

Module Code: MCH8060

The Module Title: Strategies & Management in PR

Student Number:

XXXXX

Module code and title:

MCH8060: Strategies & Management in PR

Assignment 1:

Crisis Debate Report

Word Count:

2078

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Report to : Micheal Smith, CEO

Report by: Whitney, PR manager

Date: 04/05/2021

Whether an effective communication plan is necessary for organizations to cover from a crisis and protect their reputation?

Introduction

Crisis is a special and unpredictable series of events that can bring a high degree of uncertainty and threat¹. Every organization must face the burden of dealing with them. On the one hand, when a company is in the midst of a crisis, good communication will help control the spread of negative information and maintain the company's credibility. On the other hand, if a company struggles to tackle a disaster, it exposes itself to significant harm. Not only would the company's assets be diminished, but it will still be forced to settle for bankruptcy. Therefore, an effective crisis management strategy is an important part of corporate public relations².

However, in the digital information era, the development of technology accelerates the circulation of information. Compared with the previous few information channel, the public can get the latest news on multiple platforms, so it is expected that organisations can respond as fast as when facing a crisis. In addition, the attitude, speed, timing, and usual reputation of the organization are also factors for the public to consider the crisis management of organization. This report will take comparative analysis of the two companies, Sports Direct and Boohoo, to analyze their strategies in the face of unfair pay, and illustrate how effective communication can cover from the crisis and restore reputation.

1 Seeger (2002)

2 McKenzie (1994)

Case Study 1: Sports Direct minimal wage scandal

Timeline of the crisis

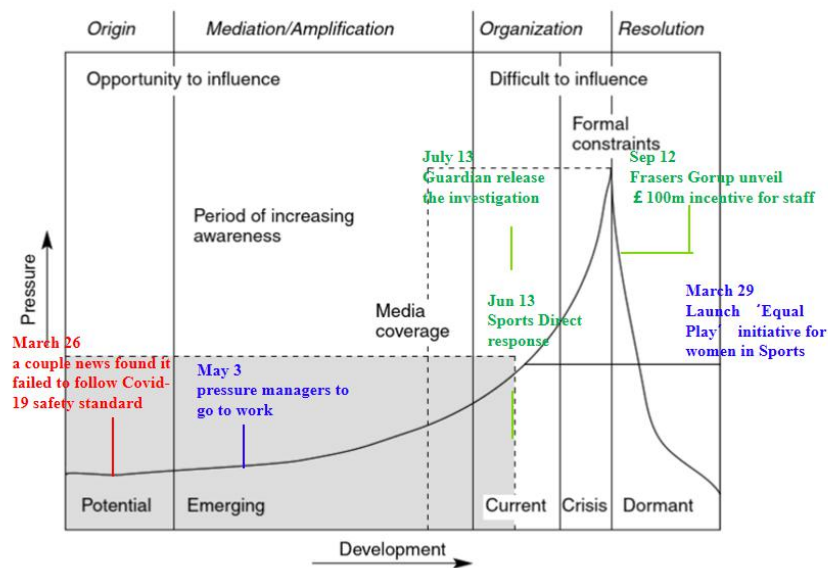


Figure 1: Sports Direct's crisis lifecycle

Case review

The Guardian reviewed its 2015 report and wondered whether Sports Direct's wage problem was still an issue. Sports Direct quickly replied, stating that there was no such issue. Members of the Labour Party noticed on Twitter, and the party asked HMRC to investigate Sports Direct's wage policies on July 25th. On September 12th, Frasers Group, the Sports Direct Group, promised a total of 100 million pounds in bonuses to employees as a reward.

According to Moloney's Reputation Bank (2006), a good reputation depends on a lot of 'credit.' An investigation by the Guardian in December 2015 revealed how Sports Direct had been paying staff less than the minimum wage (Figure 2). It was not until June 7th, 2016, that Mike Ashley, Sports Direct's director of operations, admitted paying staff less than the minimum wage. So Sports Direct has a poor track record when dealing with employee wage, and there has been denial about what happened³.

³<https://www.theguardian.com/business/2015/sep/09/sports-direct-investors-revolt-against-chairman-and-pay-policy>

Mike Ashley admits Sports Direct staff were not paid minimum wage

The billionaire acknowledges 'unacceptable' and 'unreasonable' employment practices to MPs in a committee session

Figure 2: Earned media (the Guardian 18/07/2016)⁴

According to Situational Crisis Communication Theory (Coombs, 2007), warehouse workers, as the accident victims, are also the organization's primary stakeholders⁵. Sports Direct failed to pay reasonable wages to its employees, putting the employee's and stakeholders' interests at risk. The business is not an unsuspecting one but plans an intentional crisis. Employees may have a reasonable right to enforce Boohoo responsible for the accident, claiming that Boohoo can to monitor and mitigate the damage and improve the situation. As a result, Boohoo must accept blame for the incident.

Sports Direct responded hours after the Guardian's press release by denying the report⁶ and claiming that such events have never occurred. The Guardian released a video⁷ later showing that this was still the situation, but Boohoo remained silent and did not respond reducing public trust and corporate credibility⁸. The response attitude of Sports Direct that is nearly ignored damages stakeholders' interests and puts Sports Direct in a completely passive position. In a sense, it is not two-way communication⁹, just like propaganda. In this imbalanced communication, public opinion is not taken seriously. Employees are vulnerable to emotional outbursts as victims and stakeholders in this crisis, and the organisation's brand and reputation will be

4 <https://www.theguardian.com/business/2016/jun/07/mike-ashley-admits-sports-direct-staff-were-not-paid-minimum-wage>

5 Mitchell, Agle & Wood (1997)

6 <https://www.sportsdirectplc.com/~media/Files/S/Sports-Direct/press-release/Media%20Statement%2023072020.pdf>

7 <https://www.theguardian.com/business/2020/jul/23/sports-direct-undercover-minimum-wage-mike-ashley>

8 Seeger (2006)

9 Grunig and Hunt (1984)

harmed. After the crisis, Sports Direct failed to clarify the relationship between stakeholders, which failed to resolve the crisis and triggered more opposition voices. Also, the organization should operate the relevant stakeholders for a long time, especially the employees as the main stakeholders, to become a powerful helper when the crisis occurs. As a result, Sports Direct's silence after the first response is not an effective way to communicate. It harmed the public's image, and repairing it would be difficult.

Sports Direct was oppressed by public opinion after the mainstream media widely covered the case and tried to adapt to an effective strategy to repair the company's image and reputation. The primary task is to prevent stakeholders from being hurt. After the crisis, it is necessary to provide instructing information to prevent people from hurt, provide adapting the information, and deal with people's psychological threats. Internal staff is the most critical part of any business, and they should be kept at the forefront of any communication activity when dealing with a crisis. On this basis, Sports Direct increased rewards for the employee to recognize stakeholders, especially the warehouse employees who were the major victim in this case (Figure 3). By issuing tailored rewards, it will regain the interest of the warehouse workforce, emphasize the enterprise's accountability by large-scale news media coverage, and create a positive reputation for society. Boohoo incorporates future crisis management in crisis prevention¹⁰, allowing workers to be at the center of communication and build consumer confidence as critical players in the organisation in the face of unknown crises.

10 Handelman (1999)

Mike Ashley's Frasers Group unveils £100m incentive for staff

By Elias Jahshan - September 12, 2020

However, Frasers Group's directors and consultants would not be eligible for the scheme, although agency staff – they make up the majority of warehouses – will be included.

The firm also said its shareholders would not be diluted by the incentive schemes.

Figure 3 : Owned media (Retail gazette 12/09/2020) ¹¹

Secondly, Sports Direct increases social campaigns to repair its image. Based on Benoit's Image repair theory¹², the organization repairs its image after a crisis by reducing offensiveness. Sports Direct launched #LiftWeightDonate campaign to focus on the public's physical and mental health during the lockdown to ease people's stress(Figure 3). It also pays attention to the rights of the women's movement and gives a voice to women in sport(Figure 4). These campaign activities divert public attention, defuse the atmosphere of tension, mitigate the crisis, and assist the the organisation in rebuilding its image.

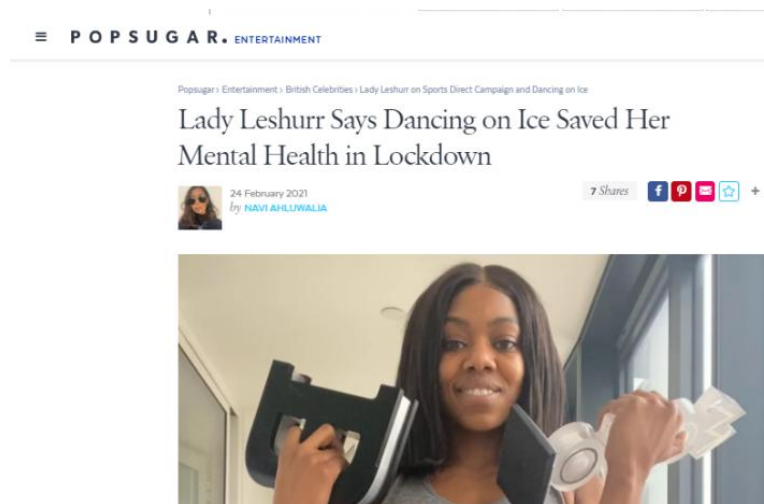


Figure 4: Owned media (Popsugar 04/09/2021)¹³

¹¹<https://www.retailgazette.co.uk/blog/2020/09/mike-ashleys-frasers-group-unveils-100m-incentive-for-staff/>

¹² Benoit, W (1997)

¹³<https://www.popsugar.co.uk/entertainment/lady-leshurr-sports-direct-interview-48179189>

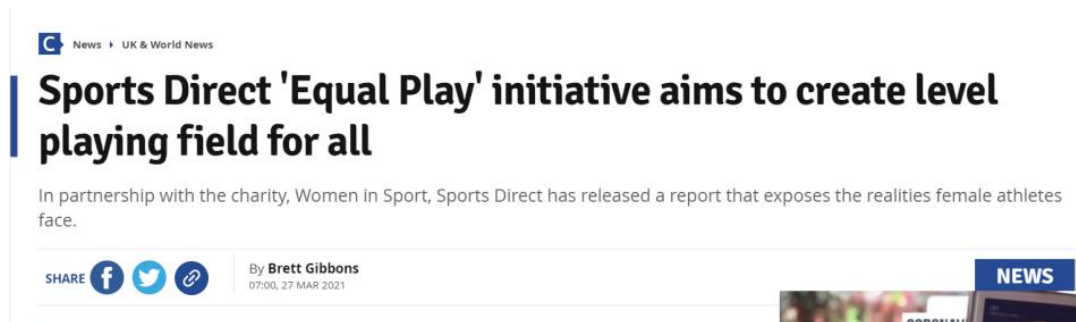


Figure 5: Earned Media (Cambridge news 27/03/2021)¹⁴

Case Study 2: Boohoo sweat-shop scandal

Timeline of the event

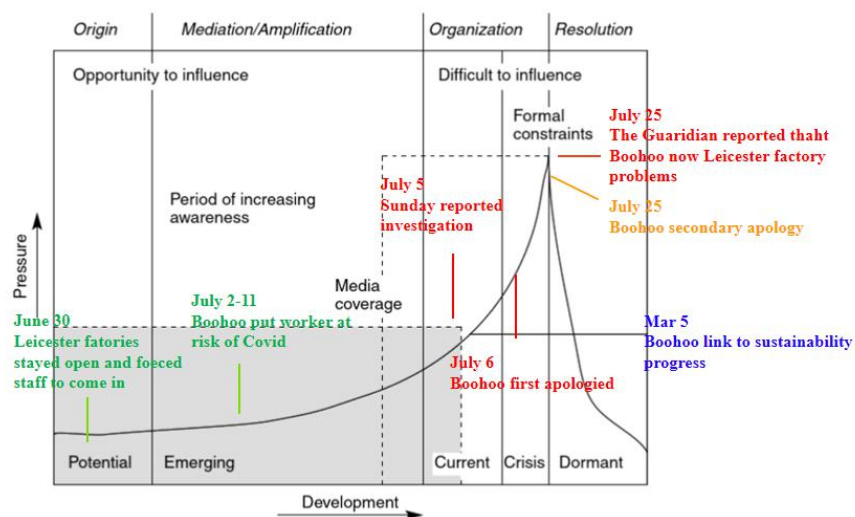


Figure 6: Boohoo 's crisis lifecycle

Case review

The Sunday Times announced on July 5th that the fashion giant was facing a wage survey that showed harsh, filthy working conditions. Boohoo later issued a statement on its website recognizing unfair working conditions, actively engaging in the inquiry (July 6th), and appointed QC to investigate the supply chain. The Guardian reported that Boohoo had issues guiding the factory before the inquiry (July 25th). Mainstream media sources have debunked boohoo. In the wake of the scandal, the CEO resigned on July 26th. On March

¹⁴<https://www.cambridge-news.co.uk/news/uk-world-news/sports-direct-equal-play-initiative-20261262>

5th, 2021, Boohoo released the results of its investigation into the incident.

According to SCCT (Coombs, 2007), Boohoo believes it was an accident and, as a victim, claims it has little idea about the supplier's poor working conditions. As a result, the corporate has ended its contract with it and will examine other suppliers. It can be seen in the response that Boohoo suggested that it is a major event, with 'We' and 'Our' emphasizing the responsibility of enterprises and closing the gap between public and corporation (Figure 7), and that the positive reaction and sincere attitude will change the public's acceptance (Jefkins, 2004). Boohoo's post-crisis image repair theory¹⁵ of responding immediately to a crisis and maintaining two-way communication with the public was more effective than the strategy of ignoring communication. Proactive communication emphasizes Boohoo's sense of social responsibility, virtually enhances the public's trust in the enterprise, and aids its reputation repair¹⁶.

We are grateful to the Sunday Times for highlighting the conditions at Jaswal Fashions, which, if they are as described by the undercover reporter, are totally unacceptable and fall woefully short of any standards acceptable in any workplace. Our investigations have shown that Jaswal Fashions is not a declared supplier, and is no longer trading as a garment manufacturer. It therefore appears that a different company is using Jaswal's former premises and we are currently trying to establish the identity of this company. We are taking immediate action to thoroughly investigate how our garments were in their hands, and we will ensure that our suppliers immediately cease working with this company

Figure 7: Statement by Boohoo (Owned media 05/07/2020)¹⁷

On September 25th, Boohoo made a secondary response, using modification method¹⁸, by released an apology, admitting issues at the factory, and promising to improve working conditions by releasing a complete list of its supply chain and increasing organizational accountability and public oversight. The step sent a note to customers, and the company's stock soared 16 percent as a result (Figure 8). An apology is the first step, which can be followed by restitution and a remedy to reduce the offense¹⁹. Boohoo plans to

15 Benoit (1997)

16 Seeger (2006)

17<https://www.boohooplc.com/sites/boohoo-corp/files/all-documents/newsroom/group%20news/response-to-the-sunday-times-investigation.pdf>

18 Benoit (1995)

19 Benoit (1997)

resolve corporate scandals and restore the company's reputation by increasing corporate transparency and displaying the company's supplier details to the public²⁰ (Coleman,2020). During the epidemic, Boohoo's profits exceeded forecasts by 29 percent, proving that the strategy succeeded²¹.

Boohoo accepted the review's recommendations for change in full and apologised for failing to "match up to the high expectations we set for ourselves". Group CEO John Lyttle said the company would be "a leader for positive change in the city", adding: "It is clear that we need to go further and faster to improve our governance, oversight and compliance."

The brand pledged a series of reforms including a move to publish a full list of companies in its supply chain, reducing the number of factories it relies on, and using new ethical suppliers. Investors reacted positively to Boohoo's promises of reforms, with the company's share price rising 16% on Friday.

Figure 8: Earned media (the Guardian 25/09/2020)²²

Evaluation

Type of Crisis

Coombs (2007) and Claeys (2010) divided the crisis into three different types: victim, accident, and intentional. In both cases, hourly wages are lower than those stipulated by law, which is attributed to the corporation's imperfect system and human errors and therefore can be regarded as "intentional" and can be prevented in advance.

Based on how the crisis evolved, two events can be regarded as 'python', as they are slowly-burning crises²³. In the early months, news reports accused the enterprise of failing to provide adequate safety protection for the employee during the pandemic (Figure 9). In Sports Direct, a Guardian investigation back in 2015 found problems with unpaid wages and zero-hours contracts²⁴. In Boohoo, Leicester factories remained open during the pandemic and forced staff to work (Figure 10).

20 Coleman (2020)

21 <https://www.thetimes.co.uk/article/boohoo-sits-pretty-in-battle-for-shoppers-5fscgxc5h>

22 <https://www.theguardian.com/business/2020/sep/25/boohoo-report-reveals-factory-fire-risk-among-supply-chain-failings>

23 Seymour (2000)

24 <https://www.theguardian.com/business/2015/oct/29/sports-direct-chief-defends-zero-hours-contracts>

Sports Direct managers accuse firm of making them work on furlough

Staff allegedly asked to pack goods but practice breaches government rules

- [Coronavirus - latest updates](#)
- [See all our coronavirus coverage](#)

Figure 9: Earned media (the Guardian 03/03/2020)²⁵



Figure 10: Earned media (the Guardian 30/07/2020)²⁶

Speed and Timing

The performance of the two companies in terms of response time and speed is not very successful. The 'Golden Hour'²⁷ is critical because it determines the effectiveness or failure of a corporation's crisis management, and the wrong timing will lead to the spread of crisis or a full-blown outbreak. The golden time has been reduced to 20 minutes, particularly in the age of digital media, so a quicker response will help contain the situation.

Furthermore, both organisations lack an official spokesperson to reply at the worst of the crisis. Moreover, if the reaction is harmful, it includes the enterprise's information and attitude, and such an attitude easily persuades the public. Since both businesses lack attitude softening, the resulting credibility response would be slowed.

²⁵<https://www.theguardian.com/business/2020/may/03/sports-direct-managers-accuse-firm-of-making-them-work-on-furlough>

²⁶<https://www.theguardian.com/uk-news/2020/jun/30/some-leicester-factories-stayed-open-and-forced-staff-to-come-in>

²⁷ Coleman, 2020

Personalisation and Credibility

However, the timely response of enterprises to the crisis does not imply that the crisis of enterprises can be solved²⁸(Benjamin Davies, 2018). Sports Direct's initial response was fully official. It made no apologies or confessions about the accident, merely stating that it would help with the inquiry and had no idea how vital the accident was. The organisation has made attempts to highlight poor labour conditions and unequal wages. However, the 2015 survey has not adequately discussed the problem, indicating that Sports Direct fails to respect the issue and improve. Sports Direct's communication is inefficient, leaving stakeholders troubled and unable to restore reputation²⁹.

On the contrary, Boohoo reacted during the Golden Hour, admitted its flaws, cooperated with inquiries, changed consumer attitudes from hostility to understanding, and reinforced empathy in public. Boohoo investigates the causes that affect people's moods, using empathy to achieve forgiveness. This strategy successfully resolved the enterprise's crisis and preserved the enterprise's credibility.

Impacts and outcomes

Boohoo reacted more frankly than Sports Direct in terms of personality, and as a result, Boohoo's crisis resolution was stronger than Sports Direct's. It is important to note that the subsequent effects of the crises on these two brands have been minimal, and sales of both brands have continued to climb, with overall revenue in Boohoo rising by 40%³⁰. Shops are closing as a result of COVID-19, and people are turning to online shopping. People's shopping desire rises, mainly after it is unlocked. Compared to people's necessities, the enterprise's poor reputation cannot diminish their desire to buy, and there is a

²⁸ Benjamin Davies (2018)

²⁹ Coombs (2007)

³⁰<https://www.theguardian.com/business/2021/jan/14/boohoo-sales-leap-run-up-christmas-defies-poor-working-practices-concern>

long line at the Sports Direct entrance³¹. In terms of long-term outcomes, Sports Direct advocates for women's rights to sporting empowerment and raises public awareness of mental health during lockdown. Boohoo's long-term brand management approach emphasizes sustainability fashion³², illustrates corporate sustainability and enhances its credibility, allowing it to withstand the crisis.

Recommendations

- Contact public with two-way symmetrical communication on social media, maintain a good relationship with stakeholders
- The response to the crisis should be timely, sincere, and proactive, with open and transparent information, minimize the damage created by misinformation
- Establish a news spokeswoman to ensure the passing of facts and to satisfy public demand for authoritative information.
- Set up a press spokesperson and train him adequately
- Set up a crisis response team to detect signs that could become a crisis
- Maintain internal communication and reduce the crisis caused by internal contradictions

³¹ <https://www.leicestermercury.co.uk/news/leicester-news/shoppers-face-2-hour-queue-4229818>

³² https://www.just-style.com/news/boohoo-mulls-linking-bonuses-to-sustainability-progress_id141258.aspx

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Marker's feedback:

Crisis Debate Report

Knowledge and understanding:

The introduction sets out your approach and how you will answer the assignment brief. You have demonstrated you have studied an ambitious range of materials, some beyond the recommended material and show a good understanding of some of the complex concepts of crisis communications.

Research and use of evidence:

You have described and explained each of the case studies, comparing and contrasting using screen shots were appropriate. You clearly identify the stages and the activity of the case studies in relation to the Issues Lifecycle model.

Argument and critical thinking:

You offer some good critical analysis and demonstrate an ability to pull together effectively different ideas. You have established links between theory and practice in a coherent line of argument leading to your recommendations.

Organisation and presentation of content, referencing and language accuracy:

A clear structure which is well organised and presented. The majority of the report is clearly expressed with some limitations.

Mark: M