

The Cost of Communication: Why Crisis Communication Fails and How to Fix It Before It Starts

Nikita Ajit¹, Anisha Monteiro², Dr. Sadiya Nair S³

^{1,2}Student, School Of Humanities And Social Sciences, Jain (Deemed to be University)

³Assistant Professor, Dept. of English (Languages) School of Humanities and Social Sciences (SHSS), Jain (Deemed to be University)

Abstract

Crisis communication is an integral part of any corporate strategy, which unfortunately does not always receive the attention that it deserves, and sometimes the response of an organisation to a certain crisis scenario causes further long-term damage to its reputation regardless of whether that crisis involved product failure, cyberattack, or fraud scandal.

In this white paper, we are going to examine the reasons behind ineffective responses of many organisations in terms of crisis communication, analysing the systemic and tactical mistakes that hinder effective communication in times of crisis. Moreover, it will make comparison between general guidelines for effective communication in high stress situations in different countries with particular issues in India. At the end of the day, the reader will get a comprehensive and detailed roadmap which allows transitioning from purely reactive actions to the development of organisational frameworks for showcasing integrity and strength.

INTRODUCTION

No organization can avoid a crisis. A crisis can be defined as any sudden event or situation that harms the reputation, operations or credibility of an organization and requires a quick and strategized response. What makes crises quite dangerous in today's world is how they spread rapidly. A situation can go viral in minutes compared to the days' time taken twenty years ago.

The consequences of mishandling a crisis are real and long-lasting. History is piled with examples of organizations from multinational corporations to government agencies, that made the crisis worse through poor communication. A poor public statement, a delayed response or a defensive reaction can turn a controllable situation into a reputational threatening disaster.

In the Indian context, this challenge is especially applicable. With a fast-growing economy, a progressively vocal civil society and one of the largest social media user bases in the world, Indian organizations, both public and private, face huge scrutiny during any kind of crisis. The Industrial Gas Disaster in Bhopal in 1984 remains as one of the most frequently studied cases of crisis communication failure in history. Years later, Indian companies and government bodies are still learning from it and in many cases, are still making similar mistakes.

This white paper addresses three major questions: What communication problems typically arise during crises? What are organizations doing inaccurately? And what can leaders do to communicate efficiently and better when it matters most?

Why This Issue Matters?

Reputation is one of the most valuable and fragile assets of a company. Research has consistently shown that more than a quarter of a company's market value is aligned to how it is viewed by the public and crises put it at immediate risk.

Stakeholders, investors, employees, regulators, customers, and the general public expect organizations to be honest, responsive, and human during the moments of distress. When those expectations are not met, trust built breaks down quick and rebuilding takes ages.

As students of corporate communication, understanding how to handle a crisis is no longer voluntary, rather it is a core professional skill. Media coverage in India appears to be highly fragmented and suffers from immense public scrutiny. Therefore, there are consequences that the organization will have to handle due to mishandling a situation.

PROBLEM STATEMENT

Core Problem: Organizations who do not have a pre-established crisis communication plan will suffer long-term damage to their reputations three times over, as compared to businesses that do establish and practice these plans.

The issue facing organizations about effective crisis communication is the disconnect between an organization's crisis communication "knowledge" versus what they do when a crisis occurs. Past research has demonstrated numerous times that when leaders face a crisis, they will often make immediate decisions based on their sense of "safety," but ultimately such decisions will result in tremendous negative long-term repercussions, e.g., remaining mute, denying that a problem exists or shifting blame.

The primary challenges associated with effective crisis communications are classified into three high-level categories:

1. Structural Challenges

- No committed crisis communication team with clear roles and decision-making authority.
- No pre-authorized messaging or holding statement protocols to use in the first crucial hours
- Information gets stuck in silos – different department have multiple and different versions of the story.
- Little or no investment into crisis drills or simulation exercise.
- In India particularly, lack of formal crisis communication exists in many organizations, especially in the public sector.

2. Behavioural Challenges

- Defensive and deflecting responses occur due to the instinct to protect oneself or the organization.
- Legal teams often take over communication strategy, giving importance to liability protection over stakeholder trust.
- Leaders do not realize how fast a small problem can lead to a huge crisis.

3. Technological Challenges

- Social media moves rapidly than any organizational decision-making process.

- Multiple digital platforms need to carry the same message simultaneously which rarely occur without coordination.
- Misinformation spreads quicker than corrections do and is often believed over official statements.
- Many Indian organizations lack proper social media monitoring tools to keep track of what is being said about in real time.

ANALYSIS / FINDINGS

This section focuses on the most common mistakes organizations commit in crisis communication, explained via real-world scenarios including situations drawn from the Indian context.

Finding 1: Delayed Response – Why Silence Backfires

Example: in 2016, an electronics manufacturer had numerous reports of its flagship smartphone overheating, and/or catching fire. Instead of issuing an immediate recall, and making a public announcement, the company chose not to comment until they had developed vague assurances of the safety of the product. As time went on, News reports increased, airlines began to remove the product from service, and the public's trust in this organization eroded. Ultimately, the delayed response resulted in losses in excess of billions of dollars and the damage sustained by the brand was greater than that experienced by the actual product.

One of the most harmful things an organization can do during a crisis is say nothing. When there is no official communication, it leaves a gap for the media, social platforms and affected stakeholders to fill with their own narratives, which are almost always more harmful than the truth.

Indian Context: During the initial phases of the COVID-19 outbreak, various states within India did not effectively communicate important information to their citizenry in relation to “testing practices”, “quarantine requirements”, and “community support” resources. As such, citizens had many questions and concerns regarding how best to respond to the COVID pandemic. Improved communication methods and timely accurate information could have resolved a multitude of issues with respect to responding to the COVID pandemic. Areas of the country where staff engaged in consistent communication with the general population were regarded as being more trustworthy by the public, regardless of whether the type of communication was “good news” or “bad news”, versus areas of the country where there was little to no continual communication with the general population.

The “golden hour” principle, adopted from emergency medicine, applies directly to crisis communication. The first 60 minutes after a crisis becomes public are extremely crucial in shaping how the public will view the situation. Organizations need to issue a brief, honest holding statement within this timeframe even if they do not have all the facts yet.

Finding 2: Denial and Blame Shifting

Contrasting Examples: Examine and contrast two similar organizations in crisis and the way they responded differently. One organization from the mid 1980's was a consumer products company that experienced backlash after the death of consumers related to tampering of their product. The company took prompt actions by removing their products from retail stores around the world, completely cooperating with the authorities and putting consumer safety ahead of their corporate interests. Their stock prices returned to normal within a few weeks, and the organization recovered and survived. Another organization, an energy company, experienced a major environmental disaster that took over a month to acknowledge the seriousness of the disaster. They disputed consumer claims regarding the accident, made statements that were intended to deflect blame away from themselves and against the consumers, and have continued to have a lasting negative reputation for decades. This organization has become the classic example of what not to do when dealing with a crisis.

When something goes wrong, it is the human tendency to defend yourself. Denying accountability too soon, dismissing affected parties' fears and/or attempting to shift the onus onto someone else makes matters worse for all involved.

Indian Context: The 1984 Bhopal gas disaster is one of the worst industrial accidents of all time. The subsequent breakdown in communication included an outright refusal by the plant owners to accept responsibility for the entire accident; legal manoeuvring to avoid liability; and minimal involvement with impacted persons about the accident's impact. These issues are used as case studies for what not to do when dealing with crises. Many of the issues faced by the impacted community are still unresolved, and the communication legacy created by this event has permanently shaped how corporate accountability is viewed by Indian civil society.

By far, people accept human error more easily than deceit or presumption. Organizations that recognize the fear/concern and present a sincere effort to address it recover more quickly than those trying to defend themselves in losing efforts.

Finding 3: Inconsistent Messages Across Channels

In the recent age of social media, WhatsApp forwards, and 24-hour news channels, contrasting messages from different parts of an organization can cause serious damage. If different members of the organization provide varying answers, it signals to the public that the organization has no idea about what is going on.

Indian Context: It has been observed that at the time of major railway disruptions (accidents, derailments, service failures) many different spokespersons of different ministries and/or departments give different, conflicting reports to various television channels at the same time. This creates not only confusion for the public, but it also diminishes credibility, and leads to increased scrutiny by the media. It would be beneficial to have an organized single source of communication in these circumstances, as it will build trust in the public.

This usually occurs when there is no single, centrally controlled message. Effective crisis communication necessitates one designated spokesperson and one authorized message that all internal teams refer to. Every update, correction and public statement should come from the single source and not from the multiple departments acting independently.

Finding 4: Forgetting About Internal Audiences

Insights: Research conducted by the Institute for Public Relations shows that organizations first communicate with their employees during a crisis have 30% higher staff retention after the crisis ends, and return to normal operations much quicker than those that do not.

Employees are the most overlooked group in a crisis. When staff find out about their own company's issues through the news rather than their own leadership, it leads to morale drop, trust in management breaks down and employees often become the unofficial spokespersons with no prior guidance on what to say.

Indian Context: In the banking and financial services sector in India, when institutions are faced with liquidity crisis or regulatory actions, branch-level staffs are left completely uninformed and oblivious, forcing them to face the enraged customers with no guidance. This results in confusion, fear and in some cases, the staff themselves fuelling rumours. This could be prevented with a basic internal communication.

Organizations should tell employees beforehand about the crisis by providing them with facts, telling them what to not say publicly and reassure them about the situation wherever possible. Employees who feel informed and respected become the company's most valuable advocates during a crisis.

Finding 5: Forgetting the Human Element

Example: The airline company was involved in a crisis when it forcibly removed a customer from an overbooked flight; this incident was recorded and subsequently became viral on the web. The backlash was quick and global with the company's stock falling sharply within 24 hours which then triggered government scrutiny. Only after facing with public pressure, the airline's leadership issued a genuine, human apology which did not matter as the damage had already been done.

Crisis tend to affect real people, which includes customers, residents, patients and families. Organizations that respond with corporate jargon, legal language or statistical rebuttals send out a message that they care more about protecting themselves more than the people who were hurt. This is probably the most emotionally costly mistake in crisis communication and also one of the most avoidable one.

Crisis communication should always focus on the people affected by the crisis above all other considerations. The process of empathy, taking responsibility for the incident and then providing action to fix the situation is one that works for any organization as the first principle of good ethics and practical strategy.

Indian Context: In India, there is a cultural dimension worth noting. Public expectations around crisis response are set by a strong sense of community and accountability. When organizational leaders appear cold and indifferent during a crisis, public anger tends to be intense. Leaders who visit affected sites, speak with the victims and commit to accountability consistently are better in public perception than those who speak from boardrooms.

IMPLICATIONS FOR STAKEHOLDERS

The problems we talked about are not just for companies. They also affect groups like charities, teachers and the people who make laws. All these groups, like civil society organisations and educators and legislators need to help make sure that people get the information they need when something bad happens.

Stakeholder	Key Implications and Responsibilities
Policy-Makers & Regulators	<p>In India the government people in charge of areas like SEBI and IRDAI should make some basic rules for how companies talk to people when something big goes wrong. They need to make it clear how companies should tell the public what is happening during a problem and when they must share information. They also need to say who oversees talking to the public for companies that have to follow a lot of rules. After something big goes wrong the people in charge should look at how the company talked to people and also what they did wrong to cause the problem. The government people should check if the companies followed the rules for talking to people during the crisis and if they did not, they should say what they did wrong. This will help the companies to do better time and it will also help the people, in charge to make sure the companies are following the rules.</p> <p>Crisis communication is really important. Should be a main subject in management programs. It should not be something that is only thought about later. This should be the case for programs in known business schools such as XLRI and IIMs.</p>
Corporate Educators & Business Schools	<ul style="list-style-type: none"> * Students should take part in simulations of crisis situations. * They should study real-life examples of crisis communication. * They need to understand the psychology behind communication in a crisis. * They should also learn the side of communication in a crisis. <p>Crisis communication in India has its set of challenges. The media and the rules and regulations in India are different. Courses should</p>

	<p>cover these specifics. This will help students understand crisis communication better. Management programs need to include crisis communication as a part. This subject should be given importance. Crisis communication and crisis management are crucial, for any organization. Students should learn about crisis communication and its various aspects. Crisis communication is a part of management education.</p>
<p>NGOs and Civil Society Organizations</p>	<p>Non-governmental organizations are really important. They make sure organizations do what they are supposed to do when there is a crisis. Non-governmental organizations also give people the information they need to know when something bad happens. They help people who are not usually heard. In India a lot of people do not have access to the news when there are problems with factories or the environment. Non-governmental organizations can help people know what is going on by talking to these organizations and then telling the public. Non-governmental organizations are very helpful in situations, like this.</p>
<p>Corporate Leadership & Boards</p>	<p>Boards of directors should make sure they are ready for a crisis. This is an important part of their job and they should not just leave it to the people who handle communications. The people in charge the leadership should make sure that everyone knows it is okay to talk about problems. They need to make sure that when something bad happens people feel comfortable telling their bosses about it. The boards of directors should check everything they do every year. They should make sure they are always ready to handle a crisis situation and have a plan in case of a situation. The boards of directors should make the leaders protect the company’s reputation not just for a short while but should expect them to put in all efforts to protect the company. The executive leadership should be honest and open with people even if it is hard. This is better, than trying to make the company look good for a little while. Boards of directors and crisis readiness are very important.</p>
<p>Media & Communication Professionals</p>	<p>Journalists and media houses should fact check their information’s before publishing it. This is especially important during emergency situations when news can spread fast. The media houses in India are very competitive. There is a lot of pressure to be the first one to publish news. Sharing wrong information during an emergency situation can make things much worse for everyone, the public and everyone tied to the organization. This includes the people affected by the emergency. Good journalism and good communication in</p>

organizations should go hand in hand. They should not be, against each other.

RECOMMENDATIONS

Based on the analysis in this paper, here are six practical, actionable steps that organizations can take to improve how they communicate during a crisis.

Recommendation 1: Build a Crisis Communication Plan

The most impactful and smart thing that an organization can do is to develop a comprehensive and documented Crisis Communication Plan (CCP). Majority of organizations think about crisis communication once the crisis has already taken place. By then, it is already too late.

A good Crisis Communication Plan should include:

- A Crisis Communication Team which handles the situation well and has the right or authority to make decisions in such situations.
- Pre-written templates for the most likely crisis scenarios.
- A spokesperson and backup with appropriate training.
- A clear escalation process i.e., who decides what and when.
- A contact list of all key stakeholders including the media, the regulator, employees, and major customers.

Recommendation 2: Respond Within the First Hour

Organizations should publicly admit that there is a crisis in 60 minutes or less from the time they realise the crisis has taken place, even if they do not have all the information. A holding statement will be the most effective way for an organization to deal with the public in crisis situations. A holding statement is simply a communication that lets people know that action is being taken on the crisis. It is not necessarily detailed. It simply needs to be.

A good holding statement should:

- Confirm that the organization is aware of the situation.
- Express genuine concern for anyone affected.
- Make sharing information as soon as it available a priority.
- Refrain from making false accusations and drawing conclusions.

Sample Holding Statement:

"We are now conscious of the situation. We are looking into the matter urgently and are terribly sorry about the hard and pain it has caused our customers. We have always made the safety of our customers the priority and promise to do so in the future as well. The maximum time that we can allot to you for a complete understanding of the issue will be 72 hours. We sincerely apologize to for the inconvenience as we were not able to resolve the issue as quickly as we wanted to."

Recommendation No. 3 - Create a common source of truth that the organization follows

"The entire news and information about the situation should come from one source or document to maintain an accurate understanding of the situation. This source should contain approved information, a clear statement of what occurred, a list of answers to common questions which could be asked, and a record of all communications that have been delivered. All teams, including PR, HR, legal, and regional offices, should work from this source, not from separate versions of the information."

Digital collaboration tools, even as simple as a Google Drive folder, can help this along for any size of organization.

Recommendation 4: Talk to Your Employees First

Before the situation is brought in front of the public it is important to address the employees of the company so then they feel important and as part of the company's decisions. This also helps them answer about the situation if ever questioned. Employees who are included help the company during the situation but if they feel excluded can also feel become a liability. It is not easy to communicate internally in large Indian organizations that have employees in different locations or branches in different areas of the country when faced with crisis communication. It is best to invest in an internal communication system that can reach all employees simultaneously, rather than relying on a chain of management who might have their own interpretations of the information to be communicated.

Recommendation 5: Lead With Empathy, follow the EAA Sequence

All crisis responses should follow this simple sequence:

- **Empathy:** Begin by talking about how it impacted the general public. Speak plainly and warmly, and identify the people involved.
- **Accountability:** Take ownership of what has occurred. No making excuses or deflecting.
- **Action:** Explain what is being done presently and what will be done to prevent it from happening again.

This pattern of Empathy-Accountability-Action, or EAA, has been repeatedly demonstrated to reduce media escalation and allow an organization to regain public trust more quickly. It is successful because it helps us deliver what people who are affected by an issue truly want to hear, which is that you get what they are going through and that you acknowledge that the organization is responsible for the problem and that the organization is doing something to solve it.

Recommendation 6: Keep Communicating After the Crisis Is Over

Crisis communication does not end when business operations are restarted. It is important that the organization continue to keep the public in loop of the lessons that it has learned and the changes that the organization have made to ensure that the crisis will not be taking place again. Post-crisis communication that shows what the company has learnt and how uses this learning in future situations is one of the most effective ways of rebuilding trust.

CONCLUSION

Organisations should not be learning how to communicate during the crisis. Long before anything goes wrong, this discipline needs to be developed and ingrained in the organisational culture. It is obvious that organisations that are prepared and respond quickly, communicate transparently, and genuinely care about the people impacted by the crisis suffer significantly less damage than those that do not.

The five failure modes that this paper will explore are all discernible and not unpredictable. The five failure modes that this paper will explore are: responding late, denying and blaming, sending mixed messages, failing to communicate with internal stakeholders, and failing to address the human dimension. All of these failure modes have discernible and identifiable causes that can be prevented with the right planning and the right mindset.

There is another category that needs to be taken into consideration when conducting business in India. The public heavily depends on the media for its understanding of many situations. India shows deep value to

leaders who own their mistakes and take accountability when mistakes occur and leaders who show empathy to its people who have endured the brute of the situation. This is another dimension that organisations that are prepared and communicate honestly can take advantage of. Organisations that get crisis communication right do not just survive the crisis. They come out stronger with an even stronger culture, more engaged stakeholders, and stronger reputations. This is the real opportunity in crisis communication.

The question is not whether a crisis will come. It is whether you will be ready.

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