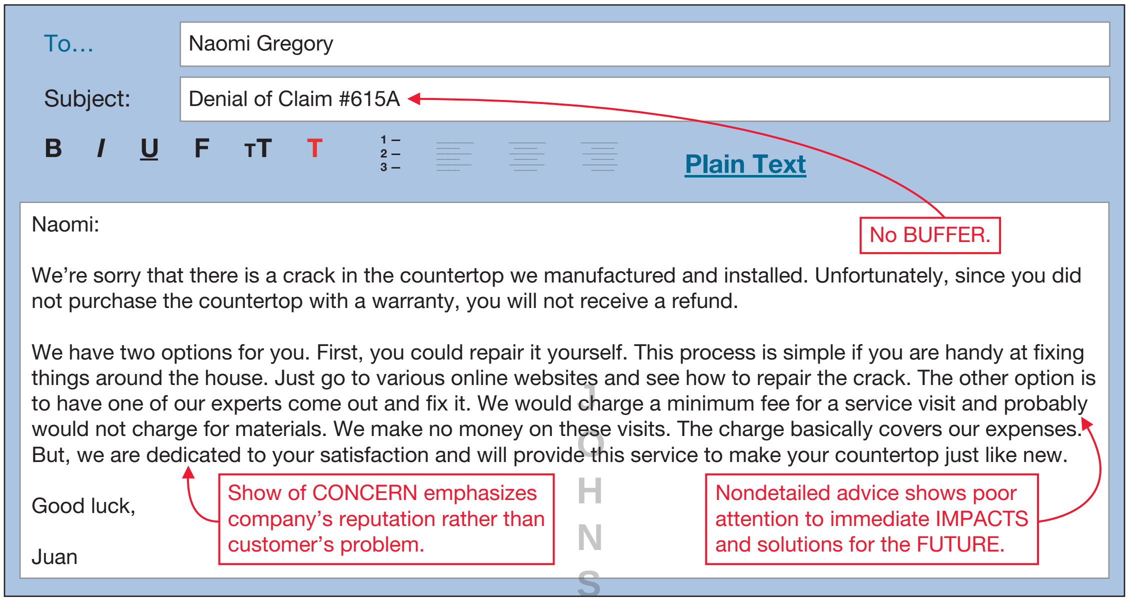
Nearly all professionals engage in regular performance appraisals; sometimes they are appraising others, and sometimes they are themselves being appraised. Face-to-face reviews are often among the most stressful experiences for employees and sometimes for managers. These situations are particularly stressful when the manager must deliver negative performance reviews.[21] In this section, we will first consider the appraisal from the manager's point of view and then turn to the employee who is being appraised.

Delivering Negative Feedback

In most performance appraisals, you are evaluating excellent or good performers. In these cases, you should focus on an overall positive message. When evaluating poor performers, however, you should be clear about the need for improvement. You can

FIGURE 10.7

Less-Effective Bad-News Message to a Customer


To… Naomi Gregory

Subject: Denial of Claim #615A

Naomi:

We're sorry that there is a crack in the countertop we manufactured and installed. Unfortunately, since you did not purchase the countertop with a warranty, you will not receive a refund.

We have two options for you. First, you could repair it yourself. This process is simple if you are handy at fixing things around the house. Just go to various online websites and see how to repair the crack. The other option is to have one of our experts come out and fix it. We would charge a minimum fee for a service visit and probably would not charge for materials. We make no money on these visits. The charge basically covers our expenses. But, we are dedicated to your satisfaction and will provide this service to make your countertop just like new.

Good luck,

Juan

generally apply the principles we have discussed earlier in the chapter regarding delivering bad news. In addition, keep the following in mind:[22]

- *Adopt a team-centered orientation.* Even when you are evaluating a poor performer, maintain a mentality that you are working together as a team. Maintain a constructive, forward-looking tone.
- *Avoid sugarcoating the bad news.* Make sure the poor performer realizes she/he must improve (see the upcoming feedback section).
- *Explain the impacts of the individual's poor performance on organizational performance.* One major goal of performance appraisals is to help poor performers understand how they are hurting organizational performance.
- *Link to consequences.* Another major goal of performance appraisals is to help employees understand how poor performance impacts their employment opportunities at the organization as well as their ability to meet their career goals.
- *Probe for reasons performance is not higher.* Ask employees to discuss their perspectives on their poor performance. Often, you will identify root causes of poor performance that will help the employee improve rapidly. You may even uncover issues that impact the organization more broadly.
- *Emphasize problem solving rather than blaming.* As much as possible, adopt a positive, forward-looking tone. You are seeking solutions that help the poor performer improve. This is good for the poor performer's career, work relationships, and morale.
- *Be firm.* Many managers want to shrink from delivering negative feedback, especially when poor performers are defensive. Remain firm that the employee must improve.

You will undoubtedly need to deliver negative performance reviews from time to time. Your overall approach to these conversations and your choice of words are important in determining how useful the reviews are. Thus, use statements that offer clear and

FIGURE 10.8

More-Effective Bad-News Message to a Customer

To... Naomi Gregory

Subject: Repairing Your Countertop

B I U F TT T Plain Text

Dear Ms. Gregory:

Positive subject line as BUFFER and show of CONCERN cushion the claim denial.

We're sorry to hear about the crack in your countertop. Fortunately, the countertop can be repaired, and it will appear as new as the day it was installed.

Since the countertop in your home was not purchased with a warranty, we are unable to provide a refund or fix the countertop without charge.

RATIONALE is accurate and brief.

You have two options for inexpensively returning your countertop to its original, beautiful appearance. The first option is for you to repair the crack yourself. The second option is for us to send one of our repair technicians to your home on a service visit ($75).

The majority of the message focuses on the FUTURE– solving the customer's problem.

<u>Option #1: Repairing the Crack Yourself</u>

To repair the crack yourself, purchase a cultured marble repair kit (typically $30 to $40). You will likely need to purchase the kit online since none of the local stores carry them. If you are willing to drive 20 miles, Jack's Hardware Shop carries the kits at a price of $44.95.

When you purchase the cultured marble repair kit, make sure to carefully match the colors to your countertop. You may need to purchase some tints to modify the color slightly.

If you choose to repair the crack yourself, I suggest that you watch a video tutorial of this process. You can find video tutorials on the websites of companies that sell these repair kits. You can also find dozens of video tutorials on YouTube.

<u>Option #2: Scheduling a Service Visit ($75)</u>

We would be more than happy to send someone out for a service visit. Our service technicians can repair the crack in less than an hour. As long as the crack is routine (which it is, based on your description), our repair technician would charge no additional amount for materials.

This option is a good choice if you're worried about repairing the crack yourself. Our repair technicians can repair cracks and other routine problems quickly. Your countertop would look just like the day we installed it.

I recommend the service visit option for one additional reason. The most difficult part of repairing cracks is getting an exact color match, and our service experts can do this reliably.

Please let us know if you would like a service visit. I could have someone there within one day of your request.

Best wishes,

Juan Hernandez

Level of detail and expression of GOODWILL show CONCERN for the customer.

targeted feedback, focus on actions and results rather than attitudes and intentions, and establish measurable and realistic expectations.

In the final situation from the opening case, Juan needs to give a negative performance evaluation to Jake, one of the shift supervisors. Juan does not want to harm his working relationship with Jake, and he's nervous about how Jake will react. In the next few pages, you'll find Juan's less-effective and more-effective approaches to

TABLE 10.4

Giving Clear and Targeted Feedback

Less Effective	More Effective
Juan: Jake, as usual, I'd like to thank you for how supportive you are of the employees. You really boost morale around here more than anyone else. . . . One thing I want to raise for the review is that on several of your shipments, our customers have complained. I think we should talk about how to avoid shipments that contain any items with defects. . . . Well, again, thank you for your efforts for the company and all your great work. See you later on for lunch.	*Juan:* Jake, for today's performance review, I want to focus on one issue: making sure all your shipments contain the correct items and that they are all defect-free . . . [spends most of time discussing how to improve in this area].
This sandwich approach to bad news (compliment–bad news–niceties) combined with Juan's roundabout language dilute the primary message that Jake needs to improve his performance. Juan may inadvertently send the signal that Jake's performance is not poor or that his mistakes are relatively insignificant.	This approach is clear and targeted. Jake will recognize the importance of improving in this area.

talking to Jake. You'll also find abbreviated versions of the performance appraisal in Figures 10.9 and 10.10.

Giving Clear and Targeted Feedback When providing feedback for poor performance, many managers want to soften the bad reviews so they employ the sandwich approach of good news–bad news–good news (compliment–negative feedback–niceties). However, the sandwich approach may inadvertently encourage poor performers. Instead, the review should emphasize the bad news so employees know how important it is for them to improve (see Table 10.4 for less-effective and more-effective examples of giving clear and targeted feedback).

Focusing on Actions and Results, Not Attitudes and Intentions Provide feedback only on that which is observable. You can accurately observe actions and results; however, you can never know the thoughts and feelings of others with certainty. Furthermore, if you focus on attitudes and intentions, you are far more likely to be perceived as judgmental and provoke defensiveness (see the less-effective and more-effective examples in Table 10.5).

Establish Measurable and Realistic Expectations Negative performance reviews without measurable and realistic goals may demoralize employees. Employees who receive negative reviews generally want a clear path to regaining positive ratings; they want to be on good terms with their supervisors, and they usually take pride in doing well. Make sure to discuss how they can improve performance in

TABLE 10.5

Focusing on Actions and Results, Not Attitudes and Intentions

Less Effective	More Effective
Juan: Jake, we've gotten a number of complaints from wholesalers that your shipments are not correct. I think this shows that you've been careless, and you're not really looking out for our customers. None of the other shift supervisors have had these problems—only you.	*Juan:* Jake, we have received four complaints about your shipments in the past month. In the most serious complaint, your shipment to Carnegie Homebuilders contained 14 sinks of the wrong size. The invoice you placed in the shipment did show the correct order, however. In addition, four of the sinks you shipped were cracked or chipped.
This critique focuses exclusively on characteristics of Jake—carelessness and inattentiveness.	This critique focuses on Jake's actions and the results of those actions. These comments are less likely to provoke defensiveness or a counterproductive response from Jake.

TABLE 10.6

Establishing Measurable Expectations

Less Effective	More Effective
Juan: Jake, we need to really focus on getting everything right from now on. I know you and your crew will do great and turn things around for our next performance review.	*Juan:* Jake, in our next quarterly performance review, we'll discuss how well you've done with your shipments. The standard will be to receive no complaints from customers for incorrect orders or for deficient products. Also, we'll discuss your progress on the goals you've outlined for managing your production crew. Thanks, Jake, for your ideas today, and I look forward to discussing your progress during the next few weeks and months.
This closing statement is vague. Jake does not know the standard by which Juan will evaluate him for the next performance review.	This closing statement is specific and measurable. Jake knows the standards by which Juan will evaluate him for the next performance review.

specific ways. You might even set up a development plan that includes action steps, timelines, specific goals, training, and resources needed. By setting clear expectations for improvement, you lay the groundwork for accountability later on (see Table 10.6 for less-effective and more-effective examples).

Increasingly, companies provide options for all or part of performance reviews to be conducted online. Typically, these online reviews allow you to give more frequent feedback to your employees. Read the Technology Tips section on page 292 for guidelines on delivering feedback with these systems.

Receiving Negative Feedback

In nearly all business positions, from entry-level to executive, you will have many opportunities to get feedback about your performance and potential. Seeking and receiving feedback, even when it's negative, will help you develop the skills you need to make an impact in the workplace and move into new positions. To accept negative feedback and respond to it well requires high emotional intelligence, since you may feel many emotions, including fear, anxiety, and perhaps even anger. To avoid counterproductive responses to negative emotions, learn to recognize and name these emotions. Then develop a reframing statement to respond more effectively. See Table 10.7 for ideas about reframing statements.[23]

TABLE 10.7

Reframing Your Thoughts to Initiate Feedback Conversations

Possible Negative Emotion	Counterproductive Response	Reframing Statement
Anger *(I'm mad at my boss because she doesn't pay attention to my work.)*	Acting out (complaining, showing irritability)	It's my responsibility to get feedback and guidance from my boss.
Anxiety *(I don't know what to expect.)*	Avoiding *(I'm too busy to get feedback.)*	Getting feedback can provide me with opportunities.
Defensiveness *(My boss doesn't know what he's talking about.)*	Not supporting the boss *(I'm not going to make him look good.)*	Being defensive prevents me from knowing what he thinks.
Fear of Reprisal *(I don't want to do this.)*	Denial *(I'm doing fine so I don't need feedback.)*	Getting an honest assessment of my work will help me.
Fear of Personal Rejection *(I'm worried she doesn't like me.)*	Withdrawal (being quieter than usual, feeling demotivated)	My performance on the job isn't related to whether she likes me.

FIGURE 10.9

Less-Effective Delivery of Bad News during a Performance Review

Juan: Jake, did you watch last night's game?
Jake: Yeah, that was awesome . . . [talk about sports for several minutes].

Juan: Well, let's get down to business. I'd like to thank you for how supportive you are of the employees. You really boost morale around here more so than anyone else . . . [continues talking about accomplishments and strengths for ten minutes].

Juan: One issue I want to raise for the review is that our customers have complained about several of your shipments. I think we should talk about how to avoid shipments that contain any items with defects.

Jake: I'll try to make sure that we don't have any mistakes on future orders. The other shift supervisors and I have talked about some ways of avoiding any future problems.

Juan: Jake, none of the other shift supervisors have had these problems—only you. I think this shows that you've been careless, and you're not really looking out for our customers.

Jake: Look, I'm sorry that there were some mistakes. But I'm not the one who packs the shipments. Those who are careless are the employees packing the shipments.

Juan: But, Jake, you're the one responsible for inspecting and approving the shipments, not the employees on your shift. Remember, every time our shipments have mistakes, it comes back on me. I have to take the fall for it with our owner. And I'm the one who has to hear the complaints from our customers.

Jake: OK, well, I'll make sure the employees on my shift are more careful.

Juan: We need to really focus on getting everything right from now on. I'm counting on you. Well, again, thank you for your efforts for the company and all your great work. See you later on for lunch.

The sandwich approach to delivering bad news dilutes the message and gives Jake a false sense that his performance is acceptable. Feedback and expectations are vague.

Juan encodes: I value you as an employee.

Jake decodes: Juan values my positive impact here.

Juan encodes: You have performed poorly with shipments. I want you to improve.

Jake decodes: Juan is making a blanket judgment by calling me *careless*. He is overlooking all the good work I do.

Jake encodes: You need to hold everyone responsible.

Juan decodes: Jake is making excuses and blaming others.

Juan encodes: You are the supervisor; you are responsible.

Jake decodes: Juan wants me to spend my time micromanaging my employees. And, he just cares about making himself look good.

Jake encodes: OK, I'll watch out for problems.

Juan decodes: Good, Jake's gotten the message he needs to improve.

Juan encodes: Now that you know my position, let's go to lunch.

Jake decodes: Great. Juan is generally happy with me and my performance.

FIGURE 10.10

More-Effective Delivery of Bad News during a Performance Review

Juan: Jake, for today's performance review, I want to focus most of our attention on one issue: making sure all your shipments contain the correct items and that they are all defect-free. We have received four complaints about your shipments in the past month. In the most serious complaint, your shipment to Carnegie Homebuilders contained 14 sinks of the wrong size. Four of those sinks were cracked or chipped. What do you think are some of the reasons for the incorrect shipments and the defective items?

Jake: I rely on my crew to produce defect-free items and pack the shipments. As a result, I don't actually see every shipment that goes out. Since I don't micromanage, I believe that my approach shows trust in the employees. Even though we have made a few mistakes, overall I think the working climate results in higher overall productivity.

Juan: I appreciate your focus on the employees, and I do think morale is high in your production crew. Ultimately, you bear responsibility for their performance, so I would like to discuss how to avoid costly shipment mistakes. The problems with the shipment to Carnegie Homebuilders cost us approximately $5,000 due to material and labor costs. I'm also concerned that they'll be less likely to choose us in the future. What are some ways you can manage your crew to avoid shipment mistakes in the future?

[Jake and Juan discuss approaches to managing the crew and improving quality for 30 minutes.]

Juan: Jake, for this quarter, I've given you an overall performance rating of 2, which indicates poor performance. This means that in the short term you're unlikely to receive a promotion or bonus. However, I'm confident in your ability and that of your crew to get all shipments correct . . . [Jake and Juan continue discussing the rating].

Juan: In our next quarterly performance review, we'll discuss how well you've done with your shipments. The standard will be to receive no complaints from customers for incorrect orders or deficient products. Also, we'll discuss your progress on the goals you've outlined for managing your production crew. Thanks, Jake, for your ideas today, and I look forward to discussing your progress during the next few weeks and months.

Jake realizes the severity of his poor performance. Juan's open, clear, specific, and problem-solving approach is not threatening and shows his commitment to supporting Jake's improvement efforts.

Juan encodes: I want to focus on your ability to get shipments correct.

Jake decodes: Juan is serious that I need to improve my shipments.

Jake encodes: My management style may cause some problems, but it also results in higher morale and productivity.

Juan decodes: Jake is not taking responsibility for the mistakes.

Juan encodes: Your management style has many benefits. It's still your responsibility to make sure shipments are correct. Incorrect shipments harm the company. Let's discuss ways to manage employees and avoid mistakes.

Jake decodes: Juan is looking out for the best interests of the organization.

Juan encodes: Your overall performance was poor for this quarter. I want you and your crew to succeed.

Jake decodes: I need to avoid any mistakes on shipments if I'm going to get promoted. Jake will support me if I show positive results.

Juan encodes: This is exactly how we will evaluate your performance.

Jake decodes: I know what Juan wants me to do.

TECHNOLOGY TIPS

PROVIDING PERFORMANCE FEEDBACK WITH APPRAISAL SOFTWARE

Most companies require performance reviews—some monthly, some quarterly, some annually—for all employees. Some innovative companies are now doing real-time performance reviews with social software. The social software allows supervisors and their employees to more regularly and interactively review employee performance. When you are in a supervisory position, you will be responsible for providing both positive and negative feedback to employees. Increasingly, you will provide this feedback with the use of appraisal software of some form.

As you provide feedback in online appraisal systems, keep in mind the following tips:

Provide regular and frequent feedback. One major benefit of appraisal software, particularly platforms that include social software, is that you can efficiently give your employees more feedback so they can increase performance. Establishing a regular pattern of feedback can increase your employees' motivation and performance.

Prepare your feedback carefully. Most appraisal software allows you to directly enter your comments into fields in a database. Once you enter the information, it is available to the employees and other managers. So, prepare your comments carefully. Consider drafting your comments in a word processing program first. If you're delivering negative feedback, you may first want to draft the feedback, wait a few hours or a few days, and then review your comments to ensure they are accurate and productive. Also, if you are giving negative feedback, first notify your employee in person. Use the moment to establish goals for improvement. Avoid blindsiding your employees by entering negative feedback in the performance database without first talking to them about it.

Keep your feedback objective and personal. Some employees feel that receiving feedback via appraisal software is too automated and impersonal. This is especially likely when the software is mostly composed of quantifiable and standard metrics that are used for all employees. These metrics do help provide consistency in feedback across the organization, but they lead some employees to "feel like a number." However your company's evaluation software is set up, find ways to provide more nuanced and open-ended feedback to recognize your employees' unique achievements. Make sure to include a shared, open-ended, goal-oriented, and positive discussion that keeps your employees motivated and productive.

Set up a face-to-face meeting as soon as possible if you detect hard feelings. Even in a social software environment that allows more interaction than do Web 1.0 communication tools, some employees may become discouraged with negative feedback or feel that feedback is not fair. Stay alert to such situations. When you notice this, set up a time to meet in person so that you can use a richer communication channel to reestablish rapport and reenergize your employees to focus on work goals.

Reviewing Bad-News Messages

LO10.6 Review bad-news messages for effectiveness and fairness.

The reviewing stage of bad-news messages is extremely important. Bad news involves unpleasant impacts on others, so you should carefully consider whether you are handling the situation appropriately. Also, since recipients can easily take bad news the wrong way and feel disappointed or angry, make sure to review your written and oral messages carefully so you can deliver the news respectfully.

Get Feedback and Reread

When writing bad-news messages, always reread them several times. Place yourself in the position of the recipients so you can try to imagine how they may feel and react. An extra 10 to 30 minutes of proofreading can lead to constructive work together in the future and avoid time lost resolving an unnecessarily escalated difference. Also, if the message does not need to be delivered immediately, consider writing it, waiting a few hours or days, and then rereading it. Often, you will find that your strong emotions, such as anxiety and nervousness, affected the tone of the original message. When you deliver a bad-news message in person, you have less control. Yet, you can still prepare

FIGURE 10.11

Are Your Bad-News Messages FAIR?

Facts (How *factual* is your communication?)

- Have I gathered all the relevant facts? Have I examined various accounts of the same events?
- Is my perspective of the facts influenced by defensiveness, favoritism, or some other bias?
- Is the rationale for this bad news based on sound facts and conclusions?

Access (How *accessible* or *transparent* are your motives, reasoning, and information?)

- Are my motives clear, or will others perceive that I have a hidden agenda?
- Is it clear how the decision was made?
- Am I giving enough information to bad-news recipients for them to respond well?
- Am I hiding any information that casts me in a better light or concealing the real reasons for the bad news?

Impacts (How does your communication *impact* stakeholders?)

- Have I considered all the ways in which this message will impact others in the near term and long term?
- What have I done to lessen the negative impacts on recipients?
- Am I doing what I can to provide opportunities—as appropriate—to the bad-news recipients?

Respect (How *respectful* is your communication?)

- Would recipients consider my communication respectful?
- Have I stated the message in a way that recognizes the inherent worth of others?

your intended message (mentally or in note form) and review it as you would a written bad-news message.

In some situations, consider asking trusted colleagues to review your message and give feedback. They may be able to give you a neutral and objective view of the situation. Generally, it is appropriate to talk to colleagues about bad-news messages that you plan to deliver to groups of customers or employees. However, it is not appropriate to ask others to read messages that include confidential matters. For example, negative feedback for an individual employee should typically be private.

Applying the FAIR Test

For all bad news, spend time reflecting on each component of the FAIR test before delivering the message. Since bad-news messages impact others in undesirable ways, take the time to make sure you have been as fair as possible. Read through some of the questions you might ask yourself in Figure 10.11. Also, consider the thoughts of James Sloan, the business professional featured in the Communication Q&A.

COMMUNICATION Q&A

CONVERSATIONS WITH CURRENT BUSINESS PROFESSIONALS

Pete Cardon: How often do you have to give bad news to others? What types of bad news?

James Sloan: Unfortunately, as the CFO, I often have to give bad news. The bad news I typically have to share is that certain business processes are not functioning as expected or are out of compliance with company policies or outside regulations. Occasionally, the news may include information related to an investigation of fraud or a violation with our company code of conduct. Furthermore, as a manager, I need to help my staff improve, and that includes being honest about poor performance or identifying areas of improvement.

James Sloan *is vice president and chief financial officer of Dole Fresh Vegetables. He is a CPA and has had various financial roles over the course of his career. Before joining Dole, he worked at AT&T and Worthington Industries.*

PC: Can you describe a situation when you delivered bad news in person? How did you go about it?

JS: I think it is always best to deliver bad news in person. It allows for better interaction, a more thorough discussion, and information gleaned from body language. The receiver has less opportunity to read more into the underlying issue or to take things too personally, as we often tend to do.

Probably, the most difficult experiences I have had were related to terminating employees. On one occasion, I had to fly into Chicago and lay off several of my data-center managers and staff. Some had worked for the company for their entire careers. It was difficult and emotional. I made sure I was calm and honest but not overly emotional even though I could feel how devastating it was for some of them. I tried to be prepared to answer any question I thought they would ask, but there were a few I could not answer. So, I committed to get back to them. I tried to be positive and help them see beyond the moment. It did not always work, but I tried.

PC: Can you describe a situation when you delivered bad news in writing? How did you go about it?

JS: I had a manager who worked for me, based in Europe. He was a solid performer but did not like administrative tasks. This individual aspired to replace me, but the higher you move up within an organization, the more administrative your tasks tend to be. After several informal discussions related to certain administrative tasks, and after I allowed a period of time for change, I saw little improvement. I finally resorted to email that I intentionally sent on a Friday so he would have the entire weekend to digest what I had to say. The email addressed the topics we had discussed previously, with specific examples of dates when something was requested and when it was delivered or not. I made sure my facts were accurate and specific. I detailed the reasons for the tasks and further explained that while I fully supported him moving up in the organization, I could not honestly recommend him until he improved in this area. The email was honest and straightforward, and it upset him. However, over the weekend, he calmed down, and we had a good conversation on Monday. His performance improved; however, it is an area in which he will always struggle.

PC: What are some guidelines for choosing which communication channels to use?

JS: Dole is a worldwide organization that operates in 90 countries. Face-to-face communication is not always feasible, nor is speaking on the phone always convenient given all the time zones. My preferred order of communicating bad news is face-to-face, phone, and then email. However, I always follow up an email with a face-to-face meeting or a phone call.

PC: Why would you prefer email over a videoconference or webcast?

JS: Timeliness of communicating bad news is often critical. Setting up a videoconference often takes a lot of coordination and would result in a delay. Sometimes an email is the best way to initially communicate bad news. It is fast and provides the receiver an opportunity to read the information, digest it, and many times calm down enough to have a rational conversation about it. An email should always be followed up with a face-to-face meeting or a phone call. I feel a webcast is better for training or conducting online meetings than for communicating bad news.

PC: What happens in the workplace when people delay giving bad news?

JS: No one wants to be surprised with bad news. I find it best to communicate information as soon as I have it. Sometimes people hide the bad news, hoping it will go away, or they delay communicating it in the hopes it will get resolved. I have never seen any good that comes from delaying giving bad news.

PC: Can delivering bad news strengthen your work relationships or enhance your credibility? Do you have any examples?

JS: Absolutely! In order to have credibility, your colleagues need to know they can trust you. Part of acquiring trust is being honest. Honesty requires communicating the good and the bad equally. It is our human nature to want to be more positive and complimentary. We will give others a false sense of security and we will fail them by not helping them know areas where they can improve. We are doing a disservice to our colleagues by not helping them to be better.

PC: For young professionals, what concluding advice would you give for delivering bad news?

JS: Be positive, but be honest. Both qualities will take you far in any career. Whenever delivering bad news, make sure you are open about what the issue is and provide advice or guidance on how to improve the situation. Then, people will see that your goals are truly in their best interest and you are not simply one who points out faults just to bring others down. None of us is perfect, and if we are honest with ourselves and others, we can all improve together.

Chapter Takeaway for *Bad-News Messages*

LO 10.1. Describe how delivering bad news impacts your credibility. (pp. 273–274)

Delivering effective bad-news messages improves your **reputation for personal credibility.**

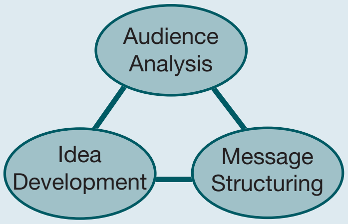
It shows **competence** when you generate a forward-looking plan to overcome challenges.	It shows **caring** when you lessen the negative impacts on others and focus on their needs.	It shows **character** when you are completely transparent and honest.

LO 10.2. Explain considerations for deciding which channels to use when delivering bad-news messages. (pp. 274–275)

Guidelines for Choosing the Right Communication Channel for Bad-News Messages

- **Advantages of oral communication:** can use and observe nonverbal cues; can more easily demonstrate intentions; can more effectively clarify and explain the bad news; can respond to concerns immediately.
- **Advantages of written communication:** can craft message more carefully; can document the message more easily; can provide a message that serves as a reference (provide directions, suggestions, and options for future actions); can deliver message to more people more efficiently.
- When a bad-news message is more severe, more likely, and/or less controllable, **choose richer communication channels when possible.**

LO 10.3. Summarize principles for effectively delivering bad-news messages. (pp. 275–279)



AIM Planning Process

Audience Analysis: Understand how the bad news will impact others and think carefully about how to best convey it.

Idea Development: Get your facts straight before delivering bad news and understand competing versions of events.

Message Structuring: Deliver the bad news in a productive manner. Ease into the bad news but avoid sugarcoating it.

Guidelines for Bad-News Messages

- Deliver the bad news in a timely manner.
- Choose the right mix of channels.
- Sympathize with the bad-news recipients and soften the blow.
- Provide a simple, clear rationale.
- Explain immediate impacts.
- Focus on solutions and long-term benefits.
- Show goodwill.

LO 10.4. Compose effective bad-news messages in person and in writing for various audiences, including colleagues, external partners, and customers. (pp. 279–285)

Components of *Indirect* Bad-News Messages

Show CONCERN

- Ease in with a buffer.
- **Provide a rationale.**
- **Deliver the bad news.**
- Explain impacts.
- Focus on the future (as appropriate).
- Show goodwill.

Components of *Direct* Bad-News Messages

Show CONCERN

- Ease in with a buffer.
- **Deliver the bad news.**
- **Provide a rationale.**
- Explain impacts.
- Focus on the future (as appropriate).
- Show goodwill.

See *examples of bad-news messages* in Figures 10.1 through 10.8.

LO 10.5. Deliver and receive negative performance reviews constructively. (pp. 285–292)

Principles for Delivering Negative Performance Reviews

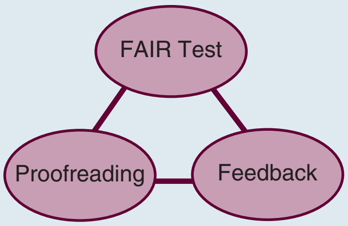
- Adopt a team-centered orientation.
- Avoid sugarcoating the bad news.
- Explain the impacts of the individual's poor performance on organizational performance.
- Link to consequences.
- Probe for reasons performance is not higher.
- Emphasize problem solving rather than blaming.
- Be firm.

Style for Delivering Negative Performance Reviews

- Give clear and targeted feedback.
- Focus on actions and results, not attitudes and intentions.
- Establish measurable and realistic expectations.

See *examples of delivering negative performance reviews* in Figures 10.9 and 10.10.

LO 10.6. Review bad-news messages for effectiveness and fairness. (pp. 292–293)



Reviewing Process

FAIR Test: Pay particular attention to the *impact* of the bad news on others and how to express it with *respect*.

Proofreading: Reread your message several times slowly, imagining how your message recipients will feel and respond.

Feedback: Ask several trusted colleagues who can empathize with the bad-news recipients to review your message.

Key Terms

buffer (p. 276)
controllability (p. 275)
likelihood (p. 275)
mum effect (p. 281)
severity (p. 275)
teaser message (p. 277)

Discussion Exercises

10.1 Chapter Review Questions (LO 10.1, LO 10.2, LO 10.3, LO 10.6)

A. Describe reasons for hesitancy in delivering bad news and the impact of the mum effect.
B. Explain how delivering bad-news messages impacts credibility.
C. Describe the criteria for evaluating bad-news messages in terms of controllability, likelihood, and severity.
D. Explain considerations for deciding which channels to use when delivering bad-news messages.
E. Summarize principles for effectively delivering bad-news messages.

10.2 Key Terms (LO 10.1, LO 10.2, LO 10.3, LO 10.6)

Explain each key term and how it would impact a specific business communication situation.

10.3 Communication Q&A Discussion Questions (LO 10.1, LO 10.2, LO 10.3, LO 10.6)

Read James Sloan's thoughts about delivering bad news (pp. 293–294). Respond to the following questions.

A. According to Sloan, what are some principles for choosing an appropriate communication channel when delivering bad news?
B. How does he explain the relationship between delivering bad news and credibility?
C. He describes an experience when he had to deliver bad news in person. What approach did he take? Do you think this is an appropriate way to deliver bad news? Explain.
D. Sloan describes an experience when he had to deliver bad news in writing. What approach did he take? Do you think this is an appropriate way to deliver bad news? Explain.
E. What does he say about the timeliness of delivering bad news?
F. He mentions several times that one should be positive when delivering bad news. Explain how you think people can deliver bad news and be positive at the same time.

Evaluation Exercises

10.4 Analyzing a Bad-News Message from Chrysler CEO Robert Nardelli to Employees (LO 10.3, LO 10.6)

In 2008, Bob Nardelli announced that Chrysler would lay off one-quarter of its white-collar managers. Read his email—Damon Lavrinc, "Bob Nardelli to Employees: We're Cutting 25% of Remaining White-Collar Jobs" (October 24, 2008) [Available at www.autoblog.com/2008/10/24/bob-nardelli-to-employees-we-want-a-25-cut-of-white-collar-job/]— and answer the following questions:

A. Is the bad news delivered immediately? Do you think it is delivered too directly? Too indirectly? Explain.
B. Is there a buffer? Is there an attempt to soften the blow? Explain.
C. How effective is the opening paragraph?
D. How effectively does the message explain immediate impacts?
E. Is the tone appropriate?
F. Conduct a FAIR test of the message.
G. Overall, what three changes would you suggest to make the bad-news message more effective?

10.5 Analyzing a Bad-News Message Delivered to You (LO 10.3, LO 10.6)

Describe a bad-news message you received in the workplace or at school. Evaluate the message in the following ways:

A. Was the bad news delivered in a timely manner? Do you think it was delivered too directly? Too indirectly? Explain.
B. Was there a buffer? Was there an attempt to soften the blow? Explain.
C. Were you told of or did you discuss immediate impacts?
D. Was the tone appropriate?
E. Was the delivery of bad news to you FAIR?
F. Overall, what three changes would have made the delivery of the bad news more effective?

10.6 Assess Your Ability to Deliver Bad News (LO 10.1, LO 10.2, LO 10.3, LO 10.6)

Evaluate yourself with regard to each of the practices listed in the table below. Circle the appropriate number for each.

	1 = Rarely/Never	2 = Sometimes	3 = Usually	4 = Always
When I need to pass on bad news, I avoid it as long as possible.	1	2	3	4
I have a hard time breaking bad news.	1	2	3	4
When I break the bad news, I understate how bad it really is.	1	2	3	4
When I pass on bad news, I use texts, emails, or other non-face-to-face messages to avoid conflict or uncomfortable situations.	1	2	3	4
I try to meet people in person or make a phone call, even when it's inconvenient, rather than using email or texts to pass on bad news.	1	2	3	4

Add up your score and consider the following advice:

16–20: You are *conflict avoidant.* You usually avoid delivering bad news because you feel uncomfortable doing so. When you break bad news, you understate it. You generally have good intentions, but sometimes you make matters worse by not confronting uncomfortable situations. Try thinking about the benefits to you and the bad-news recipients when delivering bad news right away.

12–15: You are *somewhat conflict avoidant.* You often avoid unpleasant conversations and communications. Sometimes, you prefer to leave issues unresolved rather than risk the uncomfortable interactions to address these issues.

10–11: You *sometimes confront bad news in a timely manner.* In many situations, you confront uncomfortable situations right away, yet you shy away from doing so in other cases.

Under 10: You *usually confront bad news in a timely manner.* You confront bad news and difficult situations immediately and with sensitivity.

Write three goals you have for constructively delivering bad news in the workplace.

10.7 Assess Your Prior Experiences Delivering Bad News (LO 10.1, LO 10.2, LO 10.3)

Briefly describe your own experiences delivering bad news in the following ways:

A. Delivering it too late and negatively affecting the bad-news recipient more than you intended.
B. Delivering it right away and creating the best possible outcomes for all involved.
C. Delivering it using a communication channel that wasn't appropriate.
D. Delivering it using a communication channel that was appropriate.
E. Not telling the whole truth.

Based on these experiences, write three principles for delivering bad news that you will live by in the workplace. Elaborate on each with one paragraph.

Application Exercises

Case for Problems 10.8 through 10.10: Bad News at Jensen Chemicals and Hardware Depot

Nick Jensen shook his head in frustration as he read Juan Hernandez's email notifying him that his company had lost the bid to supply chemicals to Marble Home Makeovers for the upcoming year. He'd had a hunch that his uncle's store, Jensen Chemicals and Hardware Depot, would not get the bid. However, it was still disappointing, and he was worried that unless the store changed its business model, it would be out of business within five years. The store had lost nearly 30 percent of its business in supplying chemicals in the past two years. It simply couldn't compete with larger regional companies.

Nick knew he needed to talk to his uncle, Mike Jensen, the owner. Mike owned five businesses but no longer got involved much in managing them. He spent about half of his time on vacations. Nick thought he should email Uncle Mike and tell him what he considered ominous signs for his company. He might recommend that they sell this portion of the business to a larger chemical manufacturer and supplier, and get out of chemicals altogether. They would probably take a loss to do so, but selling now could also help them cut their losses. Nick knew his uncle loved having a stake in chemicals. He was also embarrassed that while Mike had entrusted him with a management position, the chemical portion of the business was performing so poorly. The good news, however, was that business-to-business hardware sales were in great shape.

Nick dreaded several other pieces of bad news he needed to deliver right away. Over a decade ago, during their most profitable years, management at Jensen Chemicals and Hardware Depot had implemented many benefits. One program allowed employees to be reimbursed for their tuition for up to two classes per semester if they received grades of a B or higher. Currently, 20 employees consistently took advantage of the program. Nick needed to inform all employees that the program would be discontinued immediately, as it cost the company too much. Employees currently enrolled could be reimbursed for courses during the present semester. Employees who had fewer than four courses left to receive an undergraduate degree would continue receiving reimbursement until they graduated. This included just three employees.

Finally, Nick needed to inform customers that the Jensen Chemicals and Hardware Depot Elite Customers program would be discontinued after the current rewards cycle. Under the program, customers who spent over $1,000 in a calendar year automatically qualified for a 10 percent discount on all purchases in the following year. The program had been quite popular, and Nick knew that many customers would be upset. However, he had done the math and felt it was a money loser for the company. To soften the disappointment to customers, in letters to all previous Elite Customers, he was including a 20 percent discount coupon on any single purchase. In addition, customers could still reach Elite Customer status for this year and qualify for discounts next year.

10.8 Writing a Bad-News Message about Jensen Chemicals and Hardware Depot (LO 10.4)

Assume the role of Nick and write an email to your uncle explaining why you think the company needs to get out of chemicals. You think the chemicals division could be sold for around half a million dollars. You currently have about $740,000 in debt related to the chemicals division. You would need to lay off ten employees, all of whom have been loyal to the company for many years. However, you think it's necessary because the chemical division lost nearly $200,000 last year, and you expect things to get worse.

10.9 Writing a Bad-News Message about Elimination of Tuition-Reimbursement Program (LO 10.4)

Assume the role of Nick and write a bad-news announcement to all employees explaining the elimination of the tuition-reimbursement program. Explain that the company has lost money in three of the four prior years and that you need to take actions to make the company profitable again.

10.10 Writing a Bad-News Message about Elimination of Elite Customer Program (LO 10.4)

Assume the role of Nick and write a bad-news announcement to all former Elite Customers explaining the elimination of the program.

10.11 Rewriting a Corporate Bad-News Message (LO 10.4)

In 2008, Bob Nardelli delivered news that Chrysler would lay off one-fourth of its white-collar managers. Read his email—Damon Lavrinc, "Bob Nardelli to Employees: We're Cutting 25% of Remaining White-Collar Jobs" (October 24, 2008) [Available at www.autoblog.com/2008/10/24/bob-nardelli-to-employees-we-want-a-25-cut-of-white-collar-job/]—and then rewrite it to make it more effective.

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CHAPTER ELEVEN

Crisis Communications and Public Relations Messages

Learning Objectives

After studying this chapter, you should be able to do the following:

LO11.1 Explain how crisis communications and public relations messages impact organizational reputation.

LO11.2 Describe the nature of crisis management in today's organizations.

LO11.3 Apply the AIM planning process to crisis communications.

LO11.4 Construct effective and responsible crisis messages.

LO11.5 Explain how to handle external complaints and negative rumors.

LO11.6 Review crisis communications for fairness and effectiveness.

LO11.7 Describe the role of public relations messages in today's organizations.

LO11.8 Apply the AIM planning process to public relations messages.

LO11.9 Construct effective and responsible public relations messages.

LO11.10 Review public relations messages for fairness and effectiveness.

WHY DOES THIS MATTER?

Hear Pete Cardon explain why this matters.

bit.ly.com/CardonWhy11

LO11.1 Explain how crisis communications and public relations messages impact organizational reputation.

We have frequently discussed the role of personal credibility in fostering successful communication. Your colleagues, clients, customers, and other contacts respond to you far more positively when they perceive you as credible. Similarly, a company's credibility is closely linked to many areas of business performance, including total sales and revenue, repeat business, word-of-mouth marketing, and customer satisfaction—to name just a few.

Personal credibility and organizational credibility are correlated. When you gain or lose a reputation for credibility with your professional contacts, you enhance or detract from your company's credibility. Likewise, when your company gains or loses credibility, you also lose personal credibility.

In this chapter, we'll explore the importance of crisis communications and public relations (PR) messages with the view that credibility is a foundation for both. One major goal of crisis communications is to protect and repair an organization's credibility during crises, while one of the major goals of public relations messages is to enhance a company's credibility. Throughout the chapter, we'll also refer to a company's *reputation* as a measure of its credibility.

Traditionally, crisis communications and public relations messages were delegated exclusively to public relations professionals and upper-level executives. However, in the Social Age, when employees are increasingly visible and available to stakeholders, most business professionals contribute to an organization's crisis communications and public relations messages. Furthermore, many organizations have found that young professionals are particularly adept with these communications. For example, when Ernst & Young developed a Facebook recruiting page, its younger employees proved to be the most effective at interfacing with potential hires and encouraging them to apply. Similarly, many younger professionals serve as first responders to negative messages in blogs, discussion forums, corporate websites, and other online locations.[1] Of course, upper-level executives and crisis management teams continue to prepare and deliver most high-stakes crisis communications.

Your ability to effectively craft and deliver crisis and public relations messages can pay great dividends over the course of your career. Social Age companies are increasingly aware of the importance of maintaining and enhancing organizational reputation. A standard expectation for promotion to mid- and upper-level business positions is adeptness in these areas. Companies entrust these positions to business professionals who understand how to safeguard a company's reputation.

Furthermore, since you will represent your department or team within your organization, your ability to enhance its reputation will often lead to better opportunities and more resources for your group. In turn, you can gain a reputation as a leader who raises the profile of your work teams and units. Thus, the principles for developing effective crisis communications and PR messages are critical in many aspects of your daily work. Read the following short case, which is the basis for many of the examples provided throughout this chapter.

Chapter Case: Building, Maintaining, and Repairing Credibility at Better Horizons Credit Union

Who's Involved

Christine Russo, president and CEO

- During her tenure as president, one of her primary goals has been to build Better Horizon's brand value.

Haniz Zogby, marketing specialist and loan officer

- Haniz works on a variety of PR messages under the direction of Christine. She has also played a role in crafting various crisis communications and PR messages.

Crisis Situations

As the president and CEO of the Better Horizons Credit Union (BHCU), Christine Russo spends much of her time attempting to enhance the reputation of the organization. In her five-year tenure as president, two priorities have been preparing for crises and engaging in public relations.

Last year, BHCU faced two unexpected crises: (1) a hurricane and (2) a breach of security to the Better Horizons member database. The hurricane made two of BHCU's branches inoperable due to rain and wind damage. Some credit union members lost homes. Most members were without power for at least three days and could not return to their homes during that period. In the other crisis, BHCU's data center was hacked, potentially compromising the private information of all credit union members.

Public Relations Situations

Traditionally, BHCU has placed most of its PR messages in a quarterly newsletter. Now, Christine and Haniz are developing weekly PR content for their website as well as for various social media. Christine and Haniz intend to add PR messages and stories about the following in the next few weeks: BHCU's commitment to financial literacy, a local high school student who has saved money for college, retirement planning seminars, and experiences of the Better Horizons team at a local walkathon. They also want to draw more traffic to the BHCU Facebook page by creating a writing contest.

Crisis Tasks

How did Christine and BHCU employees manage communications during the hurricane crisis?

How did they communicate with credit union members during the hacking crisis to protect members and minimize damage to the credit union's reputation? (See the "Creating Crisis Messages" section.)

PR Tasks

How will Christine and Haniz develop influential PR messages? (See the "Creating PR Messages" section.)

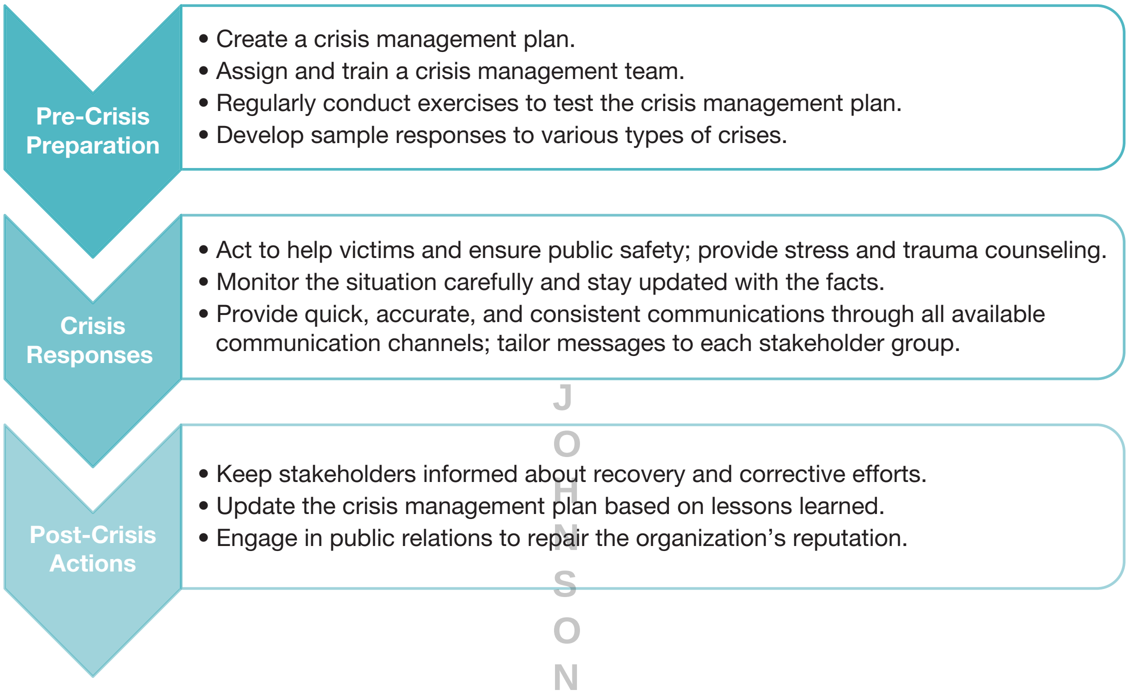
Crisis Communication Messages

LO11.2 Describe the nature of crisis management in today's organizations.

All companies should be prepared to handle crises—unforeseen disruptions to business operations that involve threats to public safety, major financial loss, and reputation loss. Companies face many types of crises, including natural disasters, product failures, technological failures, work-site accidents, management misconduct or criminal behavior, and various forms of negative press coverage.[2] The costs of crises can be enormous. For example, in 2000 and 2001, Ford suffered regular, negative press about

FIGURE 11.1

The Stages of Crisis Management



unusually high numbers of deadly rollover crashes in Ford Explorers. Ford attributed the problems solely to the Bridgestone/Firestone tires. Bridgestone/Firestone blamed the design of the Ford Explorer. One economic-impact study showed that the crisis—largely played out in public—cost Ford $10 billion in lost sales, stock losses, plant closings, recalls, and other factors.[3]

Although companies cannot foresee crises precisely, they should operate under the assumption that crises will occur—that is, it's not a matter of if, but when. To minimize and correct damage to victims and avoid excessive reputation loss, companies should excel at all stages of crisis management: pre-crisis planning, crisis responses, and post-crisis actions (as depicted in Figure 11.1).[4]

Before a crisis occurs, companies should create and regularly update response plans. These plans should designate crisis management teams and identify the roles of key players. Moreover, crisis response teams should conduct annual exercises to test the company's ability to respond. As Dean Tougas, a crisis communication planner at Boeing, explained, "There can't be a learning curve. . . . Everyone involved in the response to a crisis has to be able to become immediately productive in handling it. That's why it's critical to run training programs and build infrastructure."[5]

Another key component of preparation is developing a crisis communications plan. The plan should address how the company will inform each group of stakeholders about crisis events (see Figure 11.2). A company's crisis communications—even during high-stress events—should be quick, accurate, and consistent. Unless a company prepares for crises with plans and regular exercises, it is unlikely to achieve this standard.[6]

The response stage involves rapidly confronting the crisis. The primary responsibility of the company is to help victims and remove any danger to stakeholders. With a well-developed plan in place, which includes designation of crisis management teams and roles, a company can often rapidly and effectively meet the needs of victims and other stakeholders. An important but secondary responsibility during the response stage is to preserve an organization's reputation. During the crisis response stage, the

FIGURE 11.2

Stakeholder Groups

company should attempt to reach all stakeholders through appropriate communication channels. The examples of crisis communications in the next few sections involve written communications during the crisis response stage. The principles, however, apply to oral communications as well.

In the post-crisis stage, the business has returned to normal operations and the crisis situation has been resolved or stabilized. During this stage, the company should implement a consistent stream of public relations messages (discussed in the second half of the chapter) to repair its reputation. In some cases, this effort may last many years. For example, in response to the 2010 oil spill in the Gulf of Mexico, BP has made many efforts to compensate for the damage it caused and regularly develops PR messages to repair its reputation. It continues to prominently feature these efforts on its corporate website.

LO11.3 Apply the AIM planning process to crisis communications.

Applying the AIM Planning Process for Crisis Communication

The planning process for crisis communications must be thorough but compressed. Providing victims and other stakeholders with timely and accurate information to avoid further loss is next to impossible without a designated communication plan as part of a larger, regularly updated crisis response plan. With such a plan in place, a crisis communications team can act swiftly to help its stakeholders avoid further losses and help the company restore its credibility.

Audience Analysis for Crisis Communications Crisis messages should be designed with particular stakeholders in mind. Typically, crisis communication teams determine those stakeholders who are most affected and make contact with them as soon as possible. Often crisis communication teams focus on external stakeholders and fail to provide employees with enough information. Yet, for 80 to 85 percent of crisis situations, employees are the first or second most-important stakeholders.[7]

Crisis communication teams should focus not only on what information to provide but also on how they can show empathy. The success of many crisis messages hinges on the recipients' emotional reactions to them. In many cases, customers, employees, and other stakeholders are willing to forgive companies if they provide timely and accurate information and make good-faith, caring efforts to improve the situation.[8]

TABLE 11.1

Types of Crises and Levels of Company Responsibility

Victim Crises (Minimal Responsibility)	Accident Crises (Low Responsibility)	Preventable Crises (Complete Responsibility)
• Natural disasters • Rumors about organization • Workplace violence committed by former or current employee • Product tampering by individual outside the organization	• Stakeholder claims that organization is not operating appropriately • Industrial accidents due to technology and equipment failures • Product failure due to technology and equipment failures	• Industrial accidents due to employee errors • Harm to consumers from product failures due to employee errors • Management actions that are unlawful and/or place stakeholders at risk

Many of these judgments about whether the response is in *good faith* or *sincere* or *caring* are made quickly. Thus, the crisis communication team should develop and deliver crisis communications under the assumption that they must gain trust and emotional commitment from various stakeholders rapidly.

Idea Development for Crisis Communications Although companies should provide crisis information as soon as possible, they must provide accurate information. The crisis communications team must rapidly assemble the facts, put meaning to the information they collect, and take positions about the best ways for stakeholders to protect themselves. In this tense and sometimes chaotic stage immediately following a crisis, the communications team often works with incomplete and suspect information. Thus, team members must make judgments about the relevancy, accuracy, and legitimacy of the information they do have.[9]

One primary task during the idea development stage is to define the nature of the crisis because this will help the team formulate appropriate messages. Crises can be broadly classified into three types: victim crises, accident crises, and preventable crises (see Table 11.1).[10] In a **victim crisis,** stakeholders generally do not hold companies responsible. For example, an earthquake may affect the operations of a company and the safety of its employees, yet stakeholders will not believe the company is at fault. In an **accident crisis,** stakeholders hold companies responsible but understand that what happened was not intentional and was difficult to foresee. For example, a workplace accident due to equipment failure would typically be considered unintentional, but stakeholders would still assign some responsibility to the company. In a **preventable crisis,** stakeholders believe the company is to blame and is completely responsible for the damages and losses to stakeholders. Typically, if company employees are found to be at fault for the crisis, stakeholders assign complete responsibility to the company.

The crisis management team should also identify whether the crisis involves *intensifying factors* to help decide how to develop appropriate crisis communications. When the company has a negative reputation or a history of prior problems relating to the crisis, then the danger to the company's reputation is intensified.

Message Structure for Crisis Communications The primary purpose of crisis communications is to help victims and other stakeholders. A secondary purpose is to avoid or repair reputation loss. You can use various types of statements as depicted in Table 11.2 and described in this section to develop appropriate crisis messages. Based on the type of crisis and whether there are intensifying factors, you can map out the necessary components of effective crisis communications (see Table 11.3).[11]

- *Express concern*. As noted, stakeholders make judgments about the company's empathy and caring within 30 seconds.[12] By showing concern immediately, you establish credibility. This allows you to more effectively provide for stakeholders'

Components of Crisis Communications

- Express concern.
- Explain corrective actions.
- Provide instructions.
- Give an excuse/justification (for certain types of crises).
- Provide compensation/apology (for certain types of crises).

TABLE 11.2

Types of Responses in Crisis Communication

Type of Statement	Explanation
Concern	Express concern to all affected by the crisis.
Corrective actions	Describe specific steps the organization is taking to correct the problem and minimize damage.
Instructions	Tell stakeholders what to do to protect themselves and stay informed and updated.
Attack the accuser	Where relevant, attack the credibility of the accusing individuals or groups.
Denial	Deny that there is a crisis or that the organization has any responsibility.
Excuse	Minimize the organization's responsibility by denying intent to harm or pointing out inability to control events.
Justification	Minimize the perceived damage of the crisis.
Reminder	Enumerate past good works of the organization.
Ingratiation	Praise stakeholders for their actions in dealing with the crisis.
Compensation	Offer money or gifts to victims.
Apology	Take full responsibility for the crisis and ask for forgiveness.

TABLE 11.3

Types of Crises and Appropriate Responses

Type of Crisis	Concern	Corrective Actions	Instructions	Excuse and/or Justification	Compensation and/or Apology
Victim crises	x	x	x		
Victim crises*	x	x	x	x	
Accident crises	x	x	x	x	
Accident crises*	x	x	x	x	x
Preventable crises	x	x	x	x	x

***With intensifying factors**

Note: Crisis communicators may always consider the use of *reminders* and *ingratiation*. They should consider *denial* and *attack the accuser* for unjustified rumors and attacks against the company.

needs. It also protects your company; expressions of sympathy reduce the number of claims against an organization.[13] So, ensure that you have the right spokesperson and have that person express concern immediately. The spokesperson should be someone who expresses sympathy well, understands the situation well, and knows how to offer an appropriate level of confidence in the company and its efforts to resolve the crisis.

- *Explain corrective actions*. Some stakeholders are harmed—physically, psychologically, and/or financially—by crises. During the crisis, many stakeholders experience anxiety about potential losses to their physical or financial safety. Thus, one of stakeholders' most immediate concerns is what the company is doing to stop, minimize, and/or compensate for their damages. After you have expressed concern, talk about what the company is doing to resolve the crisis. Often in the initial stages, crisis communication teams have little or conflicting information. During these confusing moments, avoid making statements about the causes of the crisis or what your company's exact response will be. Instead, describe the process the company is using to investigate the situation, and express the company's commitment to formulating a response as soon as it can.[14]

- *Provide instructions*. Not only do stakeholders want to know what the company is doing for them in a crisis, but they also want to know what they should do to avoid any further physical or financial harm. So, provide specific instructions on how stakeholders can protect themselves and get assistance dealing with damage. Use as many communication channels as possible. Since this information changes rapidly during a crisis, consider prominent places on your website for updating information. Blogs are especially useful during crises. Companies that have used blogs in this way have been able to reduce complaints and improve their reputation (see Figure 11.5, which shows a blog for Better Horizons with regular updates following a crisis).[15]
- *Give an excuse or provide justification*. When stakeholders will hold the company responsible for the crisis (accident and preventable crises), the crisis communication team should consider providing excuses or giving justification. If the company supplies reasons it's not at fault or could not have foreseen or controlled the events, stakeholders may assign less responsibility. However, these strategies are not without risk. Some stakeholders may hold the company even more responsible if they do not believe the excuses or justifications or if they find them illegitimate.
- *Issue an apology and explain compensation*. In preventable crises, the company is at fault. The crisis communication team should explain how the company will compensate victims, and it should issue an apology. In recent years, stakeholders have increasingly expected apologies from business leaders. When leaders apologize, it becomes a public record of companies' efforts to repair the damage they have caused. As communication specialist Barbara Kellerman explains, "A successful apology can turn enmity into personal and organizational triumph—while an apology that is too little, too late, or too transparently tactical can bring on individual and institutional ruin."[16]

Creating Crisis Messages

LO11.4 Construct effective and responsible crisis messages.

Once crisis communication teams have planned their messages, they must act under significant time pressures to compose them. They must also act quickly to modify them for various media: letters, emails, web pages, blogs, texts, radio and television broadcasts, and so on. Members of crisis communication teams should work closely to ensure that they develop consistent messages.

In Figures 11.3 through 11.7, you can see more-effective and less-effective crisis messages developed at Better Horizons. In each case, Christine Russo, the CEO, took the lead in crafting the messages. She involved other top managers and employees in the process. In the first communication, Christine deals with the impacts of a hurricane on the credit union's operations (see Figures 11.3 and 11.4). This crisis is a victim crisis since credit union members will not hold the credit union responsible. Nonetheless, the credit union is severely impacted by damage to its buildings and equipment, and the homes of credit union members have been damaged as well. Christine writes a letter to be distributed by mail and manually at credit union locations. It clearly shows concern, explains actions that Better Horizons is taking to help, and provides directions for affected credit union members. She also modifies this message for a website post and sends it by email and text message as well (see Figure 11.5).

FIGURE 11.3

Less-Effective Communication for a Victim Crisis

BETTER HORIZONS CREDIT UNION
Est. 1937

September 8, 2012

Focuses primarily on the actions of the credit union with little show of CONCERN for victims.

Dear Credit Union Member:

I would like to explain the Better Horizons response to the recent hurricane. Following the hurricane, I directed my team to move swiftly to restore banking services, provide and coordinate emergency relief, and donate to the Red Cross and other emergency relief efforts. I want you to know that Better Horizons will quickly resume all services as usual.

Since our area has been declared a national disaster area, you may be eligible for federal aid. Federal aid is controlled by the National Credit Union Administration (NCUA). You may contact NCUA directly. For BHCU members in affected areas, I have authorized BHCU to help those members severely affected by the hurricane in a number of ways, such as possibly restricting loan payments and terms and guaranteeing lines of credit. We will also waive ATM surcharges and fees if you can demonstrate you were forced to make these transactions as a result of evacuations. To show our support for your generosity, we will also allow free domestic wires to affected areas and charitable organizations based on a preapproved list of organizations. I'm also pleased to announce that we will assist you by cashing FEMA disaster assistance checks and government benefit checks.

Explains CORRECTIVE ACTIONS without sufficient detail.

To show our commitment to the community, I have also authorized various BHCU employees to coordinate basic relief supplies, provide access to computers, and other efforts. In good times and bad times, you can see that Better Horizons is there for you.

Please call our toll-free BHCU hurricane hotline (1-888-700-BHCU) for more information.

Best wishes,

Christine Russo

Christine Russo
President and CEO
Better Horizons Credit Union

Provides INSTRUCTIONS for getting up-to-date information and contacting credit union representatives only by phone.

2737 Better Horizons Loop, Pescaloosa, FL 91214 • Phone: 803-784-7300 • Email: info@bhcu.org • Web: www.bhcu.org

In the second communication, Christine deals with a security breach to the credit union's member database (see Figures 11.6 and 11.7). This is an accident crisis. Although the attack is from an unknown outsider, many credit union members will hold the credit union responsible for not protecting their sensitive information adequately. Christine finds out about the crisis in the early evening and works all night with a team of trusted employees to develop an immediate response. By the morning, she sends out an email to alert all credit union members to the potential danger that their information has been stolen. She expresses concern, provides a list of corrective actions, and gives detailed directions about how members can protect themselves.

Christine also gives a short excuse and justification. She explains that major banks have also experienced hacking events recently and that bank customers have not been adversely affected. So, Christine implicitly points out that these failures in data protection occur to major financial institutions with more resources for security (which excuses Better Horizon's inability to prevent the attack) and that banking customers were not harmed (justifies members in feeling less threatened). This excuse and justification may lessen the reputation loss for Better Horizons.

FIGURE 11.4

More-Effective Communication for a Victim Crisis

BETTER HORIZONS CREDIT UNION
Est. 1937

September 8, 2012

Shows CONCERN.

Dear Credit Union Member:

One week ago, the most damaging hurricane in our history severely impacted credit union members. By our estimation, nearly 150 members lost their homes, approximately 900 members suffered major damage to their homes, and almost half of our members lost power for nearly three days. Fortunately, we are not aware of any loss of life or life-threatening injuries.

In the wake of the hurricane, BHCU employees moved swiftly to restore banking services, provide and coordinate emergency relief, and donate to the Red Cross and other emergency relief efforts. If you have been impacted by the hurricane, we pledge to help you get back on your feet.

Since our area has been declared a national disaster area, **you may be eligible for federal aid**. Federal aid is controlled by the National Credit Union Administration (NCUA). You may contact NCUA directly: 1-888-584-6847or www.ncua.gov.

For BHCU members in affected areas, BHCU will take the following actions to help **alleviate hurricane-related banking hardships**:

- *Restructure loan payment terms* and extend due dates up to 90 days
- *Guarantee lines of credit* through the National Credit Union Share Insurance Fund
- *Waive any ATM surcharges and fees* due to evacuations
- *Allow free domestic wires* to affected areas and charitable organizations
- *Cash FEMA disaster assistance checks and government benefit checks*

Explains CORRECTIVE ACTIONS.

BHCU is also facilitating **other relief efforts** and providing information about the following:

- *Basic relief supplies*. A Red Cross relief center is located in the parking lot of the Forest Grove branch. You can get water, meals, and other essential supplies.
- *Access to computers*. BHCU has set up a computer center (50 computer terminals) at our Forest Grove branch. You may use the computers for no charge between 7 a.m. and 9 p.m. daily.
- *How your union membership may help you*. If you are a union member, AFL-CIO may be negotiating immediate help, such as continuing pay, health and welfare plans, and instant access to pension funds. We have an AFL-CIO representative at our Forest Grove branch to answer any questions.

To learn how BHCU can help ease your financial hardships, please set up a time to meet with a BHCU representative as soon as possible. You can set up a meeting time by calling the toll-free BHCU hurricane hotline (1-888-700-BHCU) or by scheduling a time online at the BHCU website (www.bhcu.org). The website also contains up-to-the-minute information about BHCU efforts to help you overcome your financial hardships.

Best wishes,

Provides INSTRUCTIONS.

Christine Russo
President and CEO
Better Horizons Credit Union

2737 Better Horizons Loop, Pescaloosa, FL 91214 • Phone: 803-784-7300 • Email: info@bhcu.org • Web: www.bhcu.org

FIGURE 11.5

Crisis Updates on a Corporate Blog

LO11.5 Explain how to handle external complaints and negative rumors.

Responding to External Complaints and Handling Negative Rumors in the Social Age

One of the foremost challenges to organizations in the emerging Social Age is managing negative rumors. Bloggers and reporters with negative views of an organization, activists who oppose an organization, disgruntled employees, dissatisfied customers, and many others can use social media to gain a large platform and voice their grievances. These opinions may be difficult to rebut. Furthermore, dissatisfied stakeholders can use various social media—social networks, wikis, blogs—to rapidly harm a company's reputation.[17]

For example, in July 2011, Netflix abruptly raised monthly subscription fees from $9.99 to $15.98 for subscribers of streaming and DVD delivery services. Hundreds of thousands of irate customers posted angry comments on Netflix's Facebook page and website, and their own Facebook pages, Twitter messages, and other social media. The intense social media reactions led to extensive mainstream press coverage. Within two months, the stock value fell by more than 60 percent.[18] (See Figures 11.17, 11.18, and 11.19 in the exercises at the end of the chapter for messages sent by Netflix during this crisis.)

In addition to crises that companies themselves create, as in the Netflix example, crises created by unfounded rumors can also substantially harm corporate reputation. Often, these rumors emerge from individuals with basically no resources other than social media platforms: blogs, tweets, text messages, Facebook groups, YouTube videos, and online petitions. After the BP oil platform disaster, an individual set up a fake BP public relations Twitter account with negative and even disparaging comments about BP. The fake BP Twitter account gained more followers than the real BP Twitter account. This shows the power that single stakeholders with few or no financial resources can have in the Social Age.

Crises resulting from direct attacks on a company's reputation often require the company to forcefully deny and/or attack the accusers. However, even when the rumors are false, strong denials and counterattacks bear risks. In these delicate situations, the premise should be that perceptions are more important than reality. When your company is under attack, consider the following principles:[19]

- *Gather the facts*. Negative rumors often contain some elements of truth. To respond effectively and fairly, you should quickly assemble all the facts.
- *Avoid heavy-handedness (show of force)*. In July 2009 the Horizon Realty Group sued a former tenant who had sent the following tweet to a few dozen followers: "Who said sleeping in a moldy apartment was bad for you? Horizon really thinks it's okay." The lawsuit, claiming damages of $50,000, quickly became a national headline story because the company appeared to be reacting with disproportionate force. The apartment group lost the suit, and its excessive show of force created a highly public loss of corporate reputation.
- *Respond quickly*. In the social media world, companies cannot take a week to respond to a tweet. Respond to unfounded rumors rapidly.
- *Use the appropriate channels*. Companies should choose channels to match their audiences. If the company is responding to a video on YouTube, it should use YouTube to respond. One recent example occurred when Domino's U.S. president created an apology video on YouTube in response to a YouTube video that employees had created to show disgusting and unsanitary things they did to pizzas before delivering them. This response quickly shifted the story from what Domino's employees had done wrong to what the Domino's CEO had done right and unconventionally.
- *Rely on external advocates*. Since stakeholders often distrust companies during periods of negative rumors, companies should seek trusted external organizations and individuals to come to their defense. For example, in January 2010, Royal Caribbean was attacked severely in the press and in social media when it docked a luxury cruise liner just 60 miles from where an earthquake had leveled Port-au-Prince, Haiti. Hours later, the CEO blogged about Royal Caribbean's role in providing jobs to Haiti and the use of its ships to deliver humanitarian aid. However, it wasn't until external advocates—the United Nations, the World Trade Organization, Sustainable Travel International, and the Kenan Institute for Ethics—came to its defense that stakeholders again trusted Royal Caribbean.
- *Respond with credentials*. When a company is attacked unfairly through social media, it should rebut the charges with credentials. For example, when Target was unfairly attacked for not supporting equal rights, it immediately responded with its concrete record of achievements, including having been recognized in the "Top 50 Companies for Diversity" (awarded by DiversityInc), "Top 10 Companies with the Highest Percentage of Women Directors" (awarded by Corporate Women Directors International), and "World's Most Ethical Companies" (awarded by the Ethisphere Institute).

A company that recently applied all these strategies in response to negative rumors is Timberland, which has a long history of applying an eco-friendly approach to producing and selling outdoor clothes, boots, and shoes. Yet, in 2009, Timberland unexpectedly found itself the target of Greenpeace, an organization devoted to stopping environmental destruction. A Greenpeace report and series of press releases attacked Timberland for contributing to deforestation in Amazon rain forests.

Initially, Timberland CEO Jeff Swartz and his management team were infuriated. They viewed the attacks as unfair and unsubstantiated. They also felt wronged, since Timberland had for years placed the issue of deforestation as one of its top environmental priorities. For example, Timberland had planted one million trees in China. Swartz's first impulse was to attack the accuracy of Greenpeace's report. However, he

FIGURE 11.6

Less-Effective Communication for an Accident Crisis

To... Peter Gutke

Subject: Loss of Personal Information

Arial 10

Dear Mr. Gutke:

Does not express CONCERN in opening sentences.

Last night (July 16) at approximately 7 p.m., we discovered that an unauthorized individual (or group) hacked into our data system and accessed account information.

We are still investigating this incident. We believe that the hacker was able to access some of your personal information and could attempt to use your information in unauthorized and illegal manners.

We have acted immediately to try to protect you. We have temporarily suspended online banking services, hired an external security firm to conduct a thorough investigation of this incident, and started a process to increase our data security and infrastructure. We apologize for the temporary suspension. As soon as online banking services resume, we will notify you. With the exception of online banking services, you may use all other banking services as usual.

You may be at risk for identity theft. We are not certain that the hacker retrieved your data, but we cannot yet rule out that possibility. Upon learning of the intrusion, Better Horizons immediately purchased a $500,000 insurance policy for each credit union member to cover the following in the case of identity theft: legal costs, identity-restoration costs, and lost wages.

Explains CORRECTIVE ACTIONS in dense, difficult-to-read passages.

We urge you to take the following steps to protect your good name and avoid any potential financial loss: Avoid any potential scams—by email, telephone, or mail—where you are asked for sensitive and confidential information. Better Horizons will never contact you and ask for your confidential information (such as a social security number). Monitor your account statements and check your credit reports for any fraudulent activity. Also, act proactively and take control of this situation. Remember that you are entitled to one free credit report annually from each of the major credit bureaus. You can order your free credit report at www.annualcreditreport.com. Also, Better Horizons will provide free credit reporting service for the upcoming year as requested. You can—free of charge—request that credit bureaus place a fraud alert on your file. This will require creditors to take extra steps to verify your identity and reduce the likelihood that another person could get credit in your name. You can click on any of the following links to make this request to any of the major credit bureaus: Experian, Equifax, and TransUnion. You may want to learn more about how to avoid identity theft at the U.S. Federal Trade Commission's website: www.consumer.gov/idtheft. This website provides additional information and resources to protect your identity.

Please be aware that we are doing everything possible to avoid this situation occurring again. But, the sophistication of many hackers increases daily. Even some major banks with millions of dollars to invest in security systems and personnel have experienced similar hacking events in recent months. In these events, the information of approximately 45 million banking customers was hacked.

Please contact us with any specific questions or concerns. You may call our dedicated phone line (803-784-7399), email us, (identitysecurity@bhcu.org), or visit the web page where we have posted up-to-date information about actions taken by BHCU to remedy this situation (www.bhcu.org/security).

Sincerely,

Christine Russo, President and CEO

The JUSTIFICATION/EXCUSE bears a helpless, nonconfident tone.

Provides INSTRUCTIONS with details buried in long paragraphs. Without hyperlinks and phone numbers, the burden of taking these steps is more frustrating and painstaking for credit union members.

FIGURE 11.7

More-Effective Communication for an Accident Crisis

To...	Peter Gutke
Subject:	Loss of Personal Information

Arial 10 B I U

Dear Mr. Gutke:

Shows CONCERN.

Last night (July 16) at approximately 7 p.m., we discovered that an unauthorized individual (or group) hacked into our data system and accessed account information. We are deeply concerned about protecting your identity, and we are working around the clock to ensure you are not impacted negatively by this situation.

We are still investigating this incident. We believe that the hacker was able to access the following information from your account profile: credit union account numbers (but not passwords), credit card numbers (but not security codes), credit card expiration dates, email address, phone number, address, and birth date.

In response to the hacking, we have taken the following actions:

Explains CORRECTIVE ACTIONS.

1. Temporarily suspended online banking services
2. Hired an external security firm to conduct a thorough investigation of this incident
3. Started a process to increase our data security and infrastructure

We expect to reinstate online banking services in the next 24 to 72 hours. We apologize for the temporary suspension. This is a precautionary measure as we continue our investigation. As soon as online banking services resume, we will notify you. With the exception of online banking services, you may use all other banking services as usual.

You may be at risk for identity theft. We are not certain that the hacker retrieved your data, but we cannot yet rule out that possibility. Upon learning of the intrusion, Better Horizons immediately purchased a $500,000 insurance policy for each credit union member to cover the following in the case of identity theft: legal costs, identity-restoration costs, and lost wages.

We urge you to take the following steps to protect your good name and avoid any potential financial loss:

- Avoid any potential scams—by email, telephone, or mail—where you are asked for sensitive and confidential information. Better Horizons will never contact you and ask for your confidential information (such as a social security number).
- Monitor your account statements and check your credit reports for any fraudulent activity.

Provides INSTRUCTIONS.

You may consider the following information to help you stay vigilant in protecting yourself:

- You are entitled to one free credit report annually from each of the major credit bureaus. You can order your free credit report at www.annualcreditreport.com. Also, Better Horizons will provide free credit reporting service for the upcoming year as requested.
- You can—free of charge—request that credit bureaus place a fraud alert on your file. This will require creditors to take extra steps to verify your identity and reduce the likelihood that another person could get credit in your name. You can click on any of the following links to make this request to any of the major credit bureaus: Experian, Equifax, and TransUnion.
- You may want to learn more about how to avoid identity theft at the U.S. Federal Trade Commission's website: www.consumer.gov/idtheft. This website provides additional information and resources to protect your identity.

Mr. Gutke, we deeply regret that your personal information may have been stolen. We will do all in our power to help you protect your identity. We are acting immediately to fortify our data security and stop such hacking attacks in the future. Several major banks have experienced similar hacking events in recent months. In these events, the information of approximately 45 million banking customers was hacked. To date, none of this information has been used for identity theft efforts.

Please contact us with any specific questions or concerns. You may call our dedicated phone line (803-784-7399), email us (identitysecurity@bhcu.org), or visit the web page where we have posted up-to-date information about actions taken by BHCU to remedy this situation (www.bhcu.org/security).

Sincerely,

Gives brief JUSTIFICATION/EXCUSE.

Christine Russo, President and CEO

and his public relations team quickly concluded that they wanted to engage rather than antagonize these activists. The reality was that Timberland sourced about 7 percent of its leather from cows in Brazil. In some cases, cattle farmers had clear-cut rain forests for pasturing. The company had to step back and admit, though its environmental efforts had been excellent, it was not sure if the leather purchased from Brazil came from suppliers who illegally cut down forests for pasture.

Within the few weeks following the Greenpeace press release, more than 65,000 activists sent emails threatening to boycott Timberland and created a media firestorm. In most cases, the activists copied or paraphrased talking points from Greenpeace press releases.[20] As Swartz explained, "I figured if that many people were taking the time to send an e-mail, there must be at least half a million not sending e-mails who were also pissed off. That's a big number. Our brand's reputation was at stake."[21]

Read through Table 11.4, which displays some of the communications of Timberland, Greenpeace, and environmental activists over a five-month period. You will notice that Timberland gradually developed its message, increasingly adopted the right tone, focused on the needs of activists, and diffused a surge of anger against the company into an appreciation for the company's efforts to combat deforestation.[22]

TABLE 11.4

Timberland's Response to Accusations from 65,000 Online Activists[23]

Date	Messages	Note
June 1, 2009	**Greenpeace issues the report "Slaughtering the Amazon"** and encourages environmental activists to contact companies at fault: "While the US-based companies behind reputable global brands like Adidas, Nike, Reebok, and Timberland appear to believe that Amazon sources are excluded from their products, our investigations expose for the first time how their blind consumption of raw materials fuels deforestation and climate change. . . . Take action now: Ask Nike, Adidas, Timberland, Reebok, Clark's and Geox to refuse to use leather that is destroying the Amazon."	Without advance notice to Timberland, Greenpeace begins a full-scale campaign against them.
June 1, 2009	**Activists immediately flood Timberland with angry emails** such as the following: "Dear Mr. Swartz, I am concerned that, given your company's dependence on leather to make shoes sold around the world, you may be supporting forest destruction, slave labor, the expulsion of indigenous groups within the Amazon Rainforest, and global climate change. . . . As a consumer, I want to be confident that when I buy your shoes I have not contributed to Amazon destruction and climate change. . . . I look forward to hearing what steps you will take to help solve this problem."	Beginning on June 1, nearly 65,000 activists wrote complaints to Timberland similar to this.
June 3, 2009	**Greenpeace continues to ask activists to contact Timberland.** One such request appeared in a blog post called "Timberland Needs to Hear From You" on the Greenpeace website: "Now is the time to save the Amazon and our climate, and every step will count. Ask Timberland to step up already. . . . We're disappointed with Timberland, but they can still do the right thing—especially if they hear from you. If you receive an email from Timberland, please respond with a question: Can you prove that my Timberlands are not destroying the Amazon? And please cc: Kking@Timberland.com so that you know they are getting your feedback."	Greenpeace continued its aggressive campaign against Timberland.

TABLE 11.4

(Continued)

Date	Messages	Note
June 1–4, 2009	**During the first four days of the campaign, Timberland replied to every email complaint with a lengthy, somewhat defensive email:** "Thank you for your inquiry. . . . We take our environmental and community impact very seriously and work hard to do our part to preserve the planet by planting trees, reducing our contribution to global warming, developing environmentally-conscious products and encouraging civic action. . . . We do source some leather from Brazil, but we have been assured that the material is not sourced from deforested areas. . . . We share your concerns about deforestation. . . . Timberland's tree planting initiative has resulted in more than one million trees planted across the globe since 2001. . . . We plan to plant another million trees by the end of 2011."	Timberland showed respect for and agreement with the activists' views. Timberland *avoided heavy-handedness* and *used the appropriate channels* by responding by email in the correct language (determined by the location of IP addresses).
June 5, 2009	**Starting on the fifth day, Timberland decided on a less-is-more approach:** "Thank you for your inquiry. . . . Timberland is committed to minimizing the environmental impact of our business operations. We're interested in engaging with Greenpeace and others in our industry about this situation."	Timberland continued to respond to all email complaints within hours. Managers admitted to themselves they needed more information about sourcing and committed to *gathering all the facts.*
July 24, 2009	**After striking an agreement with Greenpeace, Timberland crafted a new message on July 24:** "For more than 20 years, Timberland's approach to supplier relationships has been one of active, mutual engagement. . . . Our principles apply in the Amazon, and so we are working closely with our supplier in Brazil to ensure they have an action plan in place that addresses their commitment to an immediate moratorium on deforestation in the Amazon Biome, and of course refraining from sourcing products from indigenous or protected lands or entities that engage in slave labor."	Timberland announced its commitment to devote more resources to stopping deforestation in the Amazon.
July 29, 2009	**Greenpeace announced Timberland's leadership efforts in avoiding deforestation** in the Amazon in a Greenpeace website story called "Timberland Steps It Up a Notch, Commits to Amazon Protections": "Working with Greenpeace, Timberland released a policy that will require its leather suppliers to commit to a moratorium on purchasing any cattle raised in newly deforested areas within the Amazon Rainforest. . . . 'Timberland has raised the bar for environmentally and socially responsible leather sourcing policies in the Amazon. They have taken an important step by not only committing to avoid leather from cattle raised in newly deforested areas, but by working with existing suppliers like Bertin, to move the Brazilian cattle sector toward supporting a moratorium on any new cattle expansion into the Amazon Rainforest,' said Lindsey Allen, Greenpeace forests campaigner."	Ultimately, Timberland worked and partnered with Greenpeace to promote a shared cause: ensuring suppliers did not engage in deforestation. This partnership allowed Timberland to *rely on external advocates* as it repaired its reputation.
October 30, 2009	**On October 30 Timberland sent a lengthy email update signed by CEO Jeff Swartz to everyone who'd contacted the company on this issue:** "Three months later, real progress to report. . . . Last month [our supplier] publicly announced their official Amazon cattle moratorium . . . and is working aggressively to meet traceability targets to ensure the origin of all the cattle they source is acceptable and not contributing to Amazon deforestation. . . . For its part, Greenpeace has done an outstanding job gathering data, creating a complete and compelling case for the issue, and mobilizing its tens of thousands of supporters. . . . Their effort has driven change into the system. We applaud their activism."	After Timberland took a more active role in stopping deforestation in the Amazon, it followed up with each of the 65,000 activists who had lodged complaints to explain actions taken and express shared purpose.

FIGURE 11.8

Are Your Crisis Communications FAIR?

Facts (How *factual* is your communication?)

- Have you presented *all* the facts correctly?
- Have you presented information that allows stakeholders to make informed decisions that are in their best interests?
- Have you carefully considered various interpretations of your data? Have you assessed the quality of your information?

Access (How *accessible* or *transparent* are your motives, reasoning, and information?)

- Have you fully disclosed information that stakeholders need?
- Are you hiding information that casts you in a better light or real reasons for making certain claims or recommendations? Have you put your interests ahead of the interests of the victims?
- Have you given victims the opportunity to provide input in the decision-making process?
- Have you used all available communication channels to reach victims?

Impacts (How does your communication *impact* stakeholders?)

- Have you thought about how your communication will help or even hurt others? How could you learn more about these impacts?
- Have you made recommendations to stakeholders that are in their best interests?

Respect (How *respectful* is your communication?)

- Would those you are communicating with consider your communication respectful?
- Would a neutral observer consider your communication respectful?

LO11.6 Review crisis communications for fairness and effectiveness.

Reviewing Crisis Messages

Whenever you plan and create crisis communications, you are participating in a consequential effort. You are directly representing your company to your many stakeholders. In many cases, your communications may help them avoid further loss. Certainly, the reputation of your company is in your hands, so it's particularly important to take care with the following.

Proofreading and Getting Feedback for Crisis Messages During the crisis response stage, you will likely be pressed for time. In these tense moments, rereading your written crisis communications is essential. Pay special attention to accuracy. In some crises, your stakeholders' physical and financial security are at stake. Also, if possible, consider having your legal counsel read your messages before you distribute them.

Applying the FAIR Test to Crisis Communications As with other communications, ask yourself and discuss with others whether your crisis messages are fair. Ask questions such as those listed in Figure 11.8 to ensure you are communicating in the interests of others.

Public Relations Messages

LO11.7 Describe the role of public relations messages in today's organizations.

We begin this section by discussing the role of public relations in today's organizations. Then, since PR messages are viewed with more skepticism and distrust than most other business messages, we briefly examine strategies for achieving credibility despite that skepticism. Next, we focus on developing effective PR messages.

The Role of Public Relations Today

The public relations (PR) function occupies an increasingly important role in companies and other organizations for several reasons. In the emerging Social Age, companies are less able to generate predictable media exposure due to the shrinking options in mass advertising (especially in television), the increasingly fragmented media landscape (people turning to many sources and media for information), and the growing importance of online consumer reviews and activist blogs.[24] Since so many consumers rely on social media for information, the public relations field is among the business areas most rapidly adopting Social Age practices. Still, the success of these PR messages is far more difficult to control and measure than just a decade ago.

Traditionally, PR was viewed as media relations, and the primary vehicle for PR messages was press releases. Over the past several decades, during the Information Age, the scope of PR broadened and became a key component of the marketing mix.[25] PR has been defined as "the management function that establishes and maintains mutually beneficial relationships between an organization and the various publics on whom its success depends."[26] In other words, PR is fundamentally about *building relationships* with employees, customers, communities, the media, and other stakeholders.

A primary goal of building these relationships is to improve corporate reputation or credibility. Elliot Schreiber, one of the foremost authorities on public relations, recently defined **corporate reputation** on the Institute for Public Relations website:

> From the perspective of the organization, reputation is an intangible asset that allows the company to better manage the expectations and needs of its various stakeholders, creating differentiation and barriers vis-à-vis its competitors. From the perspective of stakeholders, reputation is the intellectual, emotional and behavioral response as to whether or not the communications and actions of an organization resonate with their needs and interests.[27]

This definition reveals several key aspects of reputation. First, it is an asset; it has value. Studies suggest that reputation directly contributes to between 3 and 7.5 percent of annual revenues. For some companies, reputation can increase revenue even more. Second, having a positive reputation is not enough. A company's reputation must differentiate it from its competitors. Third, a primary goal of public relations is managing the expectations of stakeholders. And most important, through public relations, a company develops a reputation that delivers value to stakeholders based on their own needs and interests.[28]

Gaining Credibility through PR in the Post-Trust Era and the Social Age

Ironically, while the goal of PR involves reputation management, the field of PR has among the worst reputations. In Figure 11.9, you will see the results of a recent survey about the perceived credibility of various professionals.[29] Public relations executives were viewed as the least credible, with just 14 percent of adults believing that information coming from PR executives was credible.

This skeptical view of PR professionals and messages is not new. For decades, many customers, employees, and other stakeholders have viewed PR messages as spin.[30] However, the problem of developing credible PR messages is even more challenging in the post-trust era and the Social Age. People trust traditional media sources less than ever before. Furthermore, most people think that discerning the truth is more difficult

Principles for PR Communications

- Establish and maintain credible relationships with stakeholders.
- Build PR activities around a brand or strategic launch.
- Complete full cycles in PR campaigns.
- Communicate the *good* your company does.
- Adapt your PR messages to Information Age and Social Age communication channels.

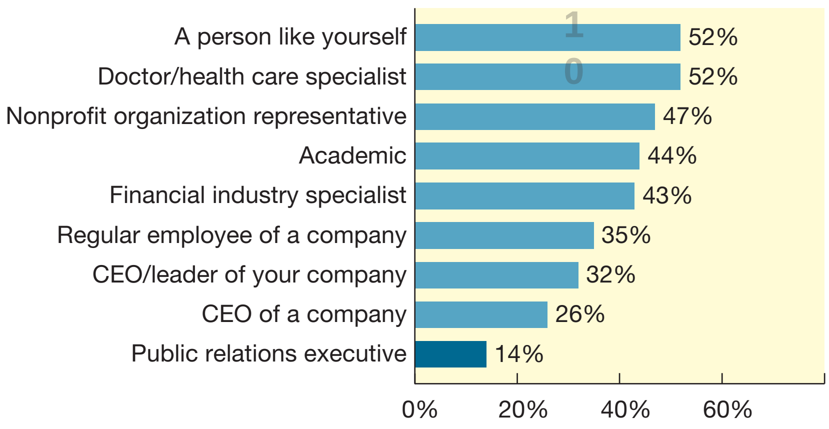


FIGURE 11.9

If You Heard Information from Each of These Sources, How CREDIBLE Would the Information Be?

Source: Edelman Trust Barometer 2007 as presented in Andy Beal and Judy Strauss, *Radically Transparent: Monitoring and Managing Reputations Online*, John Wiley & Sons, Inc., 2008. Reprinted with permission of John Wiley & Sons, Inc.

FIGURE 11.10

Less-Effective Invitation to a Blogger

To… Mitch Andrews

Subject: Invitation to Meet with CEO and President of Better Horizons Credit Union

Arial 10 B I U

Hello Mr. Andrews:

Your recent blog about foreclosures in our community was a well-intentioned, well-researched piece. Yet, you are misinformed on several points. In particular, you misrepresented the actions taken by BHCU in several foreclosure cases. We do not shy away from legitimate criticism, but we do expect a factual approach to writing about consumer protection.

Every few months, we invite a few members of the community to meet directly with Christine Russo, CEO and president of our credit union, to discuss the impact of financial services on the community. In the next few weeks, we'd like to assemble several prominent reporters and bloggers to talk about home loan practices. We hope you will join us. I believe this will be a win-win situation for both of us. It will give Christine an opportunity to explain what BHCU actually did in the cases you reported on and clear up some misinformation. It will also give you an opportunity to get an insider's look at our home loan practices.

If you would like to join us, please give me a call within the next two days and we can discuss some mutually convenient times.

Thank you and best wishes!

Haniz Zogby
Assistant Manager
Better Horizons Credit Union
803-784-7391

This message unnecessarily adopts an *us-versus-you,* ADVERSARIAL TONE. In many cases, this message will be counterproductive.

than ever due to a fragmented media landscape and uncertainty about the information provided on Social Age tools such as websites and blogs.[31]

Since PR messages are *usually* treated with skepticism, establishing credibility and showing sincere goodwill should be primary goals in your public relations efforts. Consider the following pieces of advice.

Develop Credible Relationships Public relations can be viewed as an unending process of building and nurturing relationships with stakeholders. The range of PR relationship-building activities is broad: It includes lobbying, sponsoring community events, holding press conferences, setting up public speeches, organizing company tours for the public and the media, providing public service announcements, and penning op-ed articles, to name a few.

A company builds credibility in its relationships to the degree that it achieves three types of responsibility: economic responsibility (similar to competence), ethical responsibility (similar to character), and social responsibility (similar to caring).[32] **Economic responsibility** means producing products and services that meet the needs of customers and clients; **ethical responsibility** means that corporate activities comply with high ethical and legal standards; and **social responsibility** means that companies *give back*, serve, and meet the social interests of their communities.

FIGURE 11.11

More-Effective Invitation to a Blogger

To... Mitch Andrews

Subject: Invitation to Meet with CEO and President of Better Horizons Credit Union

Arial 10 B I U

Hello Mr. Andrews:

Every few months, we invite a few members of the community to meet directly with Christine Russo, CEO and president of our credit union, to discuss the impact of financial services on the community. In the next few weeks, we'd like to assemble several prominent reporters and bloggers to talk about home loan practices.

We hope you will join us. Your blog about consumer protection is a popular source of advice, and we appreciate your good-faith efforts on behalf of the community. In particular, your recent blog about the painful impact of foreclosures on several local home owners was a wake-up call that our community must take action to keep more people from losing their homes.

We would like to invite you to join this small group of reporters and bloggers to meet with Christine. You mentioned a number of legitimate concerns in your recent blog post, and if you come, we hope you will raise these concerns. The meeting is an open-ended conversation without any agenda. If you would like to join us, please give me a call within the next two days and we can discuss some mutually convenient times.

Thank you and best wishes!

Haniz Zogby
Assistant Manager
Better Horizons Credit Union
803-784-7391

This message adopts an INVITING, RELATIONSHIP-ORIENTED TONE. It emphasizes shared interests and open-ended conversation.

In the post-trust era (PTE), credible relationships are critical for creating effective PR messages. When stakeholders view the company as credible, they trust its PR messages; when they view the company as not credible, they distrust those messages. When stakeholders have unformed opinions of a company, the typical PTE response is to treat PR messages skeptically. In situations where stakeholders view a company neutrally or as not credible, one of the best PR approaches is to find outside parties who will talk positively about the company or endorse it. By establishing relationships with prominent, visible, and credible opinion makers who are willing to make endorsements, companies may gain positive public exposure.

In the emerging Social Age, developing credible relationships with important opinion makers is critical. One approach is to learn about bloggers who write about your industry or business. Then, consider developing relationships with them, inviting them on-site, being transparent, and giving them raw information. If they get to know you and you provide them with firsthand information about your company, they are less likely to write potentially damaging blog posts that are skewed by less-credible external information.[33] Figures 11.10 and 11.11 present invitations from Haniz to a blogger who has written about the industry unfavorably. In the less-effective example (Figure 11.10), Haniz's invitation adopts an us-versus-you tone. It emphasizes that she is right and he is wrong, thus closing off conversation and relationship-building. By contrast, in the more-effective example (Figure 11.11), Haniz demonstrates a listening-centric orientation by extending an invitation for real dialogue.

Build a Brand or Strategic Promotion One primary goal as you build relationships with stakeholders should be to differentiate your company's brand, products, and services from those of competitors. In other words, the goal is not just to gain positive public exposure. Rather, it is to carve out a distinctive corporate reputation for delivering value that is superior to that of competitors.

Yet, most PR activities should not include hard sells. They are intended to build and reinforce a brand in a no-pressure manner that avoids the feel of mass advertising. Potential customers should never perceive PR activities as strictly self-serving.

Among the most visible PR activities for companies are charitable ones. Companies that contribute to their stakeholder communities also gain brand value. For example, Cisco, a major computer networking company, created the Cisco Networking Academy. This program contributes networking equipment to high schools and develops training programs for teachers and students. This type of giving directly impacts thousands of students and provides opportunities for career success. It also fills a shortage of qualified network administrators—up to a million, according to some estimates. This philanthropic effort is strategic because it increases demand for networking equipment and also reinforces Cisco's brand as the networking leader. Thus, corporate giving sets in motion a virtuous cycle that provides value for companies and their stakeholders.[34]

Better Horizons Credit Union also provides various community outreach programs, including free financial planning courses, a financial literacy fair, and volunteers for the Junior Achievement program in public schools. These activities succeed to the degree that stakeholders recognize Better Horizons as a financial institution that takes a personalized approach to financial planning, which is the brand Better Horizons seeks.

Complete the Campaign Cycle A strategic approach to public relations involves campaigns—a series of methodical activities over a certain time period to meet defined PR objectives (see Figure 11.12). At the heart of PR campaigns is listening and research. Listening to stakeholders and applying a research approach at each stage in a campaign cycle ensures that PR activities create the most value for a company and

FIGURE 11.12
The PR Campaign Cycle

its stakeholders. The ongoing conversations via social media—especially Facebook, Twitter, YouTube, and activist blogs—create an environment in which companies continuously listen and research what stakeholders are saying and hearing about their companies. Part of the listening and research approach involves staying well informed of current events and markets that impact corporate reputation.[35]

The first step in most PR campaigns is to establish objectives. These objectives may include increasing word of mouth, increasing media attention to products and services, or increasing positive views of the company's brand, products, and services. Traditionally, the two most common measures of PR success were media mentions and word of mouth.[36] Now, companies are developing more sophisticated measures of PR success and evaluating not only positive press but also impact on competitive advantage. Once the objectives are established, the next steps involve identifying key stakeholders, developing key messages, identifying strategies and related tactics, and setting budgets and timelines. Finally, all effective campaigns involve evaluation.[37]

Communicate the Good the Company Does for Stakeholders

Companies should regularly and honestly publicize stories and articles about the good deeds they do. Informing stakeholders about the economic and social value the company provides enhances its reputation.[38] Companies should also make their high ethical standards visible to all stakeholders—identifying themselves as ethical corporate citizens. Similarly, companies should communicate their core values. Otherwise, some stakeholders will assume that the company operates only in a self-serving manner.[39]

Transition from Information Age PR to Social Age PR The transition to truly networked communication will take decades. Some business functions have been quicker to adopt social media. Public relations is among the business functions that has done so the most rapidly.

In Social Age PR, business professionals can circumvent the traditional media and use communication channels that more quickly reach stakeholders. In this social media environment, PR professionals will increasingly give stakeholders the opportunity to talk back.[40] However, using social media for PR has several disadvantages: Most people think social media messages are less reliable than messages in traditional media outlets and print. Also, controlling the message is more difficult because of the fragmented, two-way nature of the social media environment. Some consumer analysts even suggest that social media allow customers and other stakeholders to vent more rage than in other forums.[41]

Most medium and large organizations have created social media teams that handle public relations. These teams (1) develop formal social media policies; (2) monitor internal and external communities; (3) engage online communities with fan pages, corporate blogs, online innovation forums, and meetings with prominent bloggers; and (4) act as first responders by acknowledging mistakes and warding off crises when negative, brand-threatening social media activity occurs.[42]

In addition to Social Age PR strategies, companies will continue to employ many Information Age PR strategies for the foreseeable future. In Figure 11.13, you can see some Better Horizon PR messages. You will notice that many of them are provided on static web pages, which is an Information Age approach. Other tools involve social media, such as video sharing, blogs, microblogs (often referred to as *tweets*), social networking websites, and texting.

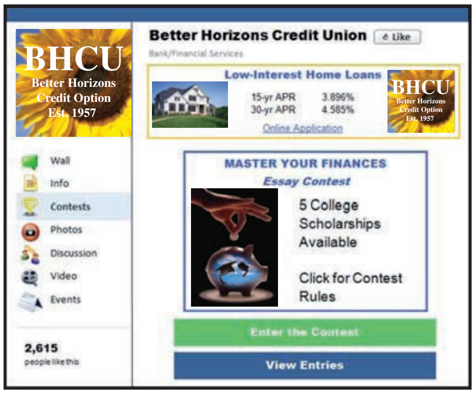
As you develop PR messages, choose the communication channels that best enable you to reach your stakeholders; some respond more to messages via Web 1.0 tools, whereas others prefer PR communications through Web 2.0 tools. Keep in mind that using a particular communication channel (print, web page, social media) is not a strategy. Rather, developing a PR message with a target audience in mind is a strategy.

While your PR strategy will stay the same, you will modify your PR messages to reflect the norms and values generally associated with Information Age versus Social

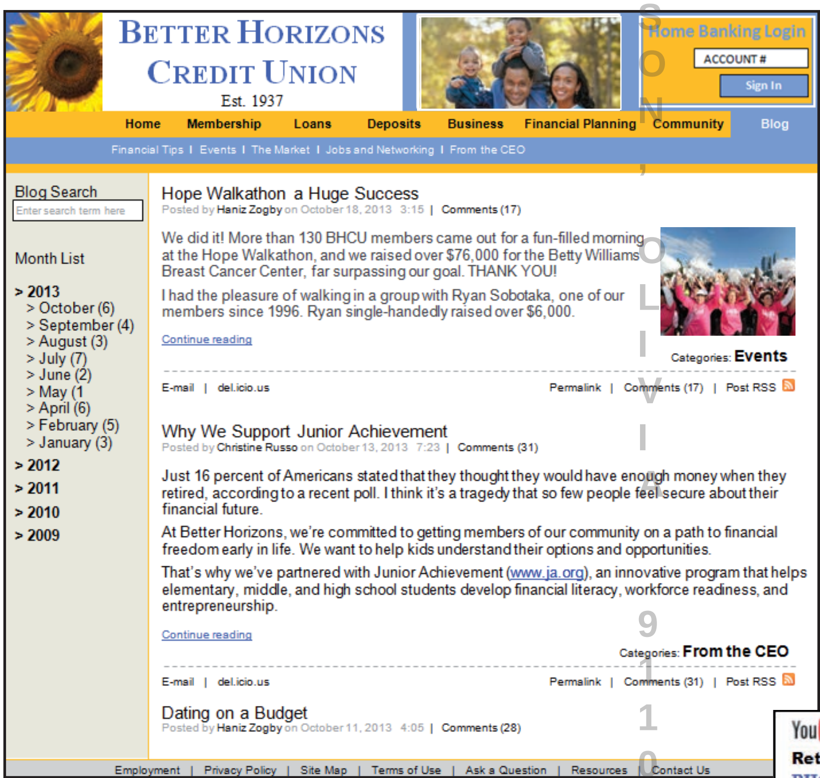
FIGURE 11.13

PR Messages in the Emerging Social Age

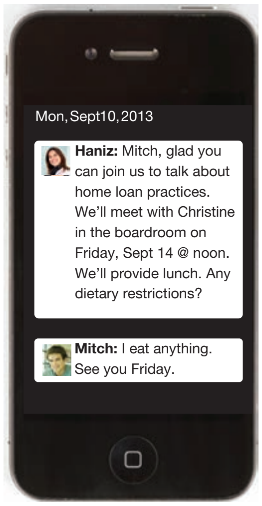
Website with Regular PR Stories



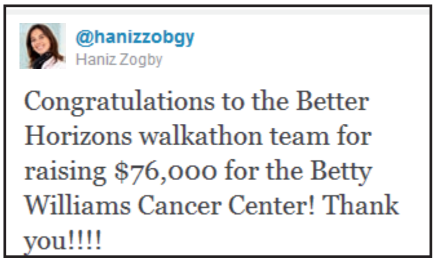
Social Networking Site with Engaging Content



Corporate Blogs with Regular, Personalized Content



Texting to Facilitate Immediate Two-Way Communication



Microblogs (Tweets)

Online Videos on YouTube Channel

TABLE 11.5

Tools for PR Messages: Information Age Audiences and Social Age Audiences

Information Age	Social Age
Tone • Formal and professional • Authoritative and expert-based • Planned and professional	*Tone* • Less formal and social • Authentic and transparent • Spontaneous, conversational, and personalized
Tools Online media kits and newsrooms (press releases and responses to press inquiries) E-newsletters and e-blasts Online media databases Internet wire distribution services (PR Newswire, Business Wire) Video news releases/Video on demand	*Tools* Corporate blogs and microblogs Corporate social networking pages Online forums (online and in person) with key stakeholders Meetings with influential bloggers and online activists

Age communication tools. As shown in Table 11.5, the tone of Information Age communication tools, such as e-newsletters and online newsrooms, is generally more formal, professional, authoritative, and well crafted. By contrast, the tone of Social Age communication tools is typically less formal (but rarely informal), more authentic, and more spontaneous.[43]

Applying the AIM Planning Process for Public Relations Messages

LO11.8 Apply the AIM planning process to public relations messages.

Traditionally, companies issued press releases in a news story format to describe product launches, sponsored events, financial results, charitable donations, awards, and other *newsworthy* stories. These PR messages were labeled press releases because they were issued to editors and reporters of newspapers, magazines, and other media outlets. Editors and reporters then crafted their own stories from the material in the press releases. Similarly, companies often sought public exposure through the media by writing op-ed pieces or letters to the editor.

Although companies now use many communication channels and often bypass the traditional media to distribute PR messages, the legacy of press releases and op-eds continues. Most companies have a section of their websites, often labeled *pressroom* or *newsroom,* for PR stories and opinion pieces that follow the press release or op-ed style.

Audience Analysis for Public Relations Messages Nearly all public relations messages are targeted and adapted to particular stakeholder groups (see Figure 11.2, page 304). If you tailor your messages for each group, you increase the likelihood that group members will perceive your distinctive brand. The nine broad stakeholder categories were once quite tidy. In the Social Age, however, stakeholder groups straddle geographic and institutional boundaries, so you may need to think carefully about how to conceptualize your audiences.[44]

As you develop PR messages, answer questions such as the following about each stakeholder group:

- How much do they know about your company? How positively or negatively do they view it?
- What is their view of your brand value? Are they satisfied with your performance in the following areas: economic responsibility, social responsibility, and ethical responsibility?
- From what sources do they get information about you and your competitors? Through which communication channels can you best reach them?

TABLE 11.6

Matching Influence Techniques to Public Relations Efforts

Influence Technique	Example
Reciprocation	Better Horizons offers free financial planning workshops. Although these workshops are provided without obligation, many participants gain a favorable view of Better Horizons and choose to reciprocate by becoming members.
Commitment	In the financial planning workshops, participants make commitments to adopt various financial planning strategies and goals. They often use Better Horizons and other financial institutions' services and planning tools to stay consistent with these commitments.
Social proof	The Better Horizons website provides stories and images of community members engaging in a good cause by participating in the Hope Walkathon. These stories and images combine to show what the community values and what it considers *right*.
Liking	Better Horizons invites various journalists and bloggers to meet the CEO in person for lunch. These interactions allow key media figures to gain personal relationships with Better Horizons executives. Ideally, as journalists and bloggers get to know them on an up-close-and-personal level, they will like them and, as a result, avoid ascribing negative intentions to them.
Authority	Better Horizons sponsors an annual financial literacy fair that features the prominent radio host of a personal finances show. By doing so, Better Horizons establishes an appeal to an authority figure.
Scarcity	By holding the financial literacy fair just once per year, Better Horizons allows just a short window of opportunity for people to participate, which increases interest. Furthermore, the fair features a nationally acclaimed keynote speaker who may not ever be back in town.

To make your PR efforts most effective, find ways to influence stakeholders so that they view your company's distinctive brand favorably and so that they are more likely to support your company through positive word of mouth and purchases. Robert Cialdini's influence techniques (described in Chapter 9) are useful in shaping stakeholders' views through PR messages.[45] See Table 11.6 for various strategies Better Horizons uses in PR efforts and messages to influence stakeholders.

Idea Development for PR Messages Since a primary goal of PR is to create distinctive brand value for a company, any individual message should be considered a piece in this larger effort. So, the first step is to clarify your company's brand and, through discussion, gain a shared sense of the brand message. Without this agreement among colleagues, a company may produce nonunified, perhaps even confusing, messages.

Many PR messages center on drawing positive attention to products and services, especially those that are newly launched, recently improved, or recently awarded or otherwise recognized. Developing your ideas for PR messages involves understanding these products and services completely and accurately. Furthermore, it involves identifying which products and services the company intends to highlight. Thus, it requires discussions of the company's strategy for promoting various products and services. Once you have done all this, you are ready to act much like a news reporter. You gather accurate and reliable information that tells a compelling story of what the company has done.

Message Structure for PR Messages In the press release style, which still accounts for most written PR messages, the main components include a headline, dateline, the story, a boilerplate, and contact information.

The *headline* immediately captures the attention of stakeholders. Next, the *dateline* allows readers to identify when the story occurred. Then, the *PR story*—whether it's announcing a product launch, an act of charity, an event, or many other types of notable corporate activities—is written in third person in what is often referred to as *inverted pyramid style*.

The *story* should answer the basic questions of *who*, *what*, *when*, *where*, and *why* quickly within the first paragraph—the widest part of the inverted pyramid. The story then provides supporting details—the second tier of the inverted pyramid. At the end of the PR story, a *boilerplate* or *positioning statement* briefly explains background about the company: the nature of its business, its products and services, its customers, and its *unique selling position,* meaning what distinguishes it from competitors.[46] Typically, minor PR messages are just 100 to 300 words, and major announcements are generally 500 to 800 words.[47]

Another common approach to PR messages is the op-ed style. Traditionally, a corporate leader would write an opinion piece in first person about a challenge or issue shared by the company and the public. As with press releases, the scope of the op-ed approach for PR has grown. Just a decade ago, op-eds were written for newspapers and other periodicals on an irregular basis. Now, however, the op-ed style is common on corporate blogs, where business leaders can regularly share their opinions and experiences.

Components of PR Messages

Press release style:

- Headline
- Dateline
- PR story
- Boilerplate
- Contact information
- Call to action

Creating PR Messages

LO11.9 Construct effective and responsible public relations messages.

Once you have planned your message, you are ready to write it with a focus on achieving excellence in tone, style, and design. Because most stakeholders will make rapid judgments and be skeptical of your motives and interests, you want a friendly tone. Also, use words, phrases, and sentences that help you achieve transparency and objectivity. Stakeholders realize that the message contains your version of reality, and they may perceive your version as skewed toward your own interests rather than theirs. If you can convince your audience members that you are writing objectively and in their interests, you will encounter far less resistance.

Your primary aim regarding style is to make your message easy to process. As you would for a newspaper article, you will write in short paragraphs and sentences so that skimmers can quickly gather pertinent information.

Most PR messages are now distributed electronically via multimedia platforms, such as websites and even email. PR messages in print form are often packaged in nicely designed annual reports, social responsibility reports, and so on. These messages frequently involve extensive use of photographs, video, and graphic design features. For your most important PR messages, consider using professionals to incorporate good aesthetic design.

In Figures 11.14 and 11.15, you can see two sets of PR messages from Better Horizons. The first is an announcement about the Better Horizons Annual Financial Literacy Fair and is developed in press release style. The message is developed to attract community members to the event and to promote Better Horizons' brand and values. The message is warm, inviting, and front-loaded. The second message is in op-ed style. Christine, Better Horizons president, uses a we-voice (see Chapter 5) to describe the company's commitment to the Junior Achievement program. This reinforces Better Horizons' commitment to financial literacy in the community, affirms its commitment to its partner (Junior Achievement), and promotes its brand and values. Since this op-ed style piece is written on a blog, it also allows interaction with stakeholders, who can post their own comments. For more about using corporate blogs, read the Technology Tips box on page 328.

FIGURE 11.14

A Public Relations Message in the Press Release Style on a Web Page

LO11.10 Review public relations messages for fairness and effectiveness.

Reviewing Public Relations Messages

PR messages are often extremely consequential, and your company's reputation is on the line. Therefore, make sure to carefully review what you've written. You may have weeks and months to review some messages. For others, however, you may face pressing time constraints. In either case, proofread carefully, get at least some feedback, and apply the FAIR test.

Proofreading and Getting Feedback for PR Messages

If you are writing PR messages for a midsized or large organization, you will likely work with a team. At the very least, you will work with a marketing director or blog editor. Working with editors and PR teams allows you to receive plenty of feedback. For online PR messages, you also get feedback from readers. They may leave comments,

FIGURE 11.15

A Public Relations Message in Op-Ed Style on a Blog

BETTER HORIZONS CREDIT UNION
Est. 1937

Home Banking Login
ACCOUNT #
Sign In

Home | Membership | Loans | Deposits | Business | Financial Planning | Community | Blog

Financial Tips | Events | The Market | Jobs and Networking | From the CEO

Blog Search
Enter search term here

Month List

> 2013
> October (6)
> September (4)
> August (3)
> July (7)
> June (2)
> May (1
> April (6)
> February (5)
> January (3)
> 2012
> 2011
> 2010
> 2009

Why We Support Junior Achievement

Posted by Christine Russo on October 13, 2013 7:23 | Comments (31)

Just 16 percent of Americans stated that they thought they would have enough money when they retired, according to a recent poll. I think it's a tragedy that so few people feel secure about their financial future.

At Better Horizons, we're committed to getting members of our community on a path to financial freedom early in life. We want to help kids understand their options and opportunities.

That's why we've partnered with Junior Achievement (www.ja.org), an innovative program that helps elementary, middle, and high school students develop financial literacy, workforce readiness, and entrepreneurship.

We believe Junior Achievement programs work because they rely on community volunteers with real-world business experience to guest-teach courses. The courses are structured to give students hands-on, practical, and real business experiences.

In the past ten years, BHCU employees have volunteered nearly 2,000 hours as guest teachers. Our water-cooler conversations here at work often center on our wonderful experiences working with the young people of our community.

We are optimistic about the financial future of these students because they are learning and committing to the fundamentals of financial planning. A few months ago on this blog, we highlighted the experiences of Jasmine Jenkins, a local high school student who was deeply impacted by her Junior Achievement course in 7th grade (www.bhcu.org/blog/jasminejenkins). She started a college savings plan and amassed nearly $14,000. Next week, she will start her first semester at PVU, becoming the first member of her family to go to college! If you ask Jasmine, she'll be the first to tell you that Junior Achievement made this dream possible for her.

Please join me in supporting Junior Achievement in any way you can – volunteering, contributing, or simply recommending it to your local schools.

COMMENTS
Showing 31 comments

Luis 3 hours ago

I could not possibly agree more. Our young people need to start planning early, especially in these uncertain times. JA was a critical part of inspiring me to start my own small business. Christine, count me in as someone who will volunteer.

jenharding 1 day ago

I've taught two JA courses in the past. I've noticed two things. First, the students are hungering for chances to really get involved in projects that feel real. In each of the classes I taught, we created actual companies. Second, most of the students lack quite basic attitudes and skills necessary to compete in the business world. The JA programs help these kids gain these attitudes and skills quickly.

Christine touched on the key take-away. We've got to get our kids started sooner in developing financial know-how. Preparing for careers and understanding financial planning is more complicated now than it was in past decades.

TECHNOLOGY TIPS

CORPORATE BLOGS

Nearly all companies now use corporate blogs as part of their online public relations efforts. These blogs are also useful during crises, allowing companies to provide constant updates from a central location. Consider the following approaches:

Spend time learning about blogs. If you and those assigned to developing a blog are novices, invest time learning about best practices in blog writing. Look at your competitors' blogs and those of companies within your industry. You'll find plenty of information to help you map out a strategy.

Humanize your blogs. This is a place on your website where you give your readers a glimpse into the human, personal side of your business. Talk about the lighter sides of business and expose your personality—all in a way that strengthens your brand.

Source: Reprinted courtesy of Southwest Airlines.

Facilitate and encourage conversations. Use your blogs to start online conversations. Let your readers come inside and feel like they are part of the community. This is a great opportunity to listen to your customers and other stakeholders to find out what they want and expect from you. Respond to comments so that readers feel heard. Avoid, however, deleting comments, even when they are negative.

Provide regular, fresh content. Your readers will only follow your blog if you update it frequently and provide original content. Aim for fun, authentic, and useful posts. Consider how-to posts that focus on lifestyle interests and hobbies.

Revolve your blog entries around a consistent theme. If you don't have a unifying theme, readers cannot make sense of the blog or understand why they should return to it regularly. Ideally, you will develop themes that build your brand value.

Introduce your bloggers and establish their credibility. Several employees will likely write your corporate blog. You can enhance these bloggers' credibility by providing short profiles: their pictures, personal backgrounds, and areas of expertise.

Connect your blog to other social media. To increase the impact and gain followers, allow readers to subscribe to your blog via an RSS feed and connect via other social media such as Facebook, Twitter, and YouTube.

allowing you to evaluate how helpful or valuable they find your online messages. Also, with web analytics, you can get a sense of how many and what type of visitors read your messages. Thus, PR messages have built-in means of being proofread and getting feedback.

You can make this team approach to developing PR messages more effective if you respond well to the comments of others within your own team as well as those stakeholders who comment online. Avoid responding to negative feedback defensively. Use these comments to guide your future PR efforts.

Applying the FAIR Test to Public Relations Messages

As with other communications, ask yourself and discuss with others whether your PR message is fair to others. Ask questions such as those listed in Figure 11.16 to ensure you are communicating in the interests of others.

FIGURE 11.16

Are Your Public Relations Communications FAIR?

Facts (How *factual* is your communication?)

- Have you presented *all* the facts correctly?
- Have you presented information that allows stakeholders to make informed decisions that are in their best interests?
- Have you carefully considered various interpretations of your data? Have you assessed the quality of your information?
- When interpreting your information, have you looked at it from the perspectives of stakeholders?

Access (How *accessible* or *transparent* are your motives, reasoning, and information?)

- Are your motives clear, or will others perceive that you have a hidden agenda?
- Have you fully disclosed information that stakeholders need?
- Are you hiding any information to cast yourself in a better light or any real reasons for making certain claims or recommendations?
- Have you given stakeholders the opportunity to provide input in the decision-making process?

Impacts (How does your communication *impact* stakeholders?)

- Have you considered how your communication impacts all stakeholders?
- Have you thought about how your communication will help or even hurt others? How could you learn more about these impacts?
- Have you made recommendations to stakeholders that are in their best interests?

Respect (How *respectful* is your communication?)

- Would those you are communicating with consider your communication respectful?
- Would a neutral observer consider your communication respectful?

Always avoid spinning the truth. Nearly all public relations professionals can tell dozens of stories about the damage done to corporate reputations when messages failed to provide complete or accurate information *(facts)*, covered up information *(access)*, overlooked potential fallout on stakeholders *(impacts)*, and failed to consider stakeholders *(respect)*. Any dishonesty can come back to haunt you.[48]

As you evaluate how to tell PR stories, be honest and stay grounded in reality. While the goal of PR campaigns is to improve the corporate reputation in ways that give distinct advantages compared to competitors, seasoned PR professionals caution against raising the expectations of stakeholders too much. In the short run, you may boost your corporate image. In the long run, however, if your claims were overblown, stakeholders will likely realize that their high expectations were not met and recognize that you overpromised.

For example, the former head of PR at AT&T, Dick Martin, admits that he and his team excessively promoted a merger between AT&T and Time Warner because they viewed the deal from an overly optimistic perspective. Later, Martin said, “So when things began to go amiss for the company, we had a more difficult time controlling the damage than if we had been more modest in laying out our plans.”[49] He believes the lesson of this public relations nightmare is simple: “Don’t fall in love with your own story.”[50]

Many legal and ethical considerations affect the public relations field. Be aware of PR-related regulations within your industry and company. In particular, be aware of regulations that exist for copyrights and trademarks and the communication activities of publicly traded companies. As you consider how to compose and distribute PR messages ethically, seek the guidance of organizations such as the Public Relations Society of America and the International Association of Business Communicators (IABC), which have developed guidelines.[51] In addition, consider the thoughts of PR professional Steven Craig in the Communication Q&A on page 330.

COMMUNICATION Q&A

CONVERSATIONS WITH CURRENT BUSINESS PROFESSIONALS

Pete Cardon: How can you use PR messages to build relationships with stakeholders?

Steven Craig: One key is building strong relationships with local communities and media. In the past few years, I've worked on a lot of campaigns for a copper mine. The mine is one of the largest economic contributors to the local community. It's also one of the largest polluters. So, the mine is a mixed blessing to the area. In a very real sense, the mine's existence depends on the favorable views of local community members.

PR professionals at the mine are constantly developing messages that center on its role as an economic engine and its progress in its environmental responsibility. They use focus groups to stay informed about the perspectives of community members. That way they can tailor the PR messages to what people are thinking right now. If they find that people are concerned about pollutants, they can develop PR messages about recent changes, such as relying more on natural gas than coal to reduce emissions or increased use of alternative energy sources.

Not only is the content of the PR messages important, so is the timing. The mine depends on getting regulations and permits for its operations. Gaining these regulations and permits would be next to impossible without local support. Many of the PR campaigns are timed to increase positive press prior to applying for various permits.

PC: How do PR messages contribute to an organization's brand value?

SC: Consumers make many of their decisions solely based on brand value. Brand value is built in many ways, including through PR messages. Typically, if your brand value is strong, people notice your advertisements. If your brand value is weak, your ads get lost among the hundreds of other advertising messages out there.

The mine I mentioned earlier has built goodwill over generations. Everyone in the local area at least knows someone—a friend or relative—who has worked there. The mine tries to capture this feeling of community and economic legacy as part of its brand value.

PC: What are some of the most common mistakes you've seen in PR messages?

SC: You really need to stay with the same broad message. I've seen many cases where advertising and public relations firms or clients get anxious to change their look and change their message. But the public doesn't respond to constantly shifting brands. It's like all of a sudden if your friend changes his personality, it confuses you and makes you wonder if you really know this person. PR and ad campaigns are just the same. You need to develop a good message, establish your brand, and stay the course with consistent messages. This is especially the case for companies without large advertising budgets.

Steven Craig *has worked on dozens of public relations campaigns during his 20 years in the advertising industry. He started his career working for public relations and advertising firms such as Penna Powers and DSW. He currently owns his own advertising firm.*

Chapter Takeaway for *Crisis Communications and PR Messages*

LO 11.1. Explain how crisis communications and public relations messages impact organizational reputation. (pp. 301–302) Delivering effective crisis communications and PR messages improves **your company's credibility.**

For crisis communications, you show **competence** when you implement a crisis communications plan to rapidly assist victims and stakeholders. For PR messages, you show **economic responsibility** when you produce excellent products and services.	For crisis communications, you show **caring** when you demonstrate your genuine concern to help victims and stakeholders. For PR messages, you show **social responsibility** when you give back to your stakeholder communities.	For crisis communications, you show **character** when you ensure the company lives up to its legal and ethical responsibilities. For PR messages, you show **ethical responsibility** when you abide by high ethical values and legal standards.

LO 11.2. Describe the nature of crisis management in today's organizations. (pp. 302–304)

Pre-Crisis Preparation
- Create a crisis management plan.
- Assign and train a crisis management team.
- Regularly conduct exercises to test the crisis management plan.
- Develop sample responses to various types of crises.

Crisis Responses
- Act to help victims and ensure public safety; provide stress and trauma counseling.
- Monitor the situation carefully and stay updated with the facts.
- Provide quick, accurate, and consistent communications through all available communication channels; tailor messages to each stakeholder group.

Post-Crisis Actions
- Keep stakeholders informed about recovery and corrective efforts.
- Update the crisis management plan based on lessons learned.
- Engage in public relations to repair the organization's reputation.

LO 11.3. Apply the AIM planning process to crisis communications. (pp. 304–307)

Audience Analysis — Idea Development — Message Structuring

AIM Planning Process

Audience Analysis: Focus first on victims and most-impacted stakeholders. Use all communication channels to get messages out.

Idea Development: Gather various versions of the events, identify impacts and solutions, and analyze the nature of the crisis.

Message Structuring: Express concern, explain corrective actions, and provide instructions.

Type of Crisis	Concern	Corrective Actions	Instructions	Excuse and/or Justification	Compensation and/or Apology
Victim crises	×	×	×		
Victim crises*	×	×	×	×	
Accident crises	×	×	×	×	
Accident crises*	×	×	×	×	×
Preventable crises	×	×	×	×	×

*With intensifying factors

LO 11.4. Construct effective and responsible crisis messages. (pp. 307–313)

Components of Crisis Communications

- Express concern.
- Explain corrective actions.
- Provide instructions.
- Give an excuse/justification (for certain types of crises).
- Provide compensation/apology (for certain types of crises).

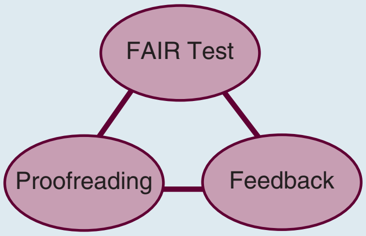
See *examples of crisis communications* in Figures 11.3 through 11.7.

LO 11.5. Explain how to handle external complaints and negative rumors. (pp. 310–315)

Principles for Responding to External Complaints and Rumors		
• Gather the facts.	• Respond quickly.	• Rely on external advocates.
• Avoid heavy-handedness (show of force).	• Use the appropriate channels.	• Respond with credentials.

See *examples of handling negative rumors* in Table 11.4.

LO 11.6. Review crisis communications for fairness and effectiveness. (p. 316)



Reviewing Process

FAIR Test: Always be honest with your *facts*, provide *access* to your decision making, and consider *impacts* on stakeholders.

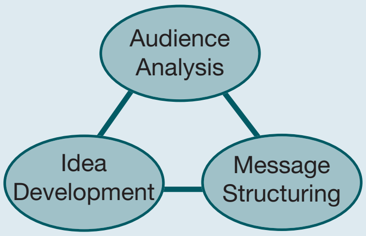
Proofreading: For crisis messages, ensure complete accuracy.

Feedback: Access all avenues for feedback: colleagues, legal counsel, stakeholders.

LO 11.7. Describe the role of public relations messages in today's organizations. (pp. 316–323)

Principles for PR Communications
• Establish and maintain credible relationships with stakeholders.
• Build PR activities around a brand or strategic launch.
• Complete full cycles in PR campaigns.
• Communicate the *good* your company does.
• Adapt your PR messages to Information Age and Social Age communication channels.

LO 11.8. Apply the AIM planning process to public relations messages. (pp. 323–325)



AIM Planning Process

Audience Analysis: Identify the unique needs and values of stakeholder groups and employ principles of influence.

Idea Development: Analyze how the PR message can fit into a unified PR effort that promotes distinctive brand value.

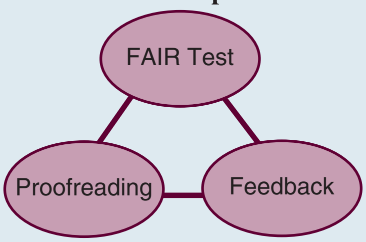
Message Structuring: Organize the PR message in press release style: headline, dateline, story, boilerplate, and contact info.

LO 11.9. Construct effective and responsible public relations messages. (pp. 325–327)

Components of PR Messages	
Press Release Style	
• Headline	• Boilerplate
• Dateline	• Contact information
• PR story	• Call to action

See *examples of PR messages* in Figures 11.10, 11.11, 11.13, 11.14, and 11.15.

LO 11.10. Review public relations messages for fairness and effectiveness. (pp. 326–329)



Reviewing Process

FAIR Test: Always be honest with your *facts*, provide *access* to your decision making, and consider *impacts* on stakeholders.

Proofreading: Check for contribution to brand value.

Feedback: Access all avenues for feedback: colleagues, legal counsel, stakeholders.

Key Terms

accident crisis (p. 305)
corporate reputation (p. 317)
economic responsibility (p. 318)
ethical responsibility (p. 318)
preventable crisis (p. 305)
social responsibility (p. 318)
victim crisis (p. 305)

Discussion Exercises

For additional cases and exercises related to crisis communications and public relations messages, see the online resources.

11.1 Applying Key Terms (LO 11.1, LO 11.2, LO 11.7)

Explain each of the key terms and provide a concrete example of how it impacts crisis communications and/or PR messages.

11.2 Crisis Communications Discussion Questions (LO 11.2, LO 11.3, LO 11.4, LO 11.5, LO 11.6)

Describe the role of crisis communications in today's organizations. Respond to the following questions in one or two well-thought-out paragraphs per question:

A. How can a company plan for crises, which by nature are often unpredictable?
B. What strategies should companies use to combat unfounded online rumors?
C. How should companies respond to victim crises, accident crises, and preventable crises?
D. How should a company choose which stakeholders take priority during a crisis?

11.3 Public Relations Discussion Questions (LO 11.7, LO 11.8, LO 11.9, LO 11.10)

Explain the role that public relations plays in today's organizations. Respond to the following questions in one or two well-thought-out paragraphs per question:

A. What are the goals of public relations efforts?
B. What are the defining characteristics of corporate reputations?
C. How is public relations changing in the post-trust era and emerging Social Age? How is it remaining the same?
D. Why do stakeholders so often view public relations messages skeptically?
E. What are the three aspects of credible PR efforts? Explain.
F. Explain what the PR campaign cycle is. Describe the importance of each stage: (a) listen/research; (b) set objectives; (c) identify stakeholders; (d) develop key messages; (e) establish strategy and tactics; (f) create timeline and budget; and (g) evaluate.

11.4 Best Practices in Crisis Communications (LO 11.2, LO 11.3, LO 11.4, LO 11.5, LO 11.6)

Choose an area of interest within crisis communications. You might consider the type of crisis (victim crisis, accident crisis, preventable crisis) and/or the medium of communication (i.e., blogging, press conferences). Describe best practices for your selected topic in four or five paragraphs. You may use resources from a variety of public relations professional groups that provide a wealth of free information on their websites. Also, at these websites, you may find a specific topic of interest to you. Consider using the following as resources:

- Institute for Crisis Management (http://crisisexperts.blogspot.com/)
- Public Relations Society of America (www.prsa.org)

11.5 Best Practices in Public Relations (LO 11.7, LO 11.8, LO 11.9, LO 11.10)

Choose an area of interest within public relations. For example, you might choose from topics such as events and tours, meetings with stakeholders, PR campaigns, corporate social responsibility efforts, corporate blogs, or many others. Describe best practices in this area in four or five paragraphs. You may use resources from a variety of public relations professional groups that provide a wealth of free information on their websites. Also, at these websites, you may find a specific topic of interest to you. Consider using the following as resources:

- Arthur W. Page Society (www.awpagesociety.com)
- Public Relations Society of America (www.prsa.org)
- Center for Corporate Citizenship (www.bcccc.net)
- Institute for Public Relations (www.instituteforpr.org)
- Ragan (www.ragan.com)

11.6 Communication Q&A Discussion Questions (LO 11.1, LO 11.7, LO 11.8, LO 11.9)

Read the comments of Steven Craig in the Communication Q&A section and respond to the following questions:

A. What key points does Craig make about PR messages?
B. He mentions that one of his clients works extensively with focus groups. In your opinion, what, if any, ethical issues are raised by tailoring PR messages to what stakeholders think?
C. He states that it's extremely important to stay on message over time with PR. Explain his viewpoint and add your own thoughts about this notion.
D. He also raises the issue of timing. Based on his thoughts and your own, explain several principles for effectively timing PR messages.

11.7 Ethics in Crisis Communications and Public Relations (LO 11.3, LO 11.6, LO 11.8, LO 11.10)

Look at the Code of Ethics for the Public Relations Society of America (you can find it at www.prsa.org/AboutPRSA/Ethics/CodeEnglish/). The PRSA advocates six professional values: advocacy, honesty, expertise, independence, loyalty, and fairness. Choose two of these and do the following:

A. Elaborate on your two chosen values. Provide details about their meaning and how you can ensure that your crisis communications and PR messages comply with these two values.

B. Explain the primary challenges to living up to your two chosen professional values.

C. Choose a company of interest to you. What specific steps can this company take to live up to your two chosen professional values?

Evaluation Exercises

11.8 Evaluate Crisis Communications (LO 11.3, LO 11.5, LO 11.6)

Find a crisis message from a company of your choice. If you have a difficult time finding one, consider the following recent corporate crises and find a related crisis message:

- Go Daddy's response when its CEO killed an elephant in Zimbabwe, causing many customers to cancel accounts (2011).
- Netflix's response to social media outcries after it raised monthly prices by 60 percent (2011).
- Japanese carmakers' (Toyota, Honda, Nissan) response to earthquake and tsunami (2011).
- BP's response to the Deepwater Horizon oil spill (2010).
- Mattel's comments on the recalls of over 11 million toys due to safety concerns (2007).

Answer the following questions related to the crisis message you have chosen:

A. Review the components of crisis messages—concern, corrective actions, instructions, attack against the accuser, denial, excuse, justification, reminder, ingratiation compensation, and apology (see Table 11.2 for descriptions of each).

B. Which components are included? Which are missing that should have been included? Explain.

C. How well did the crisis communication meet the needs of victims and other stakeholders?

D. Do you believe the communication was completely fair? Explain.

E. What are three aspects of the crisis message that could have been improved? Explain.

11.9 Analyze a Corporate Apology from Toyota CEO Akio Toyoda (LO 11.3, LO 11.6)

In early 2010, Toyota was forced to recall millions of its vehicles due to reports of gas pedal malfunctions. Dozens of drivers reported that their cars suddenly and unavoidably accelerated. Several incidents resulted in deaths. Toyota CEO Akio Toyoda appeared before the U.S. Congress to extend his apologies and discuss how the company would take responsibility. Read the summary and full text of Toyoda's apology at www.nytimes.com/2010/02/25/business/global/25toyota.html and www.cbsnews.com/8301-503544_162-6235105-503544.html.

Analyze the apology in the following ways:

A. In what ways is the apology direct? Indirect?

B. How does the apology express goodwill?

C. Does the apology include any positive comments? Give examples. Are these appropriate?

D. Does the apology include enough detail?

E. Does the apology include enough information about how Toyota will take responsibility?

F. Do you think the apology has aspects that are uniquely Japanese? Explain.

G. What three things would you have done differently or adjusted in the apology?

11.10 Evaluate a Press Release for a Company of Choice (LO 11.8, LO 11.10)

Choose a press release from a company of interest. Generally, you can access recent press releases by visiting a company's online pressroom (generally labeled *pressroom, newsroom,* or *media*). Answer the following questions about your selected press release:

A. Which stakeholder groups is this message written for? How well does it meet their needs?

B. What are the key messages? How well do they tie into the company's brand value or strategic promotion of certain products or services?

C. How well does the release tell a compelling PR story?

D. Does it contain a boilerplate? What does the boilerplate emphasize about the company?

E. Overall, how effective do you think this press release is? What two suggestions do you have for improving it?

11.11 Evaluate a Corporate Blog for Public Relations Content (LO 11.8, LO 11.10)

Find a corporate blog of interest to you. Read five entries and respond to the following questions:

A. What are the five topics of the blog entries? How do these entries tie into a theme?

B. Does the theme support the company's brand value or strategic promotion of certain products or services? Explain.

C. Which stakeholder groups is this blog written for? How well does it meet their needs?

D. What types of stakeholders would regularly follow this blog? Why?
E. What three suggestions do you have for improving the public relations value of this corporate blog?

11.12 Evaluate a Social Responsibility Report (LO 11.8, LO 11.10)

Read a corporate social responsibility report. You can generally find such reports in the pressroom section or investors' section of the website. Respond to the following questions:

A. What major initiatives, activities, and charitable giving does your selected company engage in to meet its social responsibility to stakeholders?
B. How would you define the company's brand? Do these social responsibility activities tie into the company's brand?
C. How well do the social responsibility activities improve or enhance corporate reputation?
D. What two suggestions do you have for better or further tying the social responsibility activities to the company's brand value?
E. What three suggestions do you have for improving the social responsibility report?

Case for Exercises 11.13 through 11.15 and 11.22 through 11.24: Netflix and Related Communications

In July 2011, Netflix abruptly separated its DVD-delivery and streaming services, increasing monthly subscription fees from \$9.99 to \$15.98 for subscribers who wanted to continue both services. Hundreds of thousands of irate customers posted angry comments on Netflix's Facebook page and website, and their personal Facebook accounts, Twitter messages, and other social media. The intense outcry led to extensive mainstream press coverage. Customers were angered by the drastic price increases and also the abrupt and confusing messages about them.

After two months of complaints via social media and traditional press, a public relations misstep had turned into a full-blown crisis. Netflix CEO Reed Hastings offered an apology on the Netflix website to try to contain the crisis (see Figure 11.19). In the message, he added that Netflix would create a new business called Qwikster to carry its DVD-delivery business. Within a month, Netflix abandoned the idea and retained the Netflix name for DVD-delivery and streaming services.

The short-term damage was severe. During the third quarter of 2011, Netflix lost approximately 1 million subscribers. Netflix shares fell from around \$299 in July 2011 to \$130 in September 2011. Yet, Netflix earnings rose 63 percent during the same quarter. Some analysts suggest that Netflix made a good, even necessary, business decision.[52] Nearly all public relations and crisis communication experts, however, agree that Netflix handled the communications poorly, unnecessarily alienated many customers, and damaged its corporate reputation (see Figures 11.17 and 11.18 for original announcements of the price increase).[53]

FIGURE 11.17

Original Email Message Sent to Netflix Customers[54]

Dear Ryan,

We are separating unlimited DVDs by mail and unlimited streaming into two separate plans to better reflect the costs of each. Now our members have a choice: a streaming only plan, a DVD only plan, or both.

Your current \$9.99 a month membership for unlimited streaming and unlimited DVDs will be split into 2 distinct plans:

Plan 1: Unlimited Streaming (no DVDs) for \$7.99 a month
Plan 2: Unlimited DVDs, 1 out at-a-time (no streaming) for \$7.99 a month

Your price for getting both of these plans will be \$15.98 a month (\$7.99 + \$7.99). You don't need to do anything to continue your memberships for both unlimited streaming and unlimited DVDs.

These prices will start for charges on or after September 1, 2011.

You can easily change or cancel your unlimited streaming plan, unlimited DVD plan, or both, by going to the Plan Change page in Your Account.

We realize you have many choices for home entertainment, and we thank you for your business. As always, if you have questions, please feel free to call us at 1-888-357-1516.

–The Netflix Team

Source: Reprinted with permission of Netflix.

FIGURE 11.18

Longer Version of Announcement on Netflix Corporate Blog[55]

Jessie Becker, here to share two significant changes at Netflix with you.

First, we are launching new DVD only plans. These plans offer our lowest prices ever for unlimited DVDs – only $7.99 a month for our 1 DVD out at-a-time plan and $11.99 a month for our 2 DVDs out at-a-time plan. By offering our lowest prices ever, we hope to provide great value to our current and future DVDs by mail members. New members can sign up for these plans by going to DVD.netflix.com.

Second, we are separating unlimited DVDs by mail and unlimited streaming into separate plans to better reflect the costs of each and to give our members a choice: a streaming only plan, a DVD only plan or the option to subscribe to both. With this change, we will no longer offer a plan that includes both unlimited streaming and DVDs by mail.

So for instance, our current $9.99 a month membership for unlimited streaming and unlimited DVDs will be split into 2 distinct plans:

Plan 1: Unlimited Streaming (no DVDs) for $7.99 a month
Plan 2: Unlimited DVDs, 1 out at-a-time (no streaming), for $7.99 a month.

The price for getting both of these plans will be $15.98 a month ($7.99 + $7.99). For new members, these changes are effective immediately; for existing members, the new pricing will start for charges on or after September 1, 2011.

Why the changes?

Last November when we launched our $7.99 unlimited streaming plan, DVDs by mail was treated as a $2 add on to our unlimited streaming plan. At the time, we didn't anticipate offering DVD only plans. Since then we have realized that there is still a very large continuing demand for DVDs both from our existing members as well as non-members. Given the long life we think DVDs by mail will have, treating DVDs as a $2 add on to our unlimited streaming plan neither makes great financial sense nor satisfies people who just want DVDs. Creating an unlimited DVDs by mail plan (no streaming) at our lowest price ever, $7.99, does make sense and will ensure a long life for our DVDs by mail offering. Reflecting our confidence that DVDs by mail is a long-term business for us, we are also establishing a separate and distinct management team solely focused on DVDs by mail, led by Andy Rendich, our Chief Service and Operations Officer and an 11 year veteran of Netflix.

Now we offer a choice: Unlimited Streaming for $7.99 a month, Unlimited DVDs for $7.99 a month, or both for $15.98 a month ($7.99 + $7.99). We think $7.99 is a terrific value for our unlimited streaming plan and $7.99 a terrific value for our unlimited DVD plan. We hope one, or both, of these plans makes sense for our members and their entertainment needs.

As always, our members can easily choose to change or cancel their unlimited streaming plan, unlimited DVD plan, or both by visiting Your Account.

Source: Reprinted with permission of Netflix.

FIGURE 11.19

CEO's Apology from Netflix Website[56]

I messed up. I owe everyone an explanation.

It is clear from the feedback over the past two months that many members felt we lacked respect and humility in the way we announced the separation of DVD and streaming, and the price changes. That was certainly not our intent, and I offer my sincere apology. I'll try to explain how this happened.

For the past five years, my greatest fear at Netflix has been that we wouldn't make the leap from success in DVDs to success in streaming. Most companies that are great at something – like AOL dialup or Borders bookstores – do not become great at new things people want (streaming for us) because they are afraid to hurt their initial business. Eventually these companies realize their error of not focusing enough on the new thing, and then the company fights desperately and hopelessly to recover. Companies rarely die from moving too fast, and they frequently die from moving too slowly.

When Netflix is evolving rapidly, however, I need to be extra-communicative. This is the key thing I got wrong.

In hindsight, I slid into arrogance based upon past success. We have done very well for a long time by steadily improving our service, without doing much CEO communication. Inside Netflix I say, "Actions speak louder than words," and we should just keep improving our service.

FIGURE 11.19

(*Continued*)

But now I see that given the huge changes we have been recently making, I should have personally given a full justification to our members of why we are separating DVD and streaming, and charging for both. It wouldn't have changed the price increase, but it would have been the right thing to do.

So here is what we are doing and why:

Many members love our DVD service, as I do, because nearly every movie ever made is published on DVD, plus lots of TV series. We want to advertise the breadth of our incredible DVD offering so that as many people as possible know it still exists, and it is a great option for those who want the huge and comprehensive selection on DVD. DVD by mail may not last forever, but we want it to last as long as possible.

I also love our streaming service because it is integrated into my TV, and I can watch anytime I want. The benefits of our streaming service are really quite different from the benefits of DVD by mail. We feel we need to focus on rapid improvement as streaming technology and the market evolve, without having to maintain compatibility with our DVD by mail service.

So we realized that streaming and DVD by mail are becoming two quite different businesses, with very different cost structures, different benefits that need to be marketed differently, and we need to let each grow and operate independently. It's hard for me to write this after over 10 years of mailing DVDs with pride, but we think it is necessary and best: In a few weeks, we will rename our DVD by mail service to "Qwikster."

We chose the name Qwikster because it refers to quick delivery. We will keep the name "Netflix" for streaming.

Qwikster will be the same website and DVD service that everyone is used to. It is just a new name, and DVD members will go to qwikster.com to access their DVD queues and choose movies. One improvement we will make at launch is to add a video games upgrade option, similar to our upgrade option for Blu-ray, for those who want to rent Wii, PS3 and Xbox 360 games. Members have been asking for video games for many years, and now that DVD by mail has its own team, we are finally getting it done. Other improvements will follow. Another advantage of separate websites is simplicity for our members. Each website will be focused on just one thing (DVDs or streaming) and will be even easier to use. A negative of the renaming and separation is that the Qwikster.com and Netflix.com websites will not be integrated. So if you subscribe to both services, and if you need to change your credit card or email address, you would need to do it in two places. Similarly, if you rate or review a movie on Qwikster, it doesn't show up on Netflix, and vice-versa.

There are no pricing changes (we're done with that!). Members who subscribe to both services will have two entries on their credit card statements, one for Qwikster and one for Netflix. The total will be the same as the current charges.

Andy Rendich, who has been working on our DVD service for 12 years, and leading it for the last 4 years, will be the CEO of Qwikster. Andy and I made a short welcome video. (You'll probably say we should avoid going into movie making after watching it.) We will let you know in a few weeks when the Qwikster.com website is up and ready. It is merely a renamed version of the Netflix DVD website, but with the addition of video games. You won't have to do anything special if you subscribe to our DVD by mail service.

For me the Netflix red envelope has always been a source of joy. The new envelope is still that distinctive red, but now it will have a Qwikster logo. I know that logo will grow on me over time, but still, it is hard. I imagine it will be the same for many of you. We'll also return to marketing our DVD by mail service, with its amazing selection, now with the Qwikster brand.

Some members will likely feel that we shouldn't split the businesses, and that we shouldn't rename our DVD by mail service. Our view is with this split of the businesses, we will be better at streaming, and we will be better at DVD by mail. It is possible we are moving too fast – it is hard to say. But going forward, Qwikster will continue to run the best DVD by mail service ever, throughout the United States. Netflix will offer the best streaming service for TV shows and movies, hopefully on a global basis. The additional streaming content we have coming in the next few months is substantial, and we are always working to improve our service further.

I want to acknowledge and thank our many members that stuck with us, and to apologize again to those members, both current and former, who felt we treated them thoughtlessly.

Both the Qwikster and Netflix teams will work hard to regain your trust. We know it will not be overnight. Actions speak louder than words. But words help people to understand actions.

Respectfully yours, Reed Hastings, Co-Founder and CEO, Netflix

Source: Reprinted with permission of Netflix.

11.13 Evaluate a Bad-News Email Message in Terms of PR Principles (LO 11.3, LO 11.5, LO 11.6)

Based on the Netflix announcement contained in Figure 11.17, respond to the following questions:

A. How effectively does this email follow principles for bad-news messages? (You may need to glance at Chapter 10 to refresh your memory.)

B. How could the message be rewritten to reinforce the following PR principles: establish and maintain credible relationships with stakeholders; build PR activities around a brand or strategic launch; adapt your message to Social Age communication channels?

C. What are your three primary recommendations for improving this message? Be specific and elaborate on your ideas.

11.14 Evaluate a Bad-News Blog Post in Terms of PR Principles (LO 11.3, LO 11.5, LO 11.6)

Based on the Netflix announcement contained in Figure 11.18, respond to the following questions:

A. How effectively does this blog post follow principles for bad-news messages? (You may need to glance at Chapter 10 to refresh your memory.)

B. How could the message be rewritten to reinforce the following PR principles: establish and maintain credible relationships with stakeholders; build PR activities around a brand or strategic launch; adapt your message to Social Age communication channels?

C. What are your three primary recommendations for improving this message? Be specific and elaborate on your ideas.

11.15 Evaluate a Crisis Apology (LO 11.3, LO 11.5, LO 11.6)

Based on Netflix CEO Reed Hastings's apology (see Figure 11.19), respond to the following questions:

A. How would you classify this crisis: a victim crisis, an accident crisis, or a preventable crisis? In what other ways would you describe this crisis?

B. What components of a crisis communication does this message contain—concern, corrective actions, instructions, excuse, justification, compensation, apology, reminders, ingratiation, denial, attack the accuser?

C. Evaluate each component you've identified. How effective is each? Be specific.

D. Overall, what three major recommendations would you make?

11.16 Evaluate Timberland's Approach to Stopping Negative Rumors (LO 11.3, LO 11.5, LO 11.6)

Based on Table 11.4, answer the following questions about Timberland's management of negative rumors.

A. How did Timberland avoid heavy-handedness? Give at least two specific examples.

B. Do you think Timberland responded quickly enough? Explain your views.

C. The table shows some email responses from Timberland. What other communication channels could Timberland have used? What is the value of using these other channels?

D. In what way did Timberland use external advocates? What are three other options the company had for using external advocates?

E. What are two options Timberland could have used for responding with credentials?

F. Choose one of the email messages from Timberland and give three suggestions for improving it.

Application Exercises

11.17 Plan a Crisis Message (LO 11.3)

Identify a company of interest. Assume that the CEO or other key executive is arrested on a domestic violence charge. The executive admits an altercation but denies the seriousness of the charges. Respond to the following questions:

A. What stakeholders will you craft a message for? What communication channels will you use? Who will be in charge of crafting the communications?

B. What type of information will you provide for each stakeholder group? What will you do to keep stakeholders updated?

C. How will you structure your messages? What are the key components you will provide in your crisis communications? Elaborate about what you mean and be specific for each of the components you describe.

11.18 Plan Public Relations Messages (LO 11.8)

Identify a company of interest and do the following:

A. Explain the company's brand value and how PR messages can help it build its brand.

B. Using Figure 11.2 as a guide, categorize and describe this company's major stakeholders. You will likely need to reclassify or split some of the categories. For example, you might consider further segmenting the customer group.

C. Describe PR efforts the company does or could do that match the six forms of psychological influence as illustrated in Table 11.6.

D. Outline three PR messages the company could create. For each, explain the key messages, major content, communication channel, and targeted stakeholders

11.19 Rewrite a Crisis Message (LO 11.4)

In 2008, Bob Nardelli delivered news that Chrysler would lay off one-quarter of its white-collar managers. Read his email—at www.autoblog.com/2008/10/24/bob-nardelli-to-employees-we-want-a-25-cut-of-white-collar-job/—and then rewrite it to make it more effective.

11.20 Rewrite a Press Release (LO 11.9)

Find an interesting press release from a company of choice. Assume you will modify it for a different communication channel and a different target stakeholder. For example, if you found a press release written for the media, you could rewrite it as a blog entry for customers. Rewrite the press release accordingly.

11.21 Rewrite a Blog Entry (LO 11.9)

Find a corporate blog entry of interest to you. Rewrite the blog entry as a press release. Assume that you are writing it for the media or for potential investors.

11.22 Plan and Rewrite the Netflix Bad-News Email Announcement (LO 11.8, LO 11.9)

Based on the Netflix announcement contained in Figure 11.17, do the following:

A. Write a detailed AIM planning document and devote at least five paragraphs to analyzing your audience, developing your ideas, and structuring your message.
B. Rewrite the bad-news email.

11.23 Plan and Rewrite the Netflix Bad-News Blog Announcement (LO 11.8, LO 11.9)

Based on the Netflix announcement contained in Figure 11.18, do the following:

A. Write a detailed AIM planning document and devote at least five paragraphs to analyzing your audience, developing your ideas, and structuring your message.
B. Rewrite the bad-news announcement.

11.24 Plan and Rewrite the Netflix Apology (LO 11.3, LO 11.4)

Based on Netflix CEO Reed Hastings's apology (see Figure 11.19), do the following:

A. Write a detailed AIM planning document and devote at least five paragraphs to analyzing your audience, developing your ideas, and structuring your message.
B. Rewrite the crisis apology.

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PART FIVE

Reports and Presentations

CHAPTER TWELVE

Research and Planning for Business Reports

Learning Objectives

After studying this chapter, you should be able to do the following:

LO12.1 Explain how planning and conducting business research for reports impacts your credibility.

LO12.2 Create research objectives that are specific and achievable.

LO12.3 Explain principles of effective design for survey questions and choices.

LO12.4 Develop charts and tables to concisely display data and accentuate key messages.

LO12.5 Evaluate the usefulness of data sources for business research.

LO12.6 Conduct secondary research to address a business problem.

LO12.7 Evaluate research data, charts, and tables for fairness and effectiveness.

WHY DOES THIS MATTER?

In your career, you'll be responsible for reading and preparing an amazing variety of business reports. Common types include business plans, project reports, status or progress reports, financial plans, marketing plans, strategic plans, and technical reports. Reports can range from a single page to thousands of pages. One characteristic is common to all types: the purpose is to provide sound information, analysis, and advice to decision makers.

Compared to most daily business correspondence, reports are considered more reliable, authoritative, thorough, and final. As decision-making tools, they are typically commissioned by and written for middle-level or upper-level managers or external stakeholders (i.e., loan officers, stockholders). Because of their role in decision making, most reports take much more time to create than daily business correspondence. Furthermore, many reports are written collaboratively since they contain complex information that requires the talents and resources of many professionals.

Many reports rely on business research. A person who can conduct business research will have many opportunities for success and advancement. Research is the process of searching for knowledge. In business, you may want to know how consumers think and feel; understand employees' attitudes about a new policy; forecast sales based on past performance and carefully selected assumptions; use internal data to identify consumer behavioral patterns; or examine data to address a variety of business problems.

Conducting and reporting research can enhance your credibility in a variety of ways. You demonstrate an often rare competency in the workplace when you can zero in on core business problems and collect and analyze data that relates to these problems. You show caring by involving key decision makers in the process and conducting research that meets their needs. Also, your character is significantly enhanced when decision makers recognize that they can count on you to deliver results in an objective and unbiased fashion.

In this chapter, we consider several approaches to planning and conducting research for reports. Overall, the purpose is to gather and analyze data that will drive excellent decision making and high organizational performance. First, we focus on setting research objectives, a process that ensures you identify the most relevant data for your business goals. Then, we examine the processes of primary and secondary research to ensure that you will gather reliable data. We also discuss how to effectively present numerical and other information in charts, graphs, and tables so that your complex data is easy to understand and supports your key messages. Read the following case, which serves as the basis for examples provided in Chapters 12 and 13.

Hear Pete Cardon explain why this matters.

bit.ly.com/CardonWhy12

LO12.1 Explain how planning and conducting business research for reports impacts your credibility.

Chapter Case: Analyzing Customer Satisfaction at the Prestigio Hotel

Who's Involved

Jeff Anderton, marketing assistant
- Has worked at the Prestigio for three months
- Roles include marketing of meetings and conventions to professional groups and tracking customer satisfaction
- Graduated a year ago with a marketing major and statistics minor

Andrea Garcia, general manager
- Has worked as general manager for one year
- Started at the Prestigio nearly nine years ago in a position similar to Jeff's marketing assistant position
- Expects thorough data and analysis before making decisions

The Situation

The Prestigio is a four-star hotel that gains much of its business from conventions and meetings. In recent years, it has lost revenue in nearly all areas. In particular, for each of the past two years, the Prestigio has lost between 5 and 10 percent in revenues for conferences. Thus, Andrea wonders if they need to reevaluate their strategy on meetings. She is concerned about the drop in business and wants good research to understand how to move forward.

Andrea recently asked Jeff to work on three marketing research projects. She expects him to complete them in roughly three months.

For the first project, she wants Jeff to analyze guest satisfaction at the Prestigio compared to its three chief competitors: the Grand Swan, Great Falls, and Wyatt. She wants Jeff to use an online hotel rating system to conduct the analysis. Andrea also wants to know if satisfaction ratings have improved in relation to two recent initiatives: increasing the guest-to-staff ratio and increasing the amount of customer-service training. Jeff determines that he can best gather the data with primary research, through a survey he will develop.

For the second project, Andrea wants Jeff to conduct a survey about guest satisfaction among conference attendees. She is particularly interested in guests for three-day conferences. One issue she wants to address is their purchase of and satisfaction with Internet service in their guest rooms. As with the first task, Jeff decides that the best way to address Andrea's research objectives is to develop a survey.

For the third project, Andrea wants Jeff to gather information about eco-friendly or green meetings. Traditionally, the Prestigio has not focused on green meetings. However, in the past year, Andrea has noticed that meeting planners and other guests frequently inquire about green meetings. She wants to know if the Prestigio should invest more resources in such options. Jeff will use a combination of primary and secondary research to address the research objectives for this project.

Task 1
Gather and analyze guest satisfaction ratings for the Prestigio and its competitors.

Task 2
Conduct a survey of recent conference attendees to evaluate conference satisfaction.

Task 3
Gather information about best practices in green meetings.

Analyzing Your Audience for Business Reports

The planning stage for many types of business reports—especially those based on research—often takes months, even years. Like other communications, you can apply the AIM planning process to develop your message based on good ideas that meet the needs of decision makers.

The first step in developing research-based business reports is identifying what decision makers want to accomplish. In many cases, they will commission the reports and have clear goals in mind. In other cases, they do not have clear goals. In all cases, you should spend time with your target audience of decision makers to carefully consider their primary business goals, research objectives, and expectations.[1]

During the research and report writing process, consider updating decision makers and involving them in the process. This increases the likelihood that you will develop a report that is useful to them.

Developing Your Ideas with Primary Research

With a clear understanding of what decision makers want from reports, you are ready to begin research. For important business decisions, gathering data can take weeks, months, and even years. Since many reports are intended to aid high-stakes decision making, getting the right information, analyzing it correctly, and making related recommendations needs to be done carefully and completely.

Business research can be broadly categorized as primary and secondary. **Primary research** refers to the analysis of data that you, people from your organization, or others under your direction (i.e., consultants) have collected. **Secondary research** refers to the analysis of data collected by others with no direction from you or members of your organization.

Primary research is generally most reliable and useful for your business reports because you can focus it to meet your specific research objectives and get feedback directly related to your organization and its needs. However, conducting primary research is often time-consuming, intrusive, and expensive. In some cases, primary research might suffer from a bias toward preexisting opinions and beliefs. For example, a marketing director who is convinced that a new product will be successful when it hits market may misinterpret consumer research to fit his/her preexisting opinions. Common types of primary research include analysis of internal data, survey research, focus groups, interviews, and case studies.

In this chapter, we focus on one of the most common types of primary research: surveys. Survey research is increasingly common because of the ease with which online surveys can be administered (see Technology Tips on page 361). Generally, survey research involves administering written questionnaires. Most survey questions are **closed questions:** They restrict respondents to certain answers (rating scales, multiple choice, etc.). Some survey questions are **open-ended questions,** allowing respondents to answer in any way they choose. Closed questions can be more easily quantified and analyzed. However, open-ended questions allow you to understand an issue in more depth.

Developing Research Objectives

LO12.2 Create research objectives that are specific and achievable.

Once you have identified what your audience of decision makers needs, you will carefully define your research problems. Defining research problems involves stating your research objectives in specific, targeted, and achievable statements. Notice in Table 12.1 how Jeff develops research objectives for two of his research projects.

Creating Surveys

LO12.3 Explain principles of effective design for survey questions and choices.

With online survey technology readily available and easy to use, you will likely have many opportunities to use it in the workplace. Surveys are particularly useful because you can quickly get the responses of dozens if not hundreds of colleagues, current or potential customers, or members of other groups of interest. Online surveys are a nice

TABLE 12.1

Creating Research Objectives

Less Effective	More Effective
Determine how satisfied our conference guests are.	Determine guest satisfaction among conference attendees for key conference amenities and services.
This objective is not specific enough. The statement does not lead to a focused approach to research.	This objective is specific. The statement leads to a focused approach to research.
Understand green meetings.	Identify key trends impacting the market demand for green meetings held at hotels.
This objective is not specific. It is too broad and lacks context.	This objective is specific. It focuses on a context that is relevant to the Prestigio.

Principles for Survey Questions

- Simple to answer
- Non-leading
- Exhaustive and unambiguous
- Single idea

tool because you can automatically dump all the data you collect into a spreadsheet. Of course, online surveys are not always convenient or possible, so you will sometimes use traditional paper-and-pencil questionnaires.

Ideally, you will have opportunities to learn about effective survey design, data collection, and analysis in some of your university courses. If you don't have this opportunity, many excellent books can help you develop your survey research skills. However, to develop your survey skills, you will need more than how-to knowledge. You also need to practice several times; there's no substitute for conducting several surveys and using the data to solve business problems in the workplace.

Generally, surveys should be short. Rarely can you get accurate data from surveys that take longer than five minutes to complete. Most consumer research questionnaires contain fewer than five or six questions. If the survey takes too long, respondents may become impatient and provide less-than-accurate responses or skip questions. The exception is when you pay respondents to take a survey. The obvious drawback is the high cost.

Another key to getting reliable data is designing the survey questions effectively. Survey questions should be (a) simple to answer, (b) non-leading, (c) exhaustive and unambiguous, and (d) limited to a single idea.

Survey Questions Should Be Simple to Answer As you design most surveys, envision respondents who are eager to complete the items quickly and who will spend minimal time thinking about any given item. Survey questions should contain short questions and response options. Thus, respondents should be able to read the entire question in 10 to 20 seconds and select a response that matches their true opinions and feelings within just a few seconds. In Table 12.2, you will notice how Jeff is developing survey questions for his research about guest satisfaction.

Survey Questions Should Be Non-Leading Be sure the questions in your survey are **non-leading.** A leading question is one that suggests an answer. Often, the leading question is designed to gain a preferred response from the survey

TABLE 12.2

Creating Simple Survey Questions

<table>
<tr><th>Less Effective</th><th>More Effective</th></tr>
<tr><td>On a scale from 1, not satisfied, to 4, extremely satisfied, how satisfied were you in the following areas related to your conference experience (if you have no opinion or did not use the following services, simply mark N/A)?
<table>
<tr><th></th><th>1</th><th>2</th><th>3</th><th>4</th><th>N/A</th></tr>
<tr><td>Conference Meals</td><td>○</td><td>○</td><td>○</td><td>○</td><td>○</td></tr>
<tr><td>Internet Pricing</td><td>○</td><td>○</td><td>○</td><td>○</td><td>○</td></tr>
<tr><td>Internet Speed in Rooms</td><td>○</td><td>○</td><td>○</td><td>○</td><td>○</td></tr>
</table></td>
<td>How satisfied were you with the following aspects of your conference experience?
<table>
<tr><th></th><th>1– Not Satisfied</th><th>2– Somewhat Satisfied</th><th>3– Satisfied</th><th>4– Extremely Satisfied</th><th>N/A-Not Applicable</th></tr>
<tr><td>Conference Meals</td><td>○</td><td>○</td><td>○</td><td>○</td><td>○</td></tr>
<tr><td>Internet Pricing</td><td>○</td><td>○</td><td>○</td><td>○</td><td>○</td></tr>
<tr><td>Internet Speed in Rooms</td><td>○</td><td>○</td><td>○</td><td>○</td><td>○</td></tr>
</table></td></tr>
<tr><td>The question is 39 words long. Many respondents will be confused about how to answer the questions without labels for the numerical values.</td><td>The question contains just 12 words. Formatting and labels allow respondents to quickly and precisely process the information.</td></tr>
</table>

TABLE 12.2

(Continued)

Less Effective	More Effective
Rank-order each of the following guest services and amenities in providing value to you during your conference stay. (Rank-order each item. Place a 1 next to your favorite item, a 2 next to your second-favorite item, and so on. Do not place a number next to an amenity or service that you did not use during your stay.) _____ Spa _____ Fitness center _____ Outdoor swimming pool _____ Prestigio golf course _____ Prestigio comedy club _____ One of the Prestigio restaurants	Which of the following GUEST SERVICES AND AMENITIES did you use during your conference stay? **Check ALL that apply.** ☐ Spa ☐ Prestigio golf course ☐ Fitness center ☐ Prestigio comedy club ☐ Outdoor swimming pool ☐ One of the Prestigio restaurants
This question is complicated to answer. Many respondents will not spend time to carefully rank each item. Other responses may be inaccurate or unreliable.	This question is easy to answer. Respondents are given just one choice and can make this judgment within a few seconds.

designer's perspective. Sometimes, leading questions are phrased to imply how a respondent should answer. For example, the following leading question would likely lead many respondents to provide insincere answers: *As a citizen in the country with the most per capita carbon emissions in the world, how interested are you in learning about green meeting options?* Leading questions often do not allow respondents to provide their genuine thoughts or impressions. So, leading questions in surveys can produce unreliable and unusable information (see Table 12.3).

Survey Choices Should Be Exhaustive and Unambiguous Survey choices should be complete. Being **exhaustive** means that all possibilities are available, and being **unambiguous** means that only one choice is appropriate (see Table 12.4).

Survey Questions Should Contain One Idea Survey questions that contain more than one idea are difficult for respondents to answer (see Table 12.5).

TABLE 12.3

Creating Non-Leading Survey Questions

Less Effective	More Effective
To show my support for the green meeting movement, I would recommend the Prestigio as a good site for a business conference. 1. Strongly disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly agree	I would recommend the Prestigio as a good site for a business conference. 1. Strongly disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly agree
This survey question is leading. It suggests to respondents a correct or right answer. It would not provide reliable or useful results.	This survey question is non-leading. It does not suggest or manipulate a response. It would likely provide useful data.

TABLE 12.4

Creating Exhaustive and Unambiguous Survey Choices

Less Effective	More Effective
Age: A. Under 30 B. 31 to 40 C. 41 to 50 D. 50 to 64	Age: A. 30 and under B. 31 to 40 C. 41 to 50 D. 51 to 65 E. Over 65
These choices are neither exhaustive nor unambiguous. They are not exhaustive because respondents who are 65 and over would not have a choice to select. They are not unambiguous because two of the choices overlap (C and D); in other words, a person who is 50 could select either option.	These choices are both exhaustive and unambiguous. Any respondent of any age would find just one correct response.

TABLE 12.5

Creating Survey Questions with a Single Idea

Less Effective	More Effective
How much do you know about green meetings and possible savings on these meetings? A. Nothing at all B. A little C. Some D. A lot	How much do you know about green meeting options for your business? A. Nothing at all B. A little C. Some D. A lot
This question contains two ideas: (1) what the respondent knows about green meetings; and (2) what the respondent knows about possible savings on green meetings. This is confusing to the respondent and impossible for the researcher to interpret.	This question contains one idea. As a result, the question is easy for the respondent to answer and easy for the researcher to analyze.

Furthermore, they are impossible to correctly analyze. Notice Jeff's completed survey in Figure 12.1.

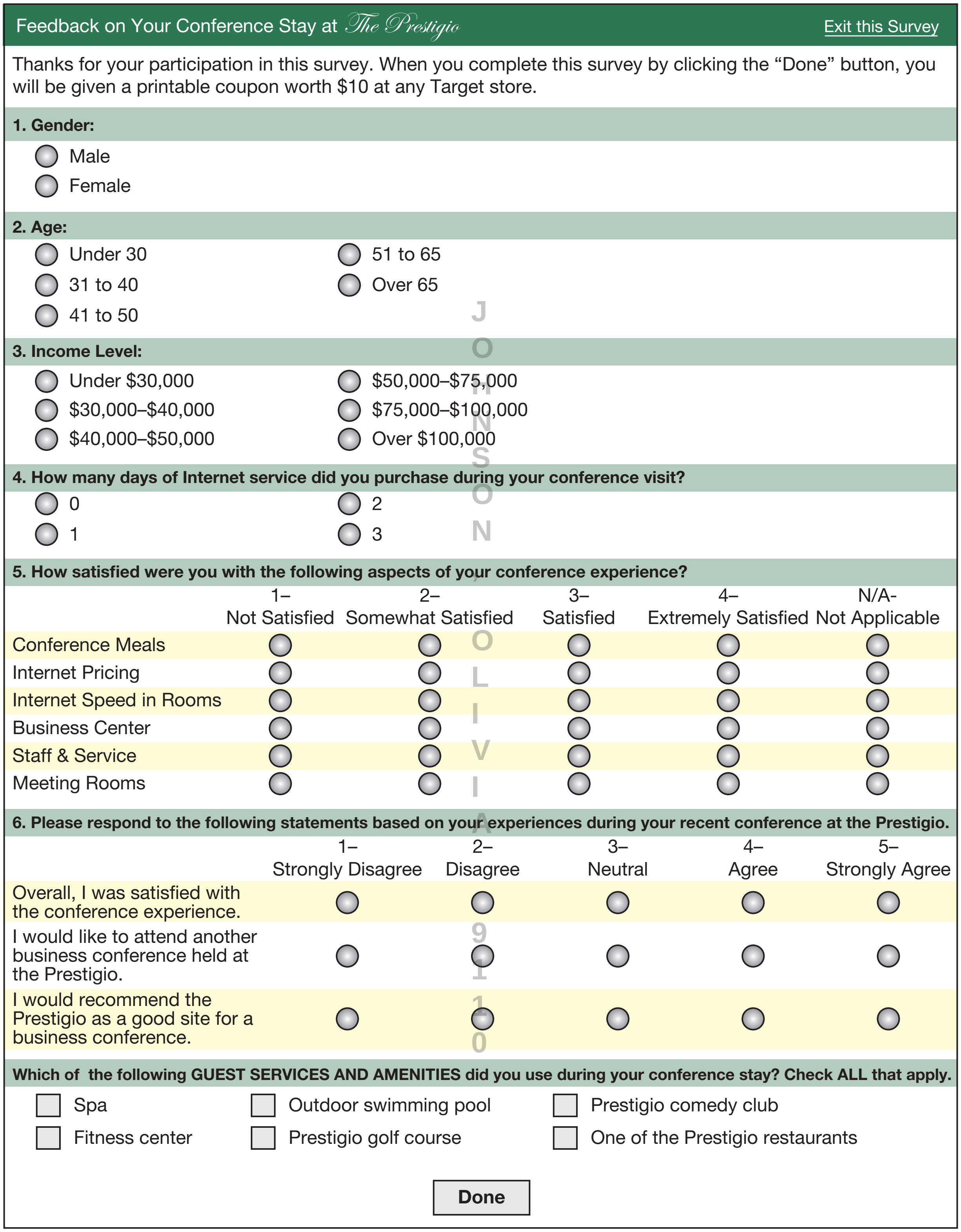
Analyzing Your Data

Once you've conducted your surveys, your next step is to analyze the data. This job may feel exhilarating. Or it may feel overwhelming and even daunting. Even small sets of data from relatively few survey questions can be analyzed and configured in nearly limitless ways. As you develop your primary research skills, consider the following advice:

1. *Learn as much as you can about forecasting and other forms of statistical and quantitative analysis*. Unless you apply good principles of analysis, you can easily get flawed results. Furthermore, unless you are careful, you can without any intention of doing so allow your preconceived ideas and biases to affect how you interpret the data.
2. *Learn as much as you can about spreadsheet, database, and statistical software*. You likely will have a course in spreadsheet software (i.e., Excel). Make the most

FIGURE 12.1

Example of Simple, Easy-to-Complete Online Survey



Feedback on Your Conference Stay at The Prestigio — Exit this Survey

Thanks for your participation in this survey. When you complete this survey by clicking the "Done" button, you will be given a printable coupon worth $10 at any Target store.

1. Gender:

- Male
- Female

2. Age:

- Under 30
- 31 to 40
- 41 to 50
- 51 to 65
- Over 65

3. Income Level:

- Under $30,000
- $30,000–$40,000
- $40,000–$50,000
- $50,000–$75,000
- $75,000–$100,000
- Over $100,000

4. How many days of Internet service did you purchase during your conference visit?

- 0
- 1
- 2
- 3

5. How satisfied were you with the following aspects of your conference experience?

	1– Not Satisfied	2– Somewhat Satisfied	3– Satisfied	4– Extremely Satisfied	N/A- Not Applicable
Conference Meals					
Internet Pricing					
Internet Speed in Rooms					
Business Center					
Staff & Service					
Meeting Rooms					

6. Please respond to the following statements based on your experiences during your recent conference at the Prestigio.

	1– Strongly Disagree	2– Disagree	3– Neutral	4– Agree	5– Strongly Agree
Overall, I was satisfied with the conference experience.					
I would like to attend another business conference held at the Prestigio.					
I would recommend the Prestigio as a good site for a business conference.					

Which of the following GUEST SERVICES AND AMENITIES did you use during your conference stay? Check ALL that apply.

- Spa
- Fitness center
- Outdoor swimming pool
- Prestigio golf course
- Prestigio comedy club
- One of the Prestigio restaurants

Done

of this training and continue experimenting with it to feel comfortable analyzing data. Also, develop a basic understanding of databases. All companies store tremendous amounts of information in databases. If you understand basic database design, you will know what types of information you can extract to answer your research questions. Finally, statistical software (i.e., SPSS, SAS, SYSTAT) can help you conduct analyses far more rapidly and efficiently than can spreadsheet software.

3. *Rely on others in your analysis*. You will likely work with colleagues who have quantitative analysis skills in certain disciplines and for certain types of business problems, and you can turn to them for technical help. Also, you can turn to others for analytical help, because when you analyze data in a group, you are less likely to inadvertently misinterpret the data.
4. *Stay focused on your business problem and look for the big picture*. Often, company databases or survey data contain so much information that you can easily be overwhelmed by the many ways to use it. As you discipline yourself to focus on your key research problems, you are less likely to get bogged down looking at tangential issues.

Communicating with Charts and Tables

Nearly all business activities and goals are measured and quantified: profit and loss, operating expenses, marketing expenditures, employee turnover, performance evaluations, market share, budgets, customer behavior, quality, and so on. Simply put, business executives and managers communicate with numbers. Some management experts even describe the ability to communicate numbers as a core managerial competency. Thus, in this section, we'll focus on using charts and tables to communicate numerical information.

After conducting survey research or other forms of business research, you typically have many statistics and figures that you could include in reports to decision makers. However, presenting this information effectively is challenging. In fact, most managers are poor at communicating numerical information. Also, while business managers tend to like numbers, few listeners and readers can absorb a lot of them at one sitting. As one communication expert mentioned to managers, "The chances are good that you love numbers a lot more than most of your audience members do. . . . Overloading your audience members with data is a sure way to guarantee they'll forget almost everything you say."[2] Although most managers communicate with numbers with the intention of persuading and inspiring, they most often end up confusing or boring their audience.

The most fundamental mistake that executives and managers make when communicating with numbers is failing to focus on the main message, which tends to be nonnumerical. Phrases such as, "I'm going to spend a few minutes going through the numbers," or "Let me give you some background by running through the numbers" can cause your audience to tune out.[3] As you will learn in more detail in the next sections, your presentation's takeaway message should be your first and primary consideration when communicating with charts and tables. As you read through the next few pages, notice how Jeff designs charts and tables for his research at the Prestigio Hotel. In particular, pay attention to how these charts and tables are useful for Andrea, who is the general manager and primary decision maker.

LO12.4 Develop charts and tables to concisely display data and accentuate key messages.

Designing Effective Charts Charts can effectively convey complex numerical information in a simple, appealing format. A well-designed chart can express a strong message and leave a lasting visual impression on viewers and readers. Since many viewers and readers immediately gravitate to them, charts have the potential to draw readers into a document or presentation almost instantaneously.

Overall, the message of the chart is central. As Dona Wong, graphics director of *The Wall Street Journal* from 2001 to 2010, explained, "It is the content that makes graphics interesting. When a chart is presented properly, information just flows to the viewer in the clearest and most efficient way. There are no extra layers of colors, no enhancements to distract us from the clarity of the information."[4] As with other business messages, planning is the key component of developing charts.

Effective business communicators carefully select the few data relationships that most support their business messages. Top graphic designer Nigel Holmes, who is credited with coining the term *explanation graphics,* notes that charts must do more than describe or inform. They should explain important business ideas or relationships that support the key messages of a communication. Furthermore, charts should not require much mental effort for the reader. As Holmes points out, "Charts that don't explain themselves are worse than no charts."[5]

Throughout this chapter you'll find charts and tables that illustrate the strategic use of data to address the concerns of Andrea from the chapter case. While dozens of chart options are available, this section focuses on the three types used primarily within the workplace: line charts, pie charts, and bar charts. Several other chart and figure types are illustrated with less detail. Mastering the design principles of these most common and relevant charts will enable you to create other, less-common types if you choose to do so.

Generally, **line charts** are useful for depicting events and trends over time. For example, stock prices over time would make the most sense when presented in the form of a line chart. **Pie charts** are useful for illustrating the pieces within a whole. Market share would be best illustrated with a pie chart. **Bar charts** are useful to compare amounts or quantities. The bar chart, with its many forms, is the most versatile of these charts since it can be used to compare many types of data.

Creating Effective Charts

As you create charts, focus on the following criteria: (a) title descriptiveness, (b) focal points, (c) information sufficiency, (d) ease of processing, and, most important, (e) takeaway message. In the following pages, you will find a discussion of each of these criteria. Also, you will find less-effective and more-effective examples for each major type of chart. Each of the examples is supplemented with explanations about these five criteria.

Title Descriptiveness Most readers look first at the chart's title to grasp its message. Thus, the title should explain the primary point of the chart. However, it must be short enough for the reader to process quickly (generally less than ten words). In some cases you may add a subtitle if the short title is not sufficient.

Consider Figure 12.2, which illustrates identical information with a less-effective and more-effective line chart. In the less-effective chart on the left, the chart title is a short and relatively unhelpful phrase, "Staff & Service Ratings." By contrast, the chart title in the more-effective chart on the right uses a title and a subtitle. The main title, "Improvement in Staff & Service Ratings," uses the first word to immediately point out the main theme of the chart. The subtitle, in just seven words, accentuates the idea that the improvement was intentional or goal-based ("Raising Our Performance") and that the improvement far exceeded that of primary competitors.

Focal Points A chart should draw the reader's attention to the most-critical relationships and ideas. Much like unified paragraphs (Chapter 3), in which all sentences focus on one main idea, each of the chart's focal points should support one main idea. The focal points can be visually generated in many interesting ways—for example, font choices (**bold,** *italics*), color, size, and callout boxes.

In the more-effective line chart in Figure 12.2, a variety of focal points highlight the improvement in staff and service ratings at the Prestigio. The callout box centered in the chart directs the reader to the point in time when the Prestigio launched its staff and service initiative, allowing the reader to trace the improvement in ratings since that time. The Prestigio data series is emphasized with a darker, thicker line that is placed on top of the other data series (for the other hotels).

Information Sufficiency Just how much information should you include in your charts? Charts should contain enough information for the reader to quickly and reasonably understand the ideas that are being displayed. Clear labels and legends should demonstrate what is being measured and in what units. In some cases, readers will expect to know data values at each point within the chart.

Although the ineffective line chart in Figure 12.2 does contain a legend showing which lines correspond to which hotels, the meaning of the *y*-axis is not as clear. A reader may assume that the data comes from a survey, since *ratings* is in the title, but be unsure what the range or direction of the scale is. By contrast, the more-effective line chart in Figure 12.2 contains a note indicating the range of the scale. Many charts place this information in a label along the *y*-axis.

Ease of Processing Another basic purpose of a chart is to convey complicated information as quickly as possible. If your readers can't process the information rapidly, they will lose interest. To some degree, this requires a balancing act with information sufficiency. The more information you provide, the more difficult it may be for some readers to process the chart quickly. By selecting only the necessary information and placing labels and data at appropriate places, you enable your reader to process the information quickly and efficiently. Ideally, your reader should grasp the key ideas within 10 to 15 seconds.

The less-effective line chart in Figure 12.2 reveals several processing problems. The most serious is that the legend forces the reader to glance back and forth between the lines and the legend to correctly link the data series. Another problem is that the Prestigio data series, which should be the center of attention, is placed underneath the other lines, with no special formatting features to make it stand out. The more-effective chart is far easier to process. Data labels appear directly next to each line so that the reader does not have to glance back and forth between the legend and the plot area. Furthermore, the Prestigio line is bolder and thicker, and it is placed in front of the other lines to draw the intended attention.

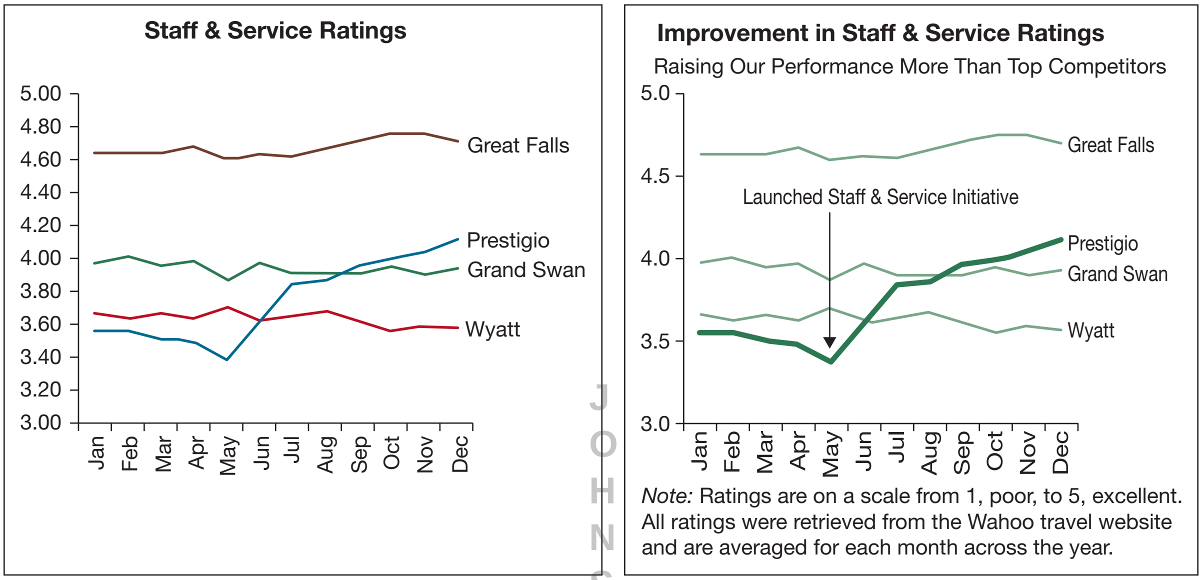
Takeaway Message An effective chart leaves a lasting impression about your key point. Will your readers remember your intended main message in two hours? If not, your chart had little impact. The takeaway is the essence of your chart—how the information, title, focal points, and other formatting combine to convey a lasting message. Overall, the ineffective line chart in Figure 12.2 leaves little lasting impression. The reader who studies the chart carefully might see that the Prestigio's staff and service ratings improved more than did those of competitors, but the reader has to get through a compilation of colored lines with little or no contextual reference. Furthermore, the chart offers no explanation for why this change in ratings may have occurred. By contrast, a reader can rapidly process the more-effective line chart in Figure 12.2. The title, focal points, and simple design lead to one strong takeaway message: The Prestigio launched a staff and service initiative that has successfully improved customer satisfaction compared with its major competitors. Figures 12.3, 12.4, and 12.5 present other types of charts with less-effective and more-effective variations. Figures 12.6 and 12.7 present a variety of other useful formats for charts.

General Rules of Chart Formatting

Although formatting a chart is secondary to creating a powerful takeaway message, it is by no means unimportant. Since visuals have an impact even before the reader begins reading, ineffective formatting can give the reader an impression of sloppy or imprecise work.

FIGURE 12.2

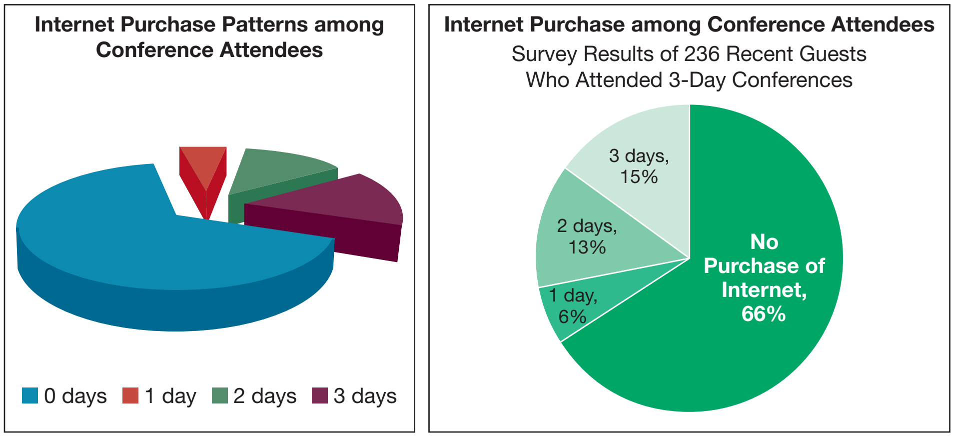
Less-Effective and More-Effective Line Charts



	Key Design and Formatting Problems in Less-Effective Chart	Adjustments in More-Effective Chart
Title descriptiveness	Nondescriptive, bland title. It does not tie into any primary message.	Title and subtitle focus on intentional improvement.
Focal points	Lacks focal points. All parts of the chart are treated equally—thus, there is no emphasis or indication of what should be the key points of comparison.	The callout box focuses attention on the staff and service initiative as the cause of rising customer satisfaction. A darker, thicker line with a bold label draws attention to the Prestigio data series.
Information sufficiency	Inadequate information about the rating scale. What do the numbers represent? What is the year for which data was gathered?	The note provides information about the rating scale.
Ease of processing	Legend placed on the right side. This forces the reader to move back and forth between the legend and the data series in the plot area. Further, the colors do not aid in the information presentation.	Instead of a legend, data labels are placed directly at the end of each data series (line) to make identification of each hotel's performance easier. Additionally, the color scheme is kept to a minimum, thereby prominently displaying the dramatic rise in ratings.
Takeaway message	Staff and service ratings have improved for the Prestigio over the past year. However, the message requires too much effort for the viewer and could easily be missed or forgotten quickly.	All elements of the chart capture the message that the Prestigio staff and service initiative has successfully improved customer satisfaction compared to competitors.

FIGURE 12.3

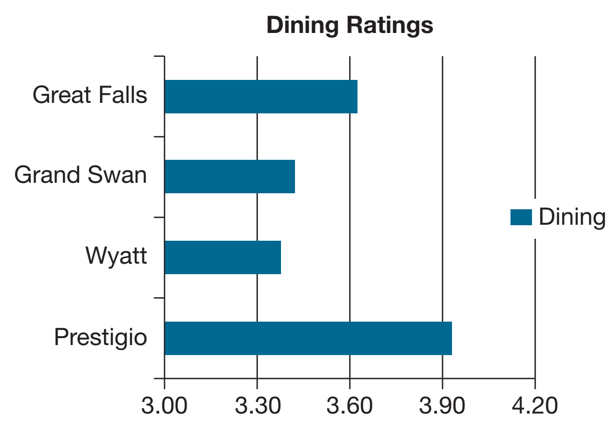
Less-Effective and More-Effective Pie Charts

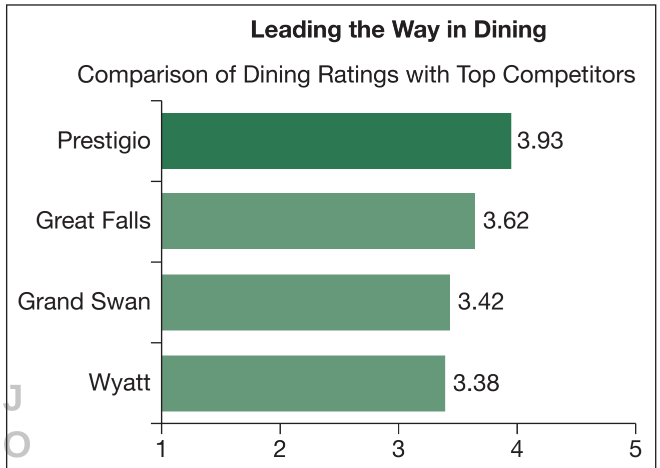


	Key Design and Formatting Problems in Less-Effective Chart	Adjustments in More-Effective Chart
Title	Descriptive but unexciting title.	Descriptive title focuses attention on the fact that these are 3-day conference attendees.
Focal points	The main focal point is the large pie slice. The colors used give a very dense and dark feeling to the visual.	The primary focal point is the slice highlighting those not purchasing any Internet service. It is labeled more effectively ("No Purchase of Internet" versus "0 days" in the less-effective chart) and is written in bold text on a darker-colored background to draw attention to this key point.
Information sufficiency	Absence of data label on each slice makes this chart difficult to interpret.	Data labels are provided in percentages.
Ease of processing	Legend is placed on the bottom. This forces the reader to move back and forth between the legend and the pie slices in the plot area. Also, the breakaway, 3-D shape of the object skews the data. The pie slices are not arranged for fastest processing.	Data series names and data labels are placed together in the pie slices to foster easy processing. The largest pie slice is located at 12 o'clock for quick recognition (most people read pie charts beginning at 12 and continue to read in a clockwise direction).
Takeaway message	Most conference attendees do not purchase Internet services. However, getting the message requires a great deal of effort and could easily be missed or forgotten quickly.	All aspects of the chart collectively demonstrate that conference attendees are unlikely to purchase Internet services.

FIGURE 12.4

Less-Effective and More-Effective Bar Charts



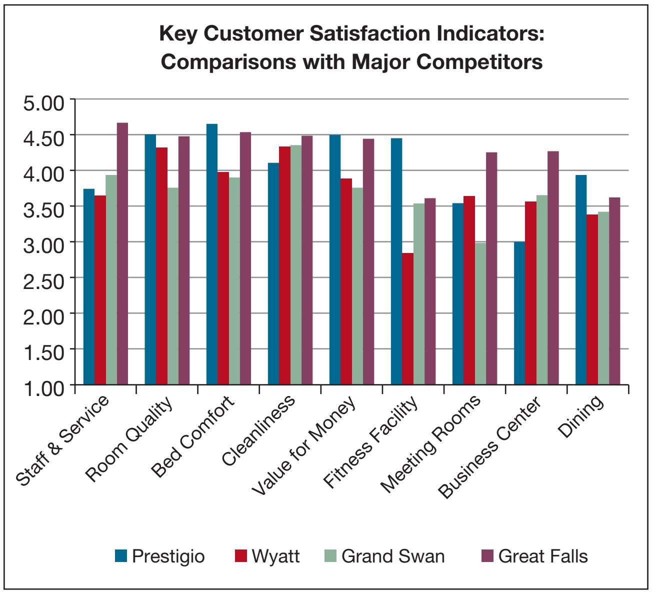


Note: Ratings are on a scale from 1 (poor) to 5 (excellent). All ratings were retrieved from the Wahoo travel website and are averaged for each month across the year.

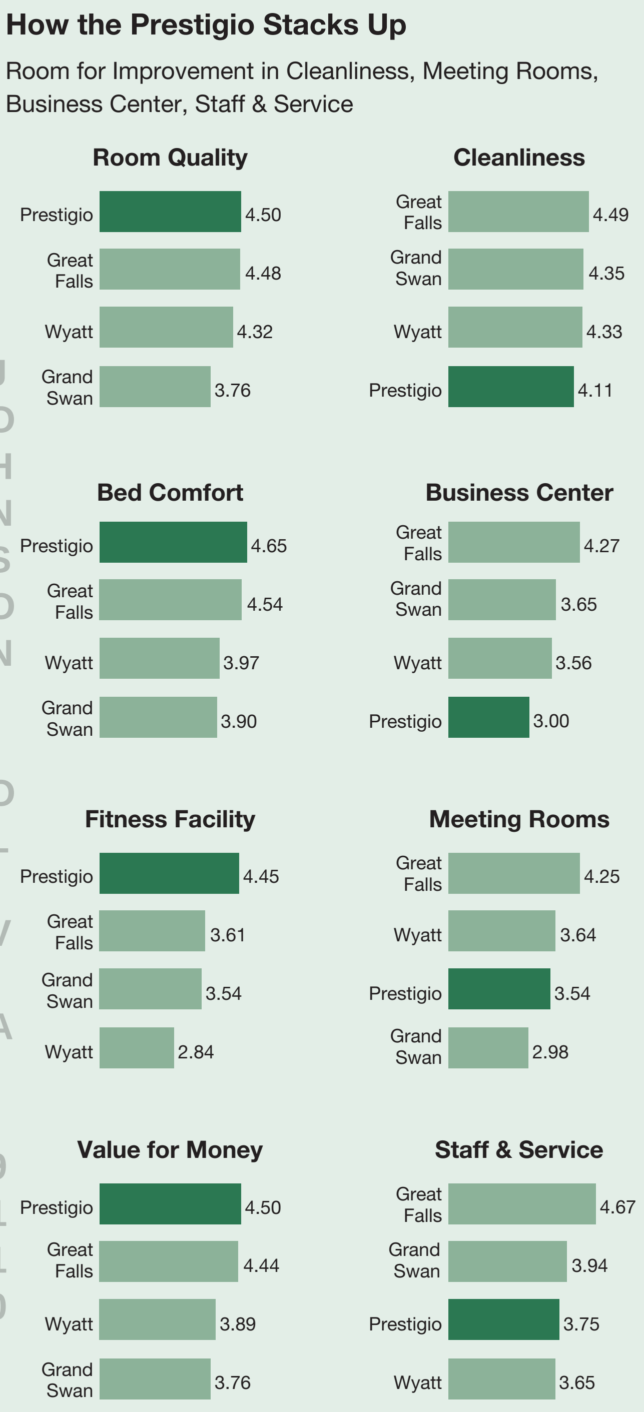
	Key Design and Formatting Problems in Less-Effective Chart	Adjustments in More-Effective Chart
Title descriptiveness	Nondescriptive, bland title.	Title immediately recognizes the Prestigio's leading position in dining ratings.
Focal points	Lacks focal points. All bars are treated equally.	Darker color of the Prestigio bar draws attention to it.
Information sufficiency	Inadequate information about the rating scale.	A note about the rating scale and inclusion of data labels provides sufficient information.
Ease of processing	The legend is unnecessary and distracting. The items are not ordered effectively (the order is neither alphabetical nor quantitative) to help draw rapid comparisons. The large gap size compared to bar width reduces quick processing. The axis increments are in rarely used units (generally, units in multiples of 2, 5, and 10 are more natural).	The chart is arranged in descending order by average ratings to make comparisons easier. Bar width in comparison to gap width is most conducive to rapid processing.
Takeaway message	The takeaway message is that the Prestigio has higher dining ratings. However, the message is weak and could easily be glossed over or forgotten.	The Prestigio occupies the proud position of leading its competitors in dining ratings. This is a strong, optimistic, and memorable message.

FIGURE 12.5

Ineffective Clustered-Column Chart and More-Effective Panel of Charts



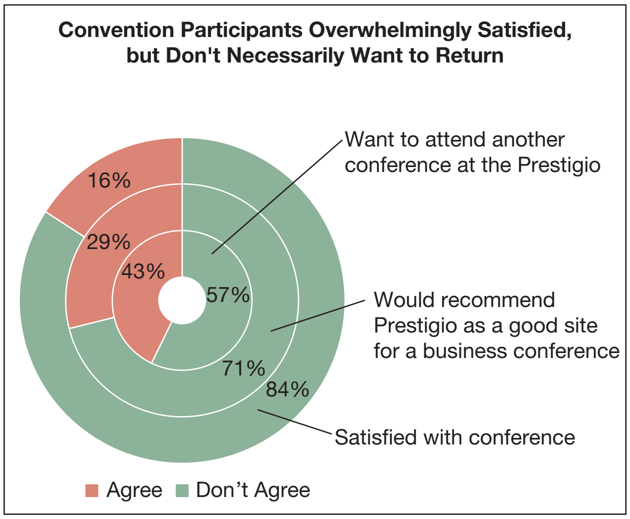
	Ineffective Clustered-Column Chart	Effective Alternative: Panel of Charts
Title	Descriptive but bland.	Curiosity building ("How the Prestigio Stacks Up"); a call to action ("Room for Improvement in . . .").
Focal points	None. Too cluttered.	Prestigio rankings and position for each rating area.
Information sufficiency	No data labels.	Data labels provided for each rating area.
Ease of processing	Nearly impossible. Too much information. Not sorted.	Simple and easy processing for each rating area. Charts are organized by relative performance (excellent performance on left side, needs improvement performance on right side).
Takeaway message	No key point related to the ratings.	The Prestigio is elite in various areas compared to its competitors, but is behind in other key areas.



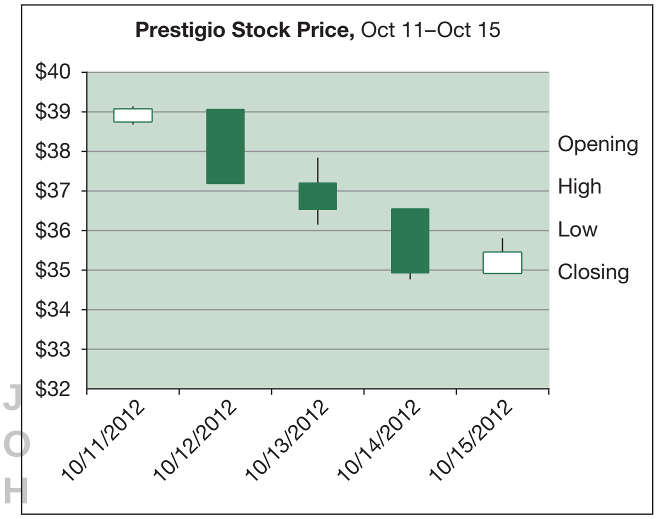
Note: Ratings are on a scale from 1, poor, to 5, excellent. All ratings were retrieved from the Wahoo travel website and are averaged across the year.

FIGURE 12.6

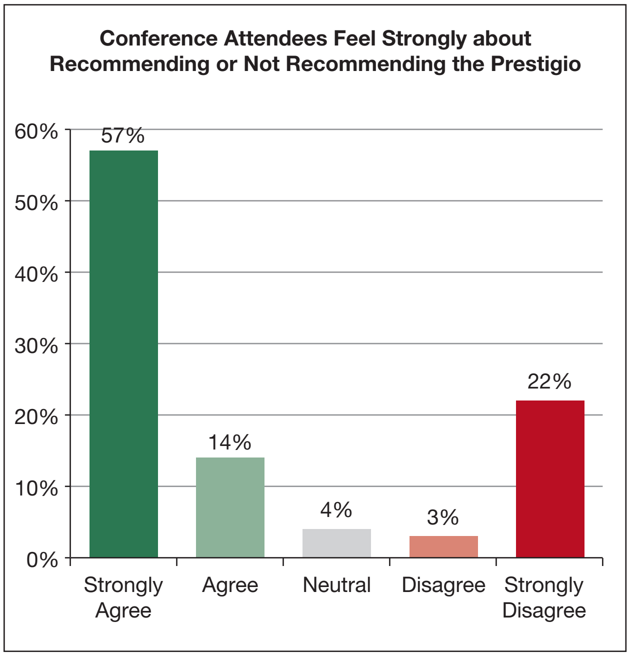
Other Common Charts for Statistical Data



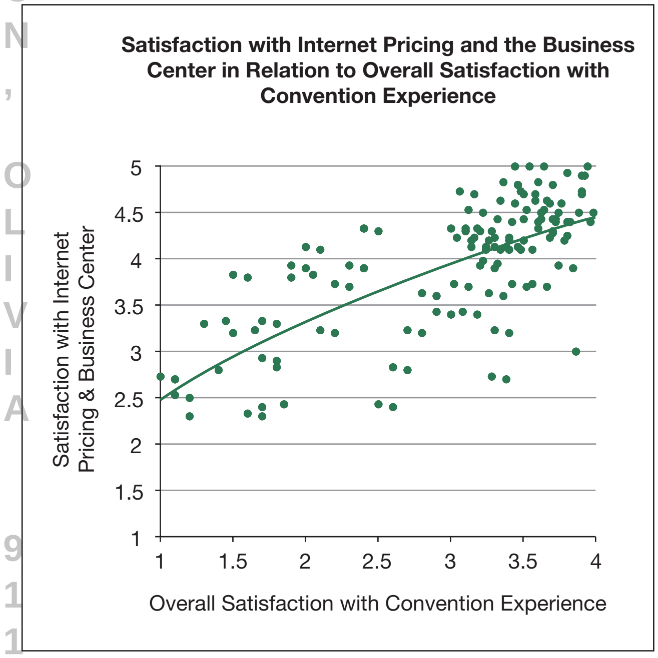
Doughnut charts allow you to represent wholes. Unlike pie charts, you can present more than one data series.



High-low charts allow you to show values that fluctuate. These charts are often used for stock prices.



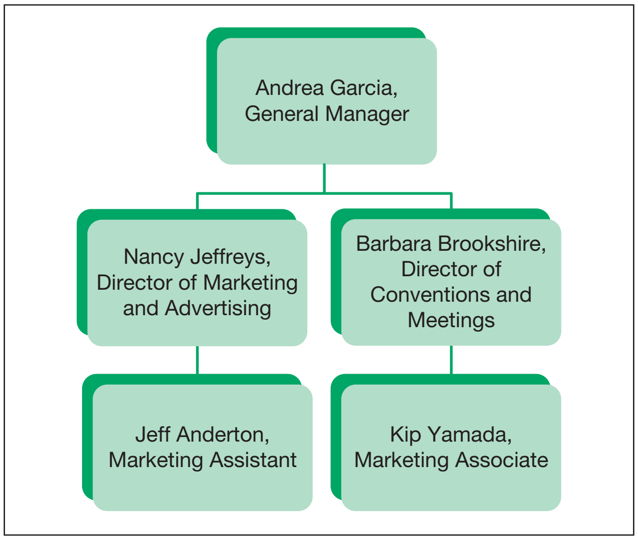
Histograms allow you to represent frequencies. Frequencies often reveal data relationships not easily visible by looking at averages.



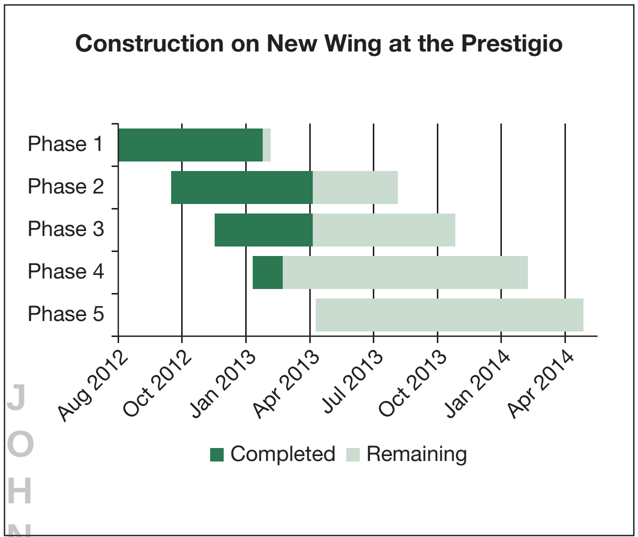
Scatter plot or **X-Y charts** allow you to include pairs of data on an x-y plot. Many scatter plots contain trend lines to reveal data relationships.

FIGURE 12.7

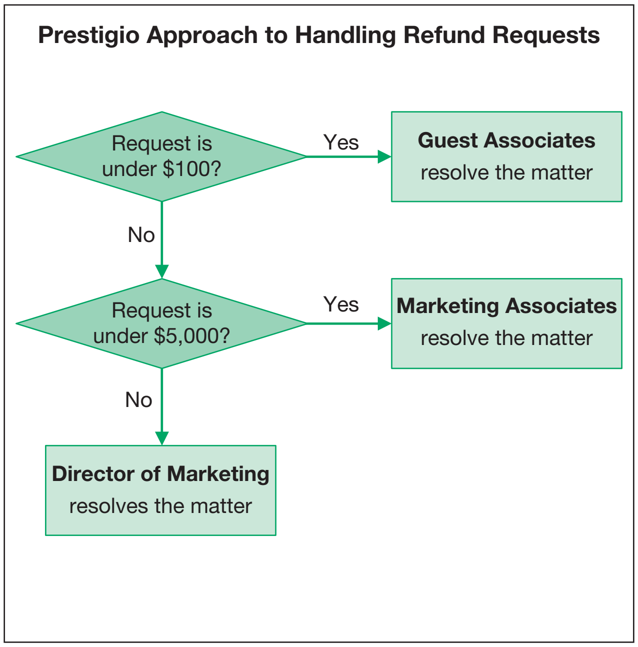
Common Charts for Organizational Structures, Projects, and Processes



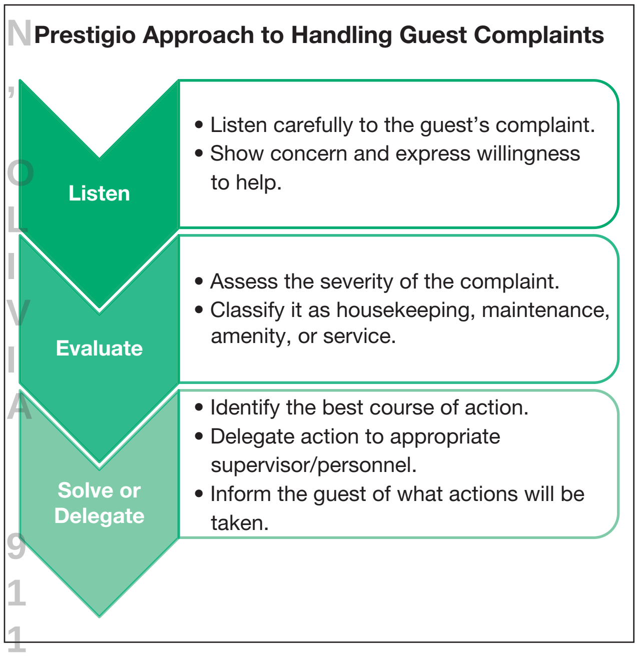
Org charts allow you to show who various personnel report to.



Gantt charts allow you to show progress on aspects of projects. These charts are frequently used as part of project management.



Flowcharts allow you to depict a series of steps in a process or procedure to help others make decisions.



Chevron lists or charts allow you to show a set of sequential steps and provide subpoints for each step.

Generally, the formatting should be as simple as possible and should accentuate the key data relationships. If a formatting feature detracts from the key points, remove or improve it. Table 12.6 provides general formatting guidelines for charts.

Designing Effective Tables

Generally, charts are the most effective way of quickly demonstrating a key point or relationship. However, charts are limited in the amount of information they can provide.

TABLE 12.6

Formatting Guidelines for Specific Chart Types

Chart Type	Formatting Guidelines
All charts	• Ensure that all data is appropriately labeled. • Avoid using too many bright colors; they can be distracting. • Use darker colors to represent your most important data series. • Avoid unusual fonts or too many special effects. • Avoid 3-D charts. • Ensure that all text is horizontal. • Avoid white type on dark backgrounds in most cases.
Line	• Scale should be about two-thirds of the range included in the chart. • Series names should be placed on or attached directly to lines. • Only four or fewer data series (lines) should be included.
Pie	• Largest slice should begin at 12 o'clock and go clockwise; second-largest slice should begin at 12 o'clock and go counterclockwise. • Exploding slices should be used sparingly. • Pie slices should complete a whole (add up to 100% of a data series).
Bar	• Bars should be about twice the width of the space in between bars. • Baseline should always be zero. • Bars should be arranged in ascending or descending order in most cases. • Legend should only be used if the chart has two or more data series.

Tables, by contrast, allow you to provide more data with additional precision. Because of this, charts are generally better for highlighting a key idea, and tables are generally better for comprehensiveness and precision.

Evaluating the Effectiveness of Tables Like charts, tables are typically more effective with simple formatting. In addition, the way a table presents data can affect the clarity of its message. Consider, for example, the tables in Figure 12.8, which are based on identical data. Place yourself in the position of the reader and assume you have the following question: "Does higher income level correspond with higher likelihood of purchasing Internet services?" It is difficult to answer this question quickly by looking at the less-effective table. By contrast, glancing at the more-effective table rapidly reveals that purchasing no Internet service (0 days) strongly correlates with the lowest income bracket (under $30,000/year).

The less-effective table is cluttered due to excessive grid lines, poor labels, and non-indented items. By contrast, the more-effective table limits the number of grid lines. Furthermore, each grid line serves a distinct purpose. The initial grid lines separate the column labels from the survey data. Subsequent grid lines separate each category of data, including those for all respondents, gender, and income level. Indents of items within each category further accentuate the distinctions between categories.

The second table also is more effective because numerical adjustments have been made. The first table contains *counts* of respondents who responded in certain ways. Counts make it difficult for readers to make effective comparisons quickly. Yet, many readers are also interested in knowing how many people participated in a survey. By converting the counts into percentages, the more-effective table enables readers to process the information more easily. Placing the counts in parentheses makes the data comprehensive.

General Rules of Table Formatting Overall, more-effective formatting and numerical conversion make a significant impact on the usefulness of a table. The general guidelines in Table 12.7 will help you create more effective tables.

FIGURE 12.8

A Less-Effective and More-Effective Table

Less-Effective Table

Survey Results

During the three days of the conference you attended at the Prestigio, how many days did you purchase Internet service?				
Days of Internet Service	0	1	2	3
All Respondents	154	15	31	36
Gender				
Male	82	8	15	22
Female	72	7	16	14
Income				
Under $30,000	15	0	1	2
$30,000–$40,000	41	4	3	7
$40,000–$50,000	48	3	11	12
$50,000–$75,000	33	6	7	8
$75,000–$100,000	12	2	4	4
Over $100,000	5	0	5	3

More-Effective Table

Internet Service Purchases among Conference Guests

	Days of Internet Service Purchased *(Number of Respondents in Parentheses)*				
	0 Days	**1 Day**	**2 Days**	**3 Days**	**Total (#)**
All Respondents	65.5% (154)	6.4% (15)	13.2% (31)	15.3% (36)	236
Gender					
Male	64.6% (82)	6.3% (8)	11.8% (15)	17.3% (22)	127
Female	66.1% (72)	6.4% (7)	14.7% (16)	12.8% (14)	109
Income					
Under $30,000	83.3% (15)	0.0% (0)	5.6% (1)	11.1% (2)	18
$30,000–$40,000	74.5% (41)	7.3% (4)	5.5% (3)	12.7% (7)	55
$40,000–$50,000	64.9% (48)	4.1% (3)	14.9% (11)	16.2% (12)	74
$50,000–$75,000	61.1% (33)	11.1% (6)	13.0% (7)	14.8% (8)	54
$75,000–$100,000	54.5% (12)	9.1% (2)	18.2% (4)	18.2% (4)	22
Over $100,000	38.5% (5)	0.0% (0)	38.5% (5)	23.1% (3)	13

TABLE 12.7

Formatting Guidelines for Tables

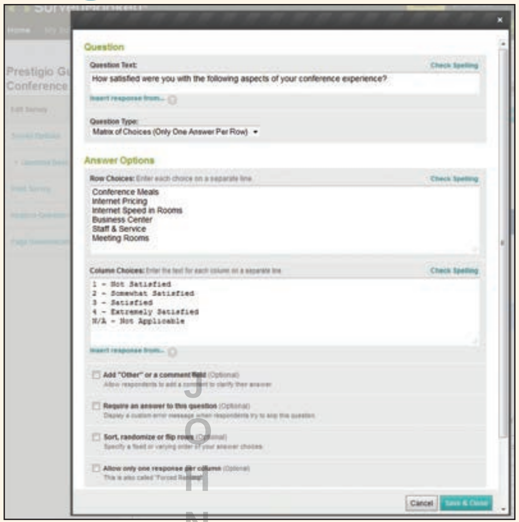
Issue	Formatting Guidelines
Order	• Order your entries appropriately (alphabetical or numerical order of categories, or ascending/descending order of values of comparison).
Indentation	• Indent or otherwise set apart items within a category.
Data series	• Present comparative data series vertically.
Column/Row labels	• Label columns and rows effectively.
Grid lines	• Use grid lines for every three to five rows at natural breaks (new categories); readers can easily scan rows under this simple design technique. • Avoid grid lines on all borders; this tends to clutter the table. • Avoid alternating background colors on rows in most cases; this is also distracting and unnecessary.

TECHNOLOGY TIPS

USING ONLINE SURVEY SOFTWARE

Conducting surveys has become increasingly easy with various software, such as SurveyMonkey, Qualtrics, and various add-ins for meeting and social software. The software, in many cases, helps you rapidly create survey questions. It often contains a pool of existing questions you can even select from.

In an online format, you can send the survey link to anyone in your contact list, including colleagues and customers. In other words, such software gives you greater access to survey respondents than was possible as recently as a few years ago. Furthermore, many companies specialize in helping you gain access to millions of potential respondents (called an *online panel*). When you conduct marketing or consumer research, these companies can help you get a large sample size for nearly any demographic of interest.



Source: Reprinted with permission of Survey Monkey, www.surveymonkey.com.

Another benefit of using online surveys is that the data is immediately dumped into a database or spreadsheet in a form you can quickly analyze. Some online survey software even provides immediate reports that include summary and crosstab statistics (although you'll often want to manipulate the data yourself to dig deeper and get answers to particular questions).

As you use online survey software, keep in mind the following tips:

Apply the same careful and thorough standards you would to any form of business research. The ease of creating online surveys often leads business professionals to use them carelessly, not putting enough time into designing the survey questions.

Avoid overusing online surveys. Again, because of the ease of administering online surveys, employees in many organizations are bombarded with surveys. As a result, employees often suffer respondent fatigue and respond to surveys less carefully. The results of the survey are only as good as the careful input of your respondents.

Developing Your Ideas with Secondary Research

In most cases, primary research is ideal. You can carefully tailor it to your specific business problems. Primary research, however, takes a lot of time and money. Even with sufficient resources, your organization may lack access to certain types of data. Generally, a far less-expensive approach is secondary research. One advantage of nearly all secondary research is that someone else already spent the time to conduct and write it up.

Evaluating Data Quality

LO12.5 Evaluate the usefulness of data sources for business research.

As you collect secondary research, carefully evaluate it in terms of data quality. Concern yourself with the following issues:

- **Reliability** relates to how dependable the data is—how current and representative.
- **Relevance** of the data relates to how well it applies to your specific business problem.
- **Adaptability** relates to how well the research can be altered or revised to meet your specific business problem.

TABLE 12.8

Strengths and Limitations of Data Quality for Primary and Secondary Research Sources

	Reliability	Relevance	Adaptability	Expert-Based	Bias
Primary Research	High	High	High	Medium – High	Goals and preexisting notions of the researcher
White Papers	Low – High	Medium – High	Low	Medium – High	Organizational mission and objectives
Industry Publications	Medium – High	Medium – High	Low	Medium – High	Mission of the publication/editing team
Business Periodicals	Medium – High	Low – Medium	Low	Low – High	Mission of the publication/editing team
Scholarly Journals	High	Low	Low	High	Theoretical significance
External Blogs, Wikis, and Other Websites	Low – High	Medium – High	Low	Low – High	Writers' career objectives
Business Books	Medium – High	Low – High	Low	Medium – High	The latest, greatest idea mentality; easy fixes

- **Expertise** relates to the skill and background of the researchers to address your business problem.
- **Biases** are tendencies to see issues from particular perspectives. The possibility of biases does not necessarily imply that secondary research is unreliable; however, when using such research, view the data cautiously and keep in mind the ultimate objectives of the researchers.

Some secondary research reports cost thousands of dollars to purchase, whereas others are free. You have a variety of options to choose from with secondary research, including white papers, industry publications, business periodicals, scholarly journals, external blogs, and business books. Each of these types of secondary data has benefits and drawbacks (see Table 12.8). Thus, you will inevitably face trade-offs as you select secondary data.

White papers are reports or guides that generally describe research about solving a particular issue—perhaps one similar to the one you are encountering. They are issued by governments and organizations. White papers are readily available on many corporate and other organizational websites. However, they are often biased, since white papers are often produced by industry groups with an agenda or companies with specific marketing goals related to the white paper. Thus, when you rely on white papers, you should learn about the agendas of the sponsoring organizations.

Industry publications are written to cater to the specific interests of members in particular industries. These can include periodicals and reports. Industry reports often are highly reliable, relevant, and expert-based. However, industry reports are generally expensive, ranging from several hundred dollars to thousands of dollars. Generally, the more reliable the industry reports are, the more expensive they are. Fortunately, many business libraries carry a variety of expensive industry reports and publications that are free for you to use as long as you are enrolled at your university.

Business periodicals (magazines, newspapers) provide stories, information, and advice about contemporary business issues. They are often written by well-respected business journalists and experts. However, most articles in magazines and periodicals will have limited value in applying to your specific business problems and your organization. Furthermore, these articles often rely on anecdotal evidence rather than carefully controlled experiments and survey research. Periodicals that are industry publications are often far more relevant than general business magazines and articles.

Scholarly journals contain business research that is extremely reliable. The information comes from carefully controlled scientific research processes and has been reviewed by experts in the field. However, scholarly business articles rarely provide useful information for business problems that you will focus on in the workplace. Rather, scholarly articles focus on more theoretical and abstract issues. Furthermore, they are generally written with a level of statistical analysis and/or theoretical background that is difficult to understand.

External blogs and other online resources provide a plethora of information. Since most blogs are not formally edited or reviewed, the range in reliability is enormous. As you progress in your career, you will find those blogs that are reliable and relevant to the types of business problems you face. If you rely on blogs, make sure you carefully determine the expertise of the blog writer/s.

Business and management books range greatly in terms of their overall usefulness. Fortunately, you can usually better assess the usefulness of business and management books than other secondary sources because of the many online reviews available and the ability to preview sections of the books (online and in person at bookstores or libraries). Online reviews can help you gauge how useful various books can be for your particular business problems.

Conducting Library Research

LO12.6 Conduct secondary research to address a business problem.

Most university libraries have rich stores of information on business. Aside from a significant collection of books across a wide range of disciplines and topics, your library likely contains a wealth of digital resources. You likely also have access to thousands of company and industry reports (each of which cost hundreds and thousands of dollars to consumers); articles from hundreds of business periodicals, including *The Wall Street Journal, Forbes, Bloomberg Businessweek,* and many others; industry-specific periodicals and reports; scholarly journals; and many, many more avenues for research.

Most university libraries subscribe to dozens of online databases. Popular and useful ones with business research and articles include EBSCO Business Source Complete, ProQuest, IBISWorld, Hoover's, Global Financial Database, Conference Board, eMarketer, Mint Global, NetAdvantage by Standard & Poor's, Thomson One, and others. In Figure 12.9, you'll see a few examples of these databases and how they present information for your research. In the EBSCO Host window, you'll notice the many search options available. In the ProQuest window, you can see links to specialized reports, on such topics as trends and forecasts, market research, or SWOT analyses. In the IBISWorld window, you can see the categories of information in a particular industry report. Working from this screen, Jeff can access reliable information about key success factors, cost structure benchmarks, technology, and many other topics about hotels in the United States.

Navigating the many resources in these databases and identifying the ones that will be most useful to you take time. You might consider spending several weeks browsing these various databases simply to become familiar with what's available. You should also seek a business librarian to help you identify those databases that best match your interests and needs.

Each of the databases contains search features, and several basic strategies will help you make the most of them. When you manually search, you can use Boolean operators *(and, or)* to widen your search. For example, when Jeff wants to find more information about "green meetings," his initial search of this phrase yields 33 results. By looking for both words separately (using *and*), his search yields over 2,000 results.

FIGURE 12.9

Finding Valuable Information with Library Resources

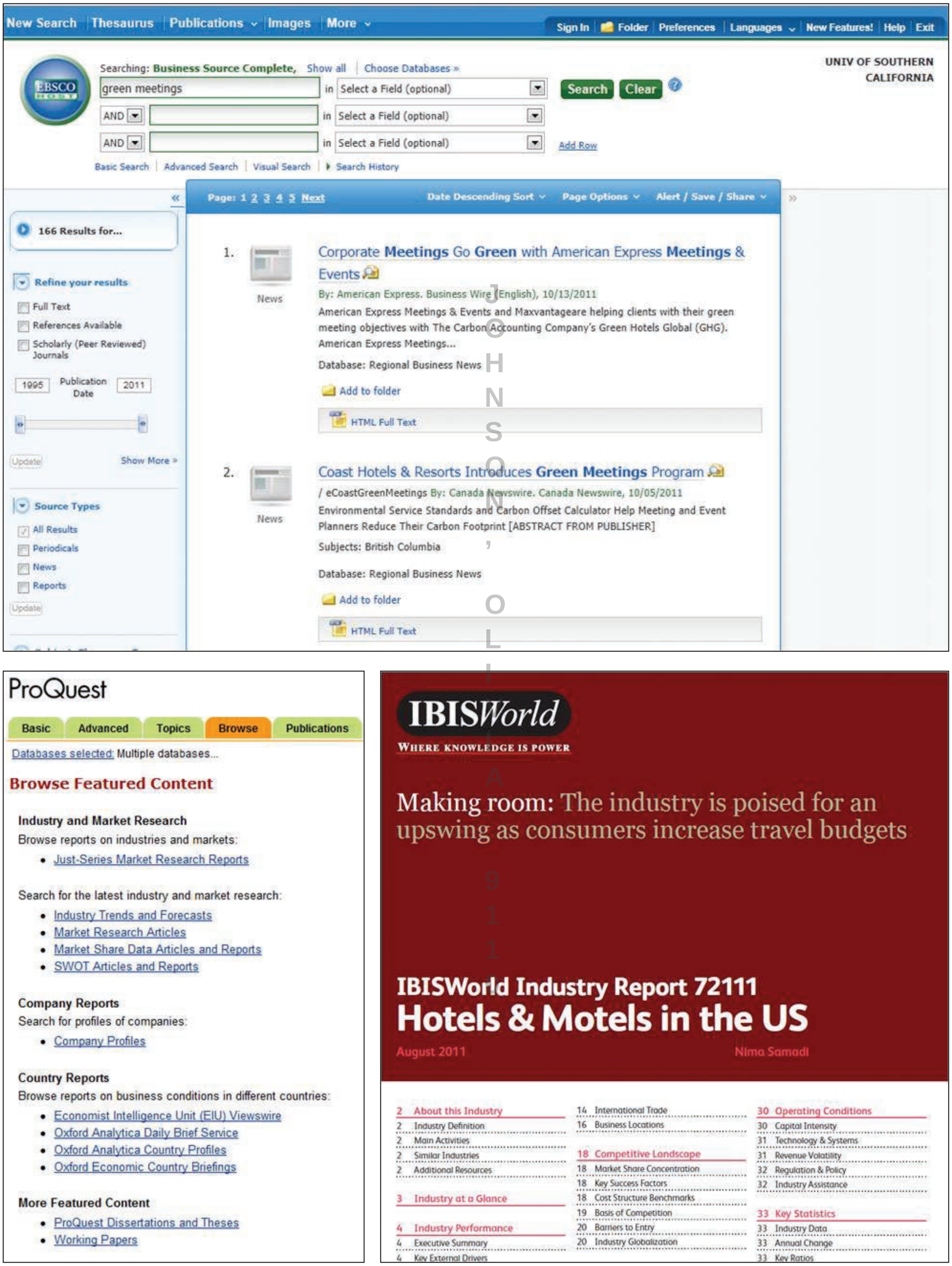


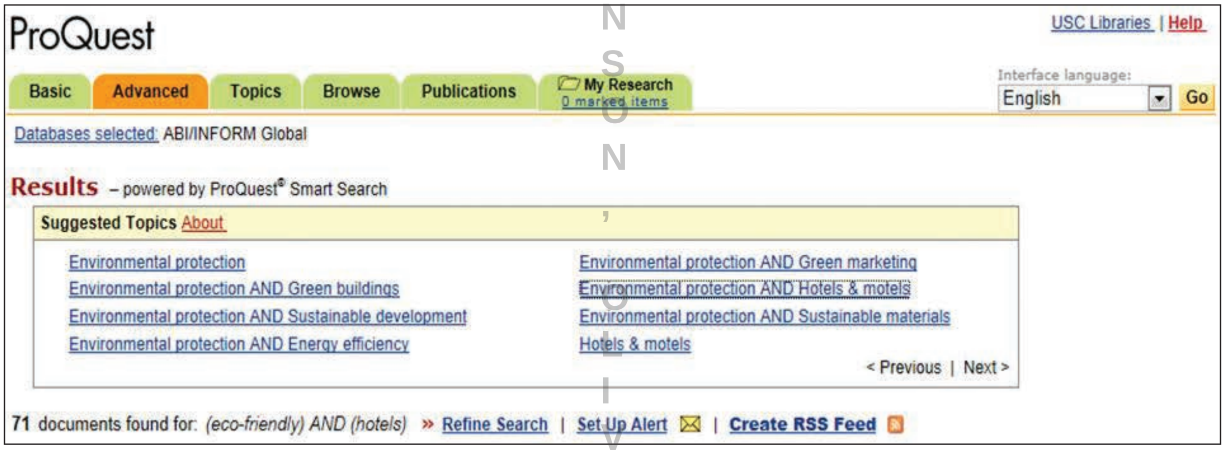
TABLE 12.9

Strategies for Using Search Terms Effectively

Strategy	Example	Number of Hits in ProQuest
Use Boolean operators	Green Meetings Green *and* Meetings Green *or* Meetings	33 2,016 33,313
Use alternative keywords	Eco-Friendly *and* Conventions Eco-Friendly *and* Meetings Green *and* Conventions	20 56 489
Use closely related ideas	Green *and* Hotels Eco-Friendly *and* Hotels Eco-Friendly *and* Convention Centers	66 71 13

FIGURE 12.10

Using Suggested Terms in Online Business Databases



By looking for either phrase (using *or*), he finds over 33,000 results (see Table 12.9). Also, consider using alternative keywords and closely related ideas. Finding the right sources requires persistence. You might spend hours looking for useful information and then rapidly find dozens of relevant and useful sources.

Once you enter your terms, most online business databases provide a list of suggested topics based on commonly indexed terms. These can be very helpful. Notice, for example, Figure 12.10. You will see the many combinations of indexed terms that result from a manual search for eco-friendly hotels in ProQuest. By clicking on these various suggested searches, you can rapidly find which combinations of search terms yield the best results.

Documenting Your Research

As you collect secondary research, keeping track of the information sources is critical. Decision makers expect excellent documentation of your information because this helps them evaluate the credibility of your report. Since they often make high-stakes decisions based on reports, they expect to know *exactly* what the basis is for facts, conclusions, and recommendations you present.

When you keep track of your sources during the research stage, you can efficiently and accurately document your report. Many novice report writers waste time during the drafting stage trying to retrace their steps and find the sources for certain pieces of information. Worse, they may make errors in documentation by providing an incorrect source, casting doubt on the credibility of the report.

To avoid these problems, experienced writers have a system for recording all sources during the research stage. Not all report writers use the same system; some use word processing software, while others use spreadsheets or databases. The key is to create a system that allows you to accurately and efficiently record sources for your information. In Figure 12.11, you can see how Jeff combines taking notes with keeping track

FIGURE 12.11

System for Recording Secondary-Research Sources during Note Taking

Torrence, S. (2010, November). Change the world one meeting at a time: APEX/ASTM sustainability standards nearly set. *Corporate Meetings & Incentives, 29*(11), 18–21.

- According to MeetGreen, a 3-day conference with 300 attendees creates waste equivalent to 33 small vehicles; water resources that would fill half of an Olympic-sized swimming pool; greenhouse gases to fill 25 million basketballs.
- Convention Industry Council Accepted Practices Exchange (APEX) is collaborating to work on APEX/ASTM Sustainable Meetings Standards. These evolving standards can be found at the following website: Meetingsnet.com/green/apex-astm-sustainability-standards
- 9 areas of APEX/ASTM standards: (a) accommodation; (b) audiovisual and production; (c) communications and marketing; (d) destinations; (e) exhibits; (f) food and beverage; (g) meeting venues; (h) on-site offices; (i) transportation.
- The EPA initiated green meetings standards with the formation of Green Meeting Industry Council
- Government planners often required to comply with standards

Richard K. Miller & Associates (2010). *2010 Travel & Tourism Market Research Handbook* (Loganville, GA: Author).

- Green Meeting Industry Council envisions a green meeting industry with zero net environmental impact by 2020
- MeetingNews 2010 survey of meeting planners:
  - 93 percent report they at least occasionally use green meetings
  - Most common green meeting practices are the following: reduce paper by using digital alternatives (79%); on-site recycling programs (61%); host cities that requires less travel (48%)
  - 10 percent measure carbon footprint
  - 40 percent say there are not enough green meeting venues
  - 46 percent believe green meetings are too expensive
- Websites that measure carbon footprint of events: carboncounter.org; carbonfootprint.com; carbonfund.org; myfootprint .org; zerofootprint.net

Lowe, M. C., (2010, October). The greening of hotels: A look at what major chains are doing to support eco-friendly meetings. *Meetings & Conventions, 45*(10), 45–56.

- *Kimpton:* In 2005 became first brand to package green meetings. Gained clients such as Microsoft and Aveda. Uses EarthCare Meetings nine-point standard. Standards include the following: 100 percent recycled paper; all meeting correspondence is electronic; catering ingredients sourced locally; eco-friendly cleaning products; organic tea at coffee stations; motion-controlled lighting in all meeting spaces; unused food donated. They have found that green meetings do not cost more – in fact cost less.
- *Fairmont Hotels & Resorts:* Eco-Meet program was initiated in 2007. It focuses on four main areas.
  - Eco-accommodation: Information to guests about how to be more environmentally conscious during stay; all rooms with recycling bins; energy-efficient lighting; water-conservative plumbing
  - Eco-service: dishes/cutlery instead of disposable plates/plastic untensils; recycling bins; reusable items such as silk flowers and linen napkins
  - Eco-cuisine: local, seasonal, organically grown foods from with 100 miles; 50 percent reduction in animal proteins (use vegetable proteins instead)
  - Eco-programming: electronic registration, check-in, paper reduction efforts. Carbon offsets, energy certificates (planting trees, lower-carbon technologies)
- Fairmont's results per person: three fewer plastic water bottles, two fewer aluminum cans, three fewer paper plates, two fewer sets of disposable cutlery.
- *Hilton:* LightStay: analyzes 200 operational practices. Helps planners estimate environmental impact. Gives planners options.
- *Hyatt:* Meet and Be Green Initiative: 3 percent rebate for following 10-point green guidelines. Requires hotel and attendees to consciously lower impacts.
- *Marriott:* has offered green meetings since 2008. 3,600 employees are certified Marriott Green Planners.

of his sources. This approach helps him organize his information and allows him to rapidly provide documentation once he begins drafting his report.

Using Online Information for Business Research

For most business research, the information you can access through business databases and other sources at your library is generally the most reliable. However, you will also likely use Internet searches outside your library system to find relevant information on your topic. As you do so, keep in mind the following strategies:

- *Always evaluate data quality*. The range in quality on the web is immense. Make sure you're not using sources that are uninformed or inaccurate.
- *Do more than just "Google it."* You can employ many strategies for online research, including the following:
  - *Go to reputable business and industry websites and conduct searches.* For example, Jeff may go directly to general periodical or business news sites such as *Bloomberg Businessweek* or CNBC.com to do searches. Or he may go to industry sites. When he goes to the Convention Industry Council website, he finds a variety of sources that are not available at his library and that are more current than the information in business databases (see Figure 12.12).
  - *Find online discussions and forums about your selected topic*. You can learn what current professionals are saying about a topic by visiting online discussions and forums. For example, on LinkedIn, you can view the conversations of thousands of professionals on any given topic. Notice in Figure 12.13 the many options that Jeff has to choose from. Each of these groups holds dozens of ongoing converations about current practices in the industry.
  - *Search beyond text-based information*. Increasingly, you can access a wealth of information in video and audio format. For example, when Jeff is seeking information about green meetings, a few simple searches yield thousands of online

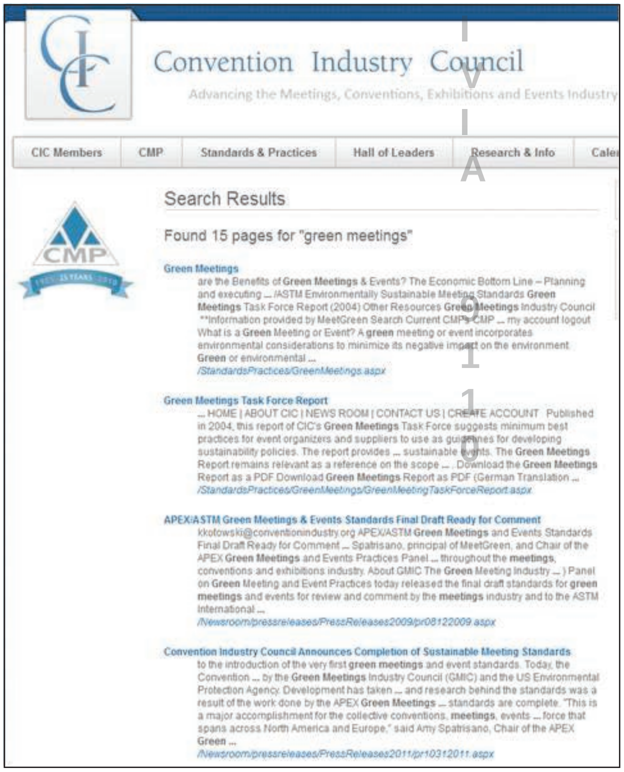


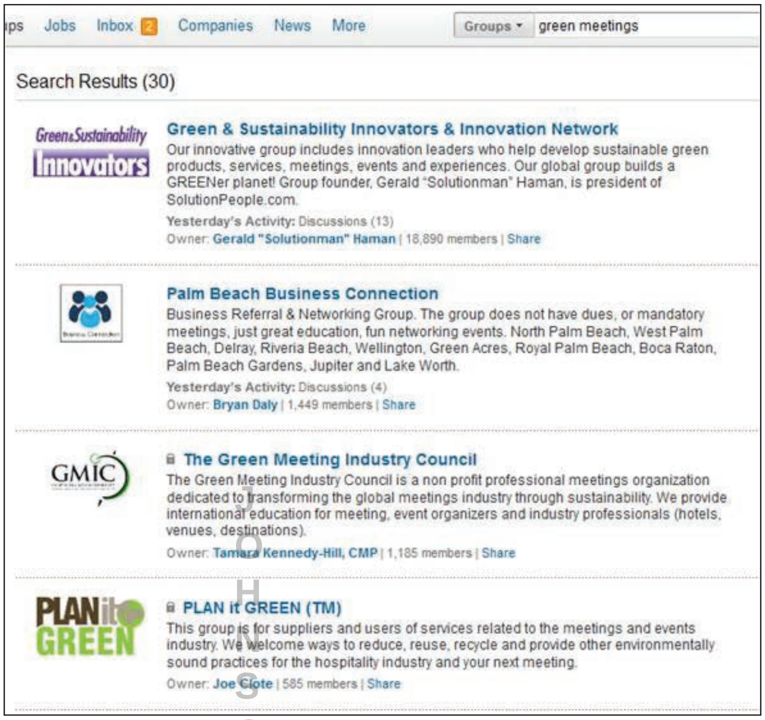
FIGURE 12.12

Using Industry Websites for Research

Source: Reprinted with permission of Convention Industry Council, www.conventionindustry.org.

FIGURE 12.13

Using Online Groups and Discussion Forums for Research



videos on YouTube (see Figure 12.14). By viewing a few of these videos, he identifies many green meeting practices that hotels are using. He also gets information from speeches and presentations that he could not find elsewhere.

- *Be persistent*. In the age of the Internet, many of us are accustomed to quick answers. Getting solid business information, however, rarely involves quick answers. Try as many approaches as you can to find the data you need.

FIGURE 12.14

Using Online Videos for Research

Applying the FAIR Test to Your Research Data and Charts

LO12.7 Evaluate research data, charts, and tables for fairness and effectiveness.

As you conduct research for your reports, frequently evaluate whether you are being fair. For example, whether you are doing primary or secondary research, make sure you are examining all the available facts and interpreting them from various perspectives. A common problem is that business professionals may enter into research with preexisting assumptions or even conclusions. In primary research, such assumptions may lead you to ask the wrong questions or interpret the data incorrectly. In secondary research, they may lead you to gather only information that matches your assumptions and conclusions. For example, if Jeff already assumes that developing and marketing green meetings makes business sense for the Prestigio, he may inadvertently gravitate to information that supports his position and avoid information that does not, thus misleading his readers.

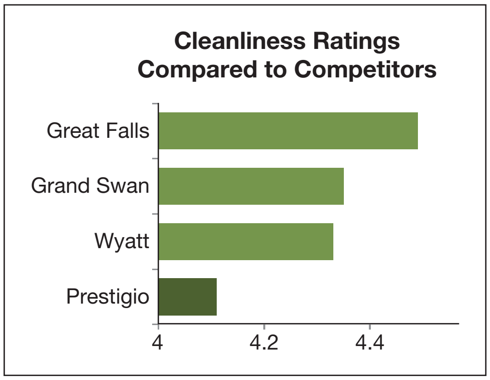
Another way you may unintentionally mislead a reader is with numerical data. However, you can take a few steps to ensure that you represent data fairly and avoid losing credibility. First, whenever you are unsure of a data relationship, discuss it with your colleagues. Collectively, you will often arrive at a fair way to represent the information. Also, ask yourself if you have provided enough information for your readers and audience members to make informed and accurate judgments.

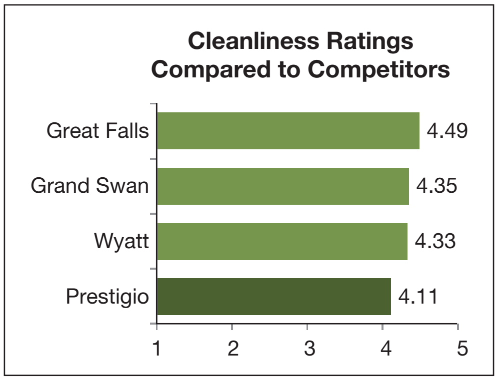
Some business professionals show only the data that supports their points. In other words, they cherry-pick the data in their favor. This practice is deceptive. Furthermore, some business professionals distort information, even though it is technically correct. Charts, for example, can be manipulated to exaggerate or misinform. Notice Table 12.10, which contains two versions of the same chart.

As you collect, analyze, and present data to others, ensure that you provide all the relevant *facts,* even if they don't fit into convenient conclusions. Grant *access* to your data. Your full disclosure of data to colleagues, clients, and others in your business dealings will pay long-term dividends in terms of credibility. Many businesses emphasize transparency on an institutional level. As an individual, when you make compelling numerical arguments through charts, tables, and other formats while also

TABLE 12.10

Creating Fair Charts

<table>
<tr><th>Less Fair</th><th>More Fair</th></tr>
<tr><td>


</td><td>


Note: Ratings are on a scale from 1, poor, to 5, excellent. All ratings were retrieved from the Wahoo travel website and are averaged for each month across the year.
</td></tr>
<tr><td>By displaying this chart on an axis that contains only part of the scale and no note or legend, this chart exaggerates the differences in cleanliness ratings.</td><td>By displaying the entire scale and providing a note about the ratings, this chart accurately reflects the differences in cleanliness ratings. It clearly shows that although the Prestigio is lower than its competitors, it still has an average cleanliness rating that is good.</td></tr>
</table>

COMMUNICATION Q&A

CONVERSATIONS WITH CURRENT BUSINESS PROFESSIONALS

John Phillip *has worked as a finance manager and financial analyst for the past 12 years in a Fortune 100 company.*

Pete Cardon: In the business world, why is it important to create tables and charts for numerical data?

John Phillip: Business leaders are inundated with data, some relevant and some irrelevant. I have seen meetings derailed because the executives can't immediately see the significance of a PowerPoint slide. When used effectively, tables, graphs, and charts focus the audience on the key point and make the information easier for the audience to retain. Focusing attention on the key business drivers leads to more fruitful discussions and action. In my work, my primary duties include developing financial targets for the five-year strategic plan and the annual operating plan, creating current-quarter and full-year outlooks, and reporting results in monthly operating reviews. For each of these activities, I'm responsible for preparing presentations to deliver to senior executives. I have found that these presentations need to maintain consistent themes or story lines.

PC: How often do you create tables and charts for others to view?

JP: Every day—in a variety of forms, ranging from tables included within the body of an email to formal executive presentations.

PC: How do you choose when to use tables and charts?

JP: All communications need to be appropriately tailored to the audience. Tables are effective when I want the audience to know the numbers; I often use tables in less-formal communications, especially with my level of the organization and below. Charts are a great way to visually show comparative data and trends. Every formal presentation that I create contains charts because they easily focus on the key data.

PC: How are the charts you create today different from those you created just after completing your business program?

JP: The biggest improvement I have made is that I now clearly identify the information I want to communicate *before* I create the chart. The chart is just a tool in achieving the communication objective. The type of chart I use depends on what I want the audience to take away. Other improvements are subtle: I experiment with the scale, color, font size, and legend placement. These seemingly little things make a large difference in the ability of the audience to quickly be drawn to the emphasis of the chart.

PC: How often do you see colleagues create poor or ineffective charts? What are the most common problems you see?

JP: It is very easy to go overboard when presenting data, and I have seen quite a few ineffective charts. To be truthful, I have been responsible for one or two of them. The most common error is a chart that does not support the story line. This creates confusion in the audience. Another common error is an overly complicated chart. I tend to stick with simple charts, i.e., pie charts, bar charts, and line charts. More complicated charts often take too long to explain or confuse the message.

maintaining a level of personal transparency and full disclosure, you will gain many career opportunities. Also, remember the *impacts* of your data on others and present it with *respect*. For example, when you collect data on your colleagues' performance, how you present your information can impact career opportunities, team cohesion, and morale. For one business professional's views on the importance of presenting clear, clean data, read the Communication Q&A with John Phillip.

Chapter Takeaway for *Research and Planning for Business Reports*

LO 12.1. Explain how planning and conducting business research for reports impacts your credibility. (pp. 343–345)

Planning and conducting research for business reports demonstrates **your personal credibility.**

It shows **competence** when you can collect, analyze, and present business research.	It shows **caring** when you collect business research that fills an unmet need for others.	It shows **character** when you collect, analyze, and report your research data fairly.

LO 12.2. Create research objectives that are specific and achievable. (p. 345)

See *examples of research objectives* in Table 12.1.

LO 12.3. Explain principles of effective design for survey questions and choices. (pp. 345–350)

Principles for Survey Question Design

- Simple to answer
- Exhaustive and unambiguous
- Non-leading
- Single idea

See *examples of survey question design* in Tables 12.2 through 12.5. See a complete online survey in Figure 12.1.

LO 12.4. Develop charts and tables to concisely display data and accentuate key messages. (pp. 350–361)

Criteria for Evaluating Charts

- Title descriptiveness
- Ease of processing
- Focal points
- Takeaway message
- Information sufficiency

See *examples of charts and tables* in Figures 12.6 through 12.7.

LO 12.5. Evaluate the usefulness of data sources for business research. (pp. 361–363)

Criteria for Evaluating Data Quality

- Reliability
- Relevance
- Adaptability
- Expertise
- Biases

LO 12.6. Conduct secondary research to address a business problem. (pp. 363–368)

Principles for Secondary Research

- Use business databases such as EBSCO, IBISWorld, and Hoover's.
- Document your research.
- Conduct online research carefully, strategically, and creatively.

See *an example of documenting research during the note-taking stage* in Figure 12.11.

LO 12.7. Evaluate research data, charts, and tables for fairness and effectiveness. (pp. 369–370)

Facts: Present all relevant facts, even when they don't fit nicely into convenient conclusions. Avoid exaggeration or any other distortion of the facts.
Access: Grant access to your data to decision makers and others affected by your report. Focus on transparency and disclosure.
Impacts: Consider how the data in your report will impact stakeholders.
Respect: Ensure that your presentation of the data demonstrates respect for stakeholders.

Key Terms

adaptability (p. 361)
bar charts (p. 351)
biases (p. 362)
business and management books (p. 363)
business periodicals (p. 363)
chevron lists (p. 358)
closed questions (p. 345)
doughnut charts (p. 357)
exhaustive (p. 347)
expertise (p. 362)
external blogs (p. 363)
flowcharts (p. 358)
Gantt charts (p. 358)
high-low charts (p. 357)
histograms (p. 357)
industry publications (p. 362)
line charts (p. 351)
non-leading (p. 346)
open-ended questions (p. 345)
org charts (p. 358)
pie charts (p. 351)
primary research (p. 345)
relevance (p. 361)
reliability (p. 361)
scatter plots (p. 357)
scholarly journals (p. 363)
secondary research (p. 345)
unambiguous (p. 347)
white papers (p. 362)

Discussion Exercises

12.1 Chapter Review Questions (LO 12.1, LO 12.2, LO 12.3, LO 12.4, LO 12.5)

A. Explain the features that distinguish reports from other types of business correspondence.
B. Describe ways in which you can enhance your credibility by creating reports.
C. Discuss the advantages and drawbacks of both primary and secondary business research.
D. Describe strategies for understanding the needs of your audience for reports.
E. Explain why developing clear research objectives is so crucial to business research.
F. Describe principles for effective survey questions.
G. Summarize the primary reasons for using charts and tables.
H. Explain at least three general design principles for charts.
I. Describe unique design and formatting principles that apply to line charts, pie charts, and bar charts.
J. Explain the criteria for judging the quality of research data.

12.2 Communication Q&A Discussion Questions (LO 12.4, LO 12.7)

In the Communication Q&A section, when asked about choosing when to use tables and charts, John Phillip stated, "All communications need to be appropriately tailored to the audience. Tables are effective when I want the audience to know the numbers. I often use tables in less-formal communications, especially with my level of the organization and below. Charts are a great way to visually show comparative data and trends."

A. Based on this statement as well as your own experience, list and elaborate on three or four general guidelines for choosing between tables and charts.
B. Consider John Phillip's answers, and in two or three paragraphs, explain why simpler is better when it comes to charts. Also, explain the strategy behind developing effective charts.
C. Mark Twain is famously quoted as saying, "Figures often beguile me, particularly when I have the arranging of them myself; in which case the remark attributed to Disraeli would often apply with justice and force: 'There are three kinds of lies: lies, damned lies, and statistics'" (from Twain's autobiography). Do you believe this is the case with charts? Explain in three to five paragraphs specific approaches you can use to ensure that your charts are considered credible.

12.3 Combining Quantitative and Communication Skills (LO 12.1, LO 12.4, LO 12.5, LO 12.6)

Lloyd C. Blankfein, chairman and CEO of Goldman Sachs, was asked, "What would you like business schools to teach more of, or less of?" He responded:

> Look, I think it's very important to teach people to have a healthy respect for facts and information. And you know, to paraphrase Keynes, "to change minds when facts change." That's why I think certain careers—and maybe not intuitive careers—do very well. There's a lot of lawyers floating around Wall Street. There's a lot of engineers. A lot of people who deal in facts and have an appreciation for facts. A quantitative thing is very helpful. I was a social studies major, but you need to be numerate. If you have those good quantitative skills, it's very, very helpful.[6]

Based on Blankfein's comments and your own opinions, respond to the following questions:

A. Why are quantitative skills so highly valued in various business disciplines?
B. How important do you think quantitative skills will be to your career? In what ways?
C. What are your strongest areas in terms of quantitative skills? Weakest areas?
D. What are your strongest areas in terms of spreadsheet software? Weakest areas?
E. What are five goals you have for improving your quantitative skills?

Evaluation Exercises

12.4 Evaluating Charts and Tables in Annual Reports (LO 12.4)

Choose an annual report from a company that interests you. Select several tables and graphs from the report. Evaluate each in terms of design. Describe at least three effective and less-effective aspects for each chart and graph. Also, make one recommendation for improving them.

12.5 Evaluating Charts about Exports (LO 12.4)

Examine each of the following charts (Figures 12.15A, B, and C) and respond to the questions below:[7]

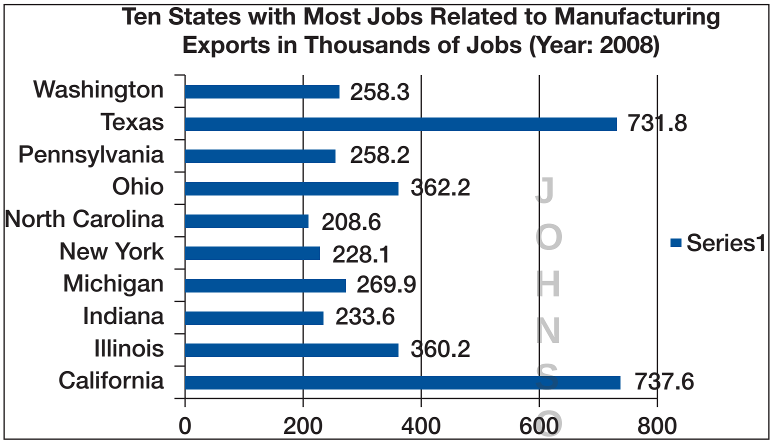


FIGURE 12.15A

Ineffective Bar Chart

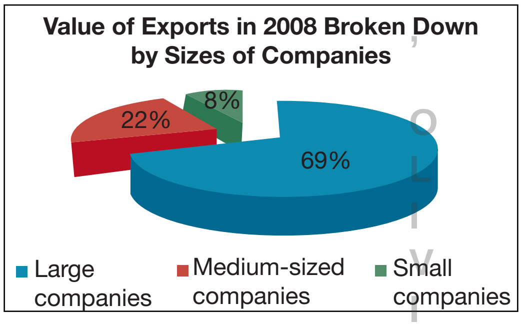


FIGURE 12.15B

Ineffective Pie Chart

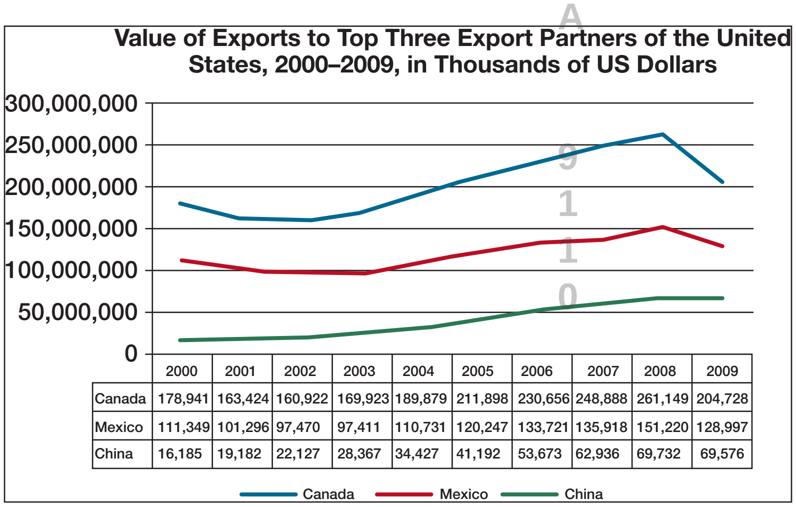


FIGURE 12.15C

Ineffective Line Chart

For each of the above charts, describe their weaknesses in terms of the following: (a) title descriptiveness, (b) focal points, (c) information sufficiency, (d) ease of processing, and (e) takeaway message.

Application Exercises

12.6 Developing Research Objectives (LO 12.2)

Choose three topics of interest that you could research. Write three specific research objectives that could provide a clear direction for you to collect primary data or gather secondary research.

12.7 Conducting Survey Research (LO 12.3)

Individually or in groups, select a business problem that you can learn more about by conducting survey research. You will create an online survey for all of your classmates to take, so design your project around the assumption that you are finding out what university-aged students think or feel about the topic. Design the survey so that it can be completed in three to five minutes. Do the following:

A. Create the survey with between 5 and 15 survey questions.
B. Administer the survey.
C. Identify the major findings and conclusions.
D. State related recommendations.
E. Create two tables that summarize findings from the survey.
F. Create two charts that display key messages related to the data.
G. Write a report that includes your objectives, methodology, findings, conclusions, and recommendations.

12.8 Learning about Online Business Databases at Your Library (LO 12.6)

Identify five online business databases available through your library. For each, explain what the key advantages are and provide one limitation. When you have written about each database, write a concluding statement that identifies which databases are most useful for your business interests.

12.9 Evaluating Data Quality (LO 12.5)

Find five data sources related to a topic that interests you. Analyze reliability, relevance, adaptability, expertise, and biases.

12.10 Creating Charts from the Apple Annual Report[8] (LO 12.4)

Assume you are working for Apple and are summarizing key financial and sales data for presentation to an external audience, such as potential investors or media reporters. You would like to create charts to quickly summarize your performance and allow others to compare your performance across operating segments and product lines.

Use the two tables below to create the following charts. Remember to follow effective design principles.

A. Create a line chart to show net sales growth from 2005 to 2009.
B. Create a line chart to show Mac unit sales in the four major operating segments (Americas, Europe, Japan, and Retail) from 2007 to 2009.
C. Create a bar chart to show net sales for the top five product groups in 2009.
D. Create a pie chart to show net sales for all product groups in 2009.
E. Create a pie chart to show unit sales by product groups in 2009.
F. Identify two key relationships or comparisons from the table. Create charts that best illustrate these relationships or comparisons.
G. As directed by your instructor, exchange your charts with a partner from your class. Evaluate one another's chart designs in terms of title descriptiveness, focal points, information sufficiency, ease of processing, and takeaway message.

Table of Selected Financial Data for Apple, 2005–2009

	2009	2008	2007	2006	2005
Net sales	$42,905	$37,491	$24,578	$19,315	$13,931
Net income	$8,235	$6,119	$3,495	$1,989	$1,328
Earnings per common share:					
Basic	$9.22	$6.94	$4.04	$2.36	$1.64
Diluted	$9.08	$6.78	$3.93	$2.27	$1.55
Cash dividends per common share	$—	$—	$—	$—	$—
Earnings per common share:					
Basic	$893,016	$881,592	$864,595	$844,058	$808,439
Diluted	$907,005	$902,139	$889,292	$877,526	$856,878
Cash, cash equivalents, and marketable securities	$33,992	$24,490	$15,386	$10,110	$8,261
Total assets	$47,501	$36,171	$24,878	$17,205	$11,516
Long-term debt	$—	$—	$—	$—	$—
Total liabilities	$15,861	$13,874	$10,347	$7,221	$4,088
Shareholders' equity	$—	$—	$—	$—	$—

Notes: Currency figures in millions of dollars; share amounts in thousands; dividends are actual figures.

Table of Net Sales for Apple, 2007–2009

	2009	Change	2008	Change	2007
Net Sales by Operating Segment:					
Americas net sales	$18,887	15%	$16,447	38%	$11,907
Europe net sales	11,810	28%	9,233	69%	5,469
Japan net sales	2,279	32%	1,728	59%	1,084
Retail net sales	6,656	−9%	7,292	67%	4,362
Other Segments net sales (a)	3,273	17%	2,791	59%	1,756
Total net sales	$42,905	14%	$37,491	53%	$24,578
Mac Unit Sales by Operating Segment:					
Americas Mac unit sales	4,120	4%	3,980	32%	3,019
Europe Mac unit sales	2,840	13%	2,519	39%	1,816
Japan Mac unit sales	395	2%	389	29%	302
Retail Mac unit sales	2,115	4%	2,034	47%	1,386
Other Segments Mac unit sales (a)	926	17%	793	50%	528
Total Mac unit sales	10,396	7%	9,715	38%	7,051
Net Sales by Product:					
Desktops (b)	$4,324	−23%	$5,622	40%	$4,023
Portables (c)	9,535	9%	8,732	38%	6,313
Total Mac net sales	13,859	−3%	14,354	39%	10,336
iPod	8,091	−12%	9,153	10%	8,305
Other music-related products and services (d)	4,036	21%	3,340	34%	2,496
iPhone and related products and services (e)	13,033	93%	6,742	NM	630
Peripherals and other hardware (f)	1,475	−13%	1,694	30%	1,303
Software, service, and other sales (g)	2,411	9%	2,208	46%	1,508
Total net sales	$42,905	14%	$37,491	53%	$24,578
Unit Sales by Product:					
Desktops (b)	3,182	−14%	3,712	37%	2,714
Portables (c)	7,214	20%	6,003	38%	4,337
Total Mac unit sales	10,396	7%	9,715	38%	7,051
Net sales per Mac unit sold (h)	$1,333	−10%	$1,478	1%	$1,466
iPod unit sales	54,132	−1%	54,828	6%	51,630
Net sales per iPod unit sold (i)	$149	−11%	$167	4%	$161
iPhone units sold	20,731	78%	11,627	NM	1,389

Notes: Currency figures in millions of dollars; unit figures in thousands; per unit figures are actual amounts; NM = Not Meaningful.
(a) Other Segments include Asia Pacific and FileMaker.
(b) Includes iMac, Mac mini, Mac Pro, and Xserve product lines.
(c) Includes MacBook, MacBook Air, and MacBook Pro product lines.
(d) Consists of iTunes Store sales, iPod services, and Apple-branded and third-party iPod accessories.
(e) Derived from handset sales, carrier agreements, and Apple-branded and third-party iPhone accessories.
(f) Includes sales of displays, wireless connectivity and networking solutions, and other hardware accessories.
(g) Includes sales of Apple-branded operating system and application software, third-party software, AppleCare, and Internet services.
(h) Derived by dividing total Mac net sales by total Mac unit sales.
(i) Derived by dividing total iPod net sales by total iPod unit sales.

12.11 Revising Charts about Exporting (LO 12.4)

A. Revise the ineffective bar chart from Exercise 12.5.

B. Revise the ineffective pie chart from Exercise 12.5.

C. Revise the ineffective line chart from Exercise 12.5.

D. With your instructor's direction, consider evaluating your charts against those of your peers in the class. Decide which charts are most effective and share them with the class.

12.12 Evaluate Various Types of Secondary Research Data (LO 12.5)

Based on a topic of interest, find at least one of each of the following types of sources: white paper, industry publication, business periodical, scholarly journal, external blog, and business book. Evaluate each of the sources in the following areas: reliability, relevance, adaptability, expertise, and bias.

12.13 Planning Research at the Prestigio (LO 12.2, LO 12.3, LO 12.5, LO 12.6)

A. Assume the role of Jeff Anderton and conduct research about green meetings. Specifically, your assignment is to identify best practices for green meetings from the perspective of vendors, compare marketing approaches, and evaluate the strategic and financial importance of offering green meetings. Do the following: Write three specific research objectives.

B. Explain strategies for collecting research for each objective.

C. Write three research questions that you could ask conference attendees that would help you understand what consumers think about green meetings.

D. Identify three online sources about green meetings. Evaluate each in terms of the following: reliability, relevance, adaptability, expertise, and biases.

Endnotes

1. David Kintler and Bob Adams, *Independent Consulting: A Comprehensive Guide to Building Your Own Consulting Business* (Avon, MA: Streetwise, 1998).

2. Roly Grimshaw, "Communication by Numbers," *Harvard Management Communication Letter* 8, no. 3 (2005): 3–4.

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5. Kirsten D. Sandberg, "Easy on the Eyes: A Design Legend Tells How to Turn Complex 'Real World' Information into Clear Visual Messages," *Harvard Management Communication Letter* 5, no. 8 (2002): 3–5.

6. New York Times Corner Office Blog, "Teamwork," retrieved June 15, 2010, from http://projects.nytimes.com/corner-office/ Teamwork.

7. Based on data retrieved June 15, 2010, from http://www.trade.gov/mas/ian/Jobs/Reports/2008/jobs_by_state_totals.html.

8. Steven P. Jobs and Peter Oppenheimer, *2009 Annual Report Filing for Apple* (Form 10-K/A filed to the United States Securities and Exchange Commission, January 25, 2010), retrieved June 15, 2010, from http://www.apple.com/investor/.

JOHNSON, OLIVIA 9110