

# **ASPECTS OF THE BAD COMMUNICATION MANAGEMENT IN THE CONTEXT OF DOMINO EFFECT AND PERMANENT CRISIS IN LATVIAN COMPANIES**

J. Derkevica-Pilskunga<sup>1</sup>

<sup>1</sup>School of Business Administration Turība, Latvia

**Abstract:** Communication is an element that could cause Domino Effect and permanent crisis. Domino effect is the consequence of one event setting off a chain of similar events (like a falling domino causing a whole row of upended dominos to fall). A hazardous event or negative news about one actor in the society causes a pressure on the reputation of other similar actors in society. A crisis is the perception of an unpredictable event that threatens important expectancies of stakeholders and can seriously impact an organization's performance and generate negative outcomes. [27; 2]. These outcomes could be scandals. Communication is liaison with different resources. Author chose to explore communication which could cause Domino Effect and permanent crisis in many companies at the same time. Cause of this author will define bordering of communication which causes scandals and in the aspect of Domino permanent crisis in Latvian companies.

**Key words .** Risk, Crises, Domino effect, communication

## **Introduction**

A crisis is unpredictable but not unexpected. Wise organizations know that crisis will befall them, they just do not know when. Crisis strike suddenly, giving them an element of surprise

or unpredictability [9; 46]. Crisis situations can appear in environment of company in a Domino effect speed. Bad communication can influence this speed and so the reputation in company, too. Do company leaders know this? Pilot research in this article will show that the reputation of the company can become worse of bad message is known only to the employees.

## **Material and methods**

Author used different materials and methods to write this article, for instance:

1. Different laws in Latvia and EU
2. Literature in Latvian, for instance, Grifins Endrjū „Reputācijas vadības stratēģijas”(2008) (The strategies of reputation management), Lietišķās informācijas dienests etc.
3. Literature in Foreign language, for instance, Arnold V., Hampton D., Khazanchi D.and Suttom S.G. (2004), Enterprise Risks Management: Identifying Risks in B2B E-Commerce Relationships, Institute of Internal Auditors Research Foundation, Altamonte Springs, FL etc.
4. To clear up opinion of the standpoint of the companies, the author has performed pilot research using poll method. 70 small companies where the number of employees is under 10 have been involved in the research.
5. Author used such methods as literature analyze, statistical analyze and observing methods.

## **Types of crisis, mistakes and consequences in management of crisis situations**

In praxis there are several types of crisis that have indirect legal regulation. Indirectly, in author's understanding, there is a type that is mentioned in the law. Crisis can be divided into several types:

- 1) crisis caused by natural forces;

- 2) crisis caused by technological reasons;
- 3) crisis caused by confrontation;
- 4) crisis caused by malicious offence;
- 5) crisis caused by incorrect values of management;
- 6) crisis caused by deceitful offence;
- 7) crisis caused by bad management;
- 8) crisis of business and economics [10; 530].

Having analyzed the above listed types of crisis one can conclude that crisis situations can be global and can influence a large part of society and can take place also in micro-environment of an organization and influence only a few employees or clients. A qualitative risk and crisis communication and its managing are necessary in any of the listed types of crisis. It is important that the crisis situation would be solved already initially. Also in the definition of crisis, the time factor is assumed as a critical variable:

- 1) Immediate crisis – the most dangerous type of crisis, because it enters suddenly and there is no time anymore for planning and investigation. For example, a thus, death of managing official, fire, accident (death of a person) in public entertainment place, low-quality food in catering company, employees have publicly announced that they are unsatisfied with the low salary etc. Professionalism of prevention of immediate crisis can be only then, if an action plan for such cases has been developed already beforehand.
- 2) In case of imminent crisis there is more time for investigation of the situation and for planning of actions but such crisis after lasting period of imminence can develop with lightning speed. For example, dissatisfaction of employees, abusing one's official status, overload in government workplace. The most difficult in this situation is to

convince high-level leaders about the necessity to perform corrective actions before the crisis has reached a critical stage. [10; 531].

- 3) Permanent crisis that lasts for months and even years although leadership has done all possible to eliminate it. [10; 531]. In this period of crisis rumors are in the air among mass media and people that are impossible to control. If a company has come to this stage of crisis, then one can conclude that risk and crisis communication management does not function at all or it is not enough qualitatively planned.

It is possible that the managers of the companies in Latvia do not take risk and crisis communication management and the role of social relations expert seriously because we do not have here such serious crisis situations as hurricanes and earthquakes. And still in Latvia there are such crises caused by natural forces as floods, fires, storms, there are also crisis caused by technological reasons, crisis caused by malicious offence, crisis caused by incorrect values of management, crisis caused by deceitful offence, and crisis of business and economics. I think that after this listing it is not necessary to prove that a qualitative risk and crisis communication management system is necessary also in the state administration of Latvia and companies. The quality of risk and crisis communication management could be measured by amount of mistakes. These mistakes in managing could be called as indicators for measurement of quality. Usually the following mistakes are made in management of crisis situations – hesitation, suppression, revenge, lie or subterfuge, goody attitude towards the happened, confrontation, litigation [12; 532]. Goetz Nagel indicates strain, stress and intolerable work mood that influence the quality of work in total as the most essential consequences after unsuccessful communication in risk and crisis processes. G. Nagel indicates also that aims, borders and problems of communication belong to basics of communication [28].

To analyze written author thinks that malignity and losses is the result of not enough communication.

### **Necessity of communication and the most important risk and crisis categories in companies**

In G. Nagel's opinion, communication is necessary in a company because it opens opportunities of win situations (Win-Win-Situations):

- Healthy and satisfied employees,
- Stabilization of the company,
- Improvement of processes,
- Improvement of image,
- Improvement of behavior of employees and management [28].

In the author's opinion, these opportunities are the most direct factors that influence the business.

As the author has mentioned that legal aspect of risk and crisis communication influences the business and communication is necessary in a company, it would be essential to find out what the most important risk categories in companies are. Namely, risk management standard of Australia and New-Zealand states that the most important categories are financial, equipment, managerial, protection, legal conformity, reputation, exploitation, delivery, commercial, project, safety, shareholder management, strategic, technology [25;15].

These risk categories mean that each company needs a person that has good knowledge in legal sphere although the legal regulation in this field is incomplete. An expert of public relations in the ideal connection was one person with legal and communication knowledge base. In the first version there could be problems because legal advisors and public

relations' advisors usually evaluate the situation from different aspects [10;123]. One has to try to find the golden mean.

### **The essence of the Domino effect**

The domino effect theory was a foreign policy theory during the 1950s to 1980s, promoted at times by the government of the United States, that speculated that if one land in a region came under the influence of communism, then the surrounding countries would follow in a domino effect. The domino effect suggests that some change, small in itself, will cause a similar change nearby, which then will cause another similar change, and so on in linear sequence, by analogy to a falling row of dominoes standing on end. The domino theory was used by successive United States administrations during the Cold War to clarify the need for American intervention around the world. Referring to communism in Indochina, U.S. President Dwight D. Eisenhower put the theory into words during an April 7, 1954 news conference:

„Finally, you have broader considerations that might follow what you would call the "falling domino" principle. You have a row of dominoes set up, you knock over the first one, and what will happen to the last one is the certainty that it will go over very quickly. So you could have a beginning of a disintegration that would have the most profound influences” [29].

In the world philosophers have an argument, that there might be the chain of cause and consequence, which is indefinite without any initial point? Regarding domino effect the domino dice is a small four-cornered block. If you set the line of many domino dices and give a push to one of them, all dices will fall alone after another. The first dice will knock over the second one, the second dice will knock over the third one, third dice will knock over the fourth, etc. If the line of dices there would no dice which somehow would fall independently

without the help of other dices, the domino effect would not have been observed. The whole line would be in perpendicular state. The main point is that there must be the King of Cause, otherwise nothing can happen.

If this aspect is compared with the communication in companies, it can be concluded that the communication of bad management with the help of domino effect can cause permanent crisis. In this situation domino dices could be as in internal, as in external environment of the company. For example, in the drug manufacturing company unhealthy substances in some vitamins are found before drugs are turned over. In the case of bad and unplanned communication this information will pervade in the internal environment of the organization, thus causing stress and rumor. Rumor appears when information is not spread in sufficiently precise and transparent way. These “domino dices” inside the organization will be the formative staples of the internal environment – aims, staff, structure, corporate culture and technology. [11]. Regarding domino effect the bad communication can influence each of these staples. This information spreads further in the external directly and indirectly influenced environment of the company. This means that directly influencing factors are reached – suppliers, consumers, competitors, influencing mass media and some changes in normative acts. The practice in the world shows that normative acts are changed basing on the facts which cause malevolence which influence society.

For example, in Latvia in 2009 in autumn in the district of Mazsalaca as though fallen meteorite was organized faking by Ltd “Tele2” as marketing and commercial director of the organization Jānis Spogis has testified. In the investigation of the meteorite many rescue services were involved which caused costs. The government has responded to this event and has launched changes of legislation. In this case the companies gambling on its reputation deliberately mislead the society and didn’t have any sanction for it, because normative acts don’t foresee it. The company has achieved desirable effect and the number of customers has

increased. It was planned promotion campaign. In this aspect there was a communication with the society, in haste of the domino effect the information has spread and reputation is exposed to risk. The legal regulation is roundabout, but it will be changed. Also the management of the reputation risk is divided into components, which includes crisis and situation management, as well as social responsibility. [9]. This is the example of the situation management. Usually the biggest threat to the reputation of the company is considered crisis. Many companies get ready to the crisis management. Often companies are ready for the crisis, but they are not ready for the elements of the hazard to reputation. The expert of corporate reputation Andrew Griffin asserts that “crisis situations which had been faced by companies are easier manageable than those which are created by the very company”. In this case, probably, Ltd “Tele2” doesn’t realize yet that meteorite promotion campaign can cause permanent crisis in the company bringing under risk the reputation in haste of domino effect.

Another Latvian case is when in 2008 being in crisis Parex Bank of which Latvian government is taking charge now, has experienced Domino effect, namely, mass cash withdrawal. Initially the talk was about the investment of 200 000 000 LVL by the government, in couple of days sprang up the information about the necessity to invest more. Now some people speaking about “the anchor” of stabilization, assert, that it is only beginning by mentioning billion or even two.. In this case the government is responsible for the analysis of provisions about the takeover of the bank. Just now banks which are based in Scandinavia have announced about guaranties of its governments, natural process has started – avalanche-like cash withdrawal, which lead up to sad situation. Any bank would have gone into crisis if its depositors would together draw out the money. In this case it could be concluded, that rumor or communication in its pattern had an effect on indirectly influencing external environment of the company, namely, international relations, economic situation in the state, sociocultural relationships, policy of the state, science, technologies.



To clear up opinion of the standpoint of the companies, the author has performed pilot research using poll method. 70 small companies where the number of employees is under 10 have been involved in the research. 50 answers have been received from them.

3 questions were put:

1) Does communication influence reputation of the company?

- a) Yes
- b) No
- c) I don't know

2) Is the "Domino effect" noticed in the case of permanent crisis in the company?

- a) Yes
- b) No
- c) I don't know

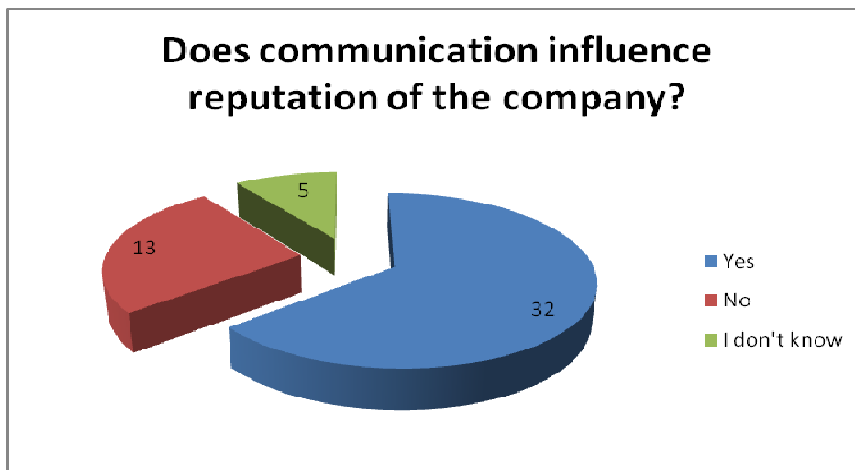
3) Can the reputation become worse if the bad message is known only to the staff?

- a) Yes, it can, because employees can deliver information to mass media, consumers, suppliers and competitors;
- b) No, it can't, because employees don't deliver information further;
- c) Yes, it can, because employees' relatives can deliver information to mass media, consumers, suppliers and competitors.

## **Results**

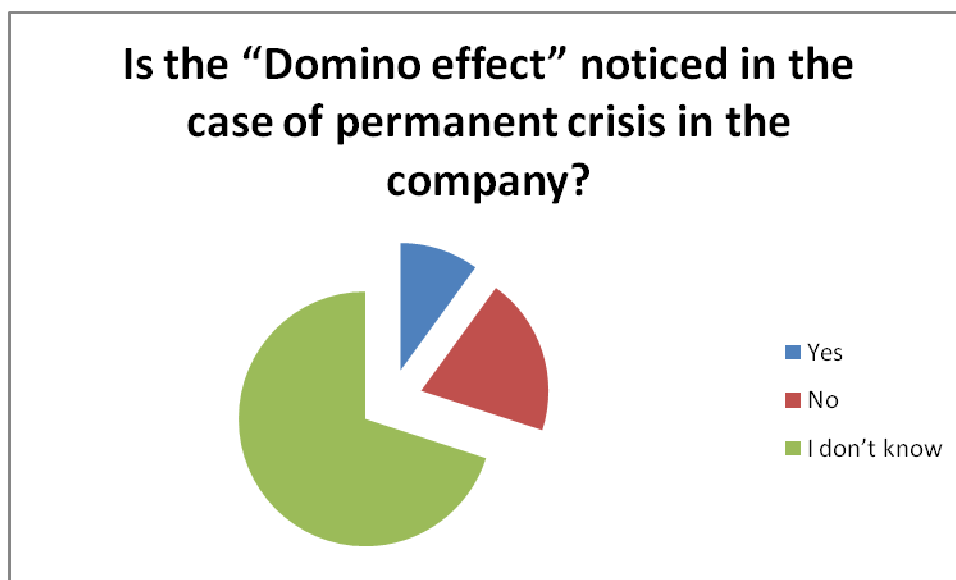
As it can be seen in the first figure, out of 50 respondents 32 has admitted that communication do influence the reputation of the company. 13 deny, but 5 don't know the answer. So in this pilot Research it is proved that still it influences.

Figure 1 Does communication influence reputation of the company?



Data of the Figure 2 notify that 35 entrepreneurs don't know whether Domino effect" is noticed in the case of permanent crisis in the company. 10 entrepreneurs think that it isn't noticed and 5 think that it is noticed.

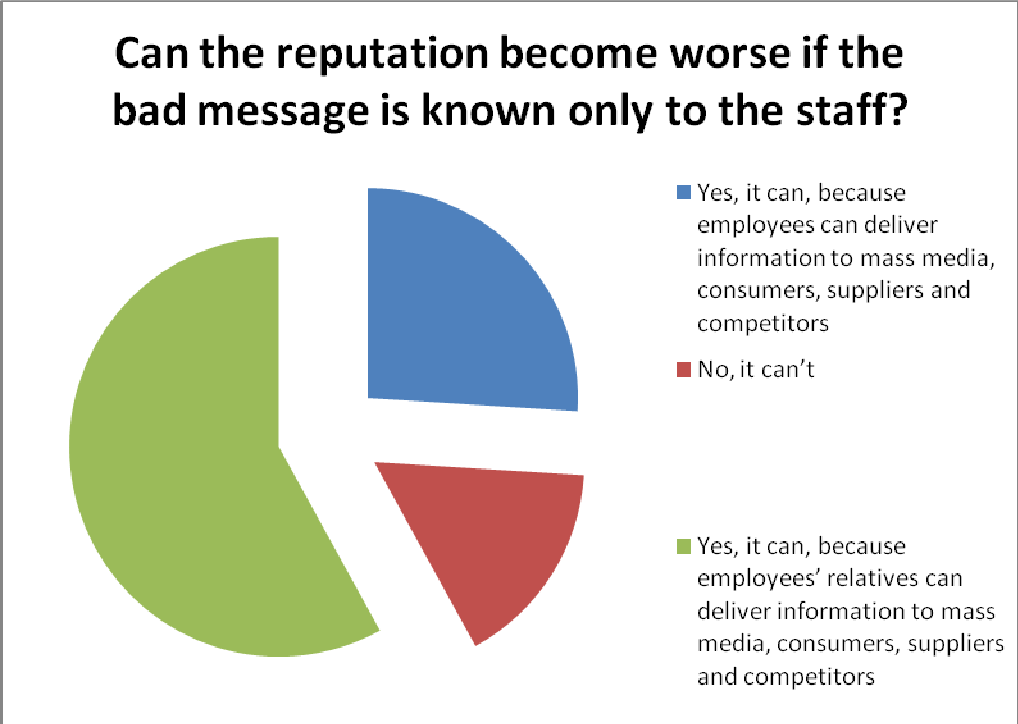
Figure 2 „Is the „Domino effect” notices in the case of permanent crisis in the company”?



In the figure 3 shows that 29 entrepreneurs think that a reputation can become worse because employees' relatives can deliver information to mass media, consumers, suppliers and

competitors. 13 think that it can, because employees can deliver information to mass media, consumers, suppliers and competitors. 8 think that it can't because employees don't deliver information further. So the majority – 42 think that reputation can become worse and it can be further delivered by employees.

Figure 3. Can the reputation become worse if the bad message is known only to the staff?



With the help of this pilot research the author wanted to show what is the standpoint and knowledge of the companies about communication which can influence the company. The research will be launched and more respondents will be involved in the doctor's dissertation.

## Conclusion

1. Crisis situations can appear as in external, as in internal environment of the organisation.
2. Bad communication management influences business in ill-disposed way.
3. Regarding communication aspect during Domino effect there always will be the King of Cause.
4. Bad communication in the aspect of communication can influence each of the staples in the organization.
5. Communication affects the reputation of the company.
6. In case of permanent crisis "Domino effect" is noticed in the company.
7. The reputation of the company can become worse of bad message is known only to the employees.

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**Contact Address:**

Jolanta Derkevica-Pilskunga, Mg.soc., PhD student of BAT

School of Business Administration Turiba