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CRISIS MANAGEMENT IN COMMUNICATION

Krizový management v komunikaci

Diploma thesis

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## Declaration

I declare that this diploma thesis was written independently using observations of Miss Ing. Sylvie Gurská, literature and information sources that are listed in the list of sources.

In Brno

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## Acknowledgement

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## **ABSTRACT**

This Diploma thesis describes the internal communication in Vodafone Company, specifically in the Internal communication team. Theoretical part of the thesis describes general models used by managers to effectively prevent and manage crisis situations. The practical part uses these models to describe the current situation and risk matrix to disclose the potential threats of the company. According the results Vodafone should focus more on the outbreaks of the crisis like lack of innovation or inability to meet payment deadlines. By analysing threats in Vodafone it is possible to detect similar outbreaks for small and medium sized companies and suggest guidelines and tools (own intranet, open days for employees, or internal magazine) used to improve communication within the company and protect their reputation during crisis.

Based on the data from the Vodafone company was suggested a way how to set the Internal communication team. The most economical way to create this team is the delegation of tasks from the HR and PR team and by outsourcing skilled worker of PR.

The Internal communication team is a major contributor towards proactive approach in crisis management from the employee's side and thus helps the company to convert potential threats into opportunities and face the crisis in advance.

### **Keywords:**

Communication, crisis management, indoor media, reputation, strategy, corporate image, goodwill.

## **ABSTRAKT**

Tato diplomová práce popisuje interní komunikaci ve společnosti Vodafone, konkrétně v týmu Interní komunikace. Teoretická část této práce popisuje obecné modely používané manažery k efektivní prevenci a zvládnutí krizové situace. Praktická část využívá tyto modely k popisu současné situace a matici rizik k odhalení potenciálních hrozeb firmy. Na základě výsledků, by se Vodafone měl více zabývat původů krize, jako nedostatek inovací, nebo neschopnost dodržet platební lhůty. Analýzou hrozeb ve společnosti Vodafone je možné nalézt podobná ohniska krize u malých a středně velkých společností a navrhnout postupy a nástroje (vlastní intranet, dny otevřených dveří pro zaměstnance nebo interní magazín) používané ke zlepšení komunikace uvnitř společnosti a ochránit její reputaci v době krize.

Na základě dat společnosti Vodafone byl navržen způsob vytvoření týmu Interní komunikace. Nejekonomičtější způsob vytvoření tohoto týmu je delegace úkolů z HR a PR týmu a outsourcing kvalifikovaného pracovníka PR.

Tým interní komunikace je hlavním přispěvatelem k aktivnímu přístupu při řešení krizí ze strany zaměstnanců, a tím pomáhá společnosti převést potenciální hrozby v příležitosti a předem čelit krizi.

### **Klíčová slova:**

Komunikace, krizového řízení, vnitřní média, pověst, strategie, firemní image, dobré jméno společnosti.

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## 1 INTRODUCTION

Firms and organizations operate and form part of a market. In the last decades the business environment had changed dramatically. Nowadays it is normal that we can trade with other countries and build relationships across our borders. Trading with other countries creates new opportunities but also threats. With the wider business community it is more difficult to predict and identify factors that could harm the balance of the company. As situation on the market is dynamic and the business environment changes, the firm should be aware of features that could have negative or positive impacts on the company and coordinate their activities according to these changes. Their underestimation or ignorance may lead to unpleasant situations and their costly solutions which may last long time and have negative effects on company's' image.

Managing in a diverse environment requires crisis management to be part of the business activities. The study of crisis management is very comprehensive and thus it is becoming more important than ever before, to incorporate it into running the company and regard it as part of the company's strategy. Crisis management has wide scope, which aims to help to manage the company in the right direction in order to have means/resources used to convert threats into opportunities, to further exploit, develop and strengthen the company. There are crisis that we might expect and be prepared for them and crisis that come unexpectedly. A crisis strategy and communication plan is important not only in time of crisis but companies should have it prepared in advance and be ready to use it before an unpredictable situation appears. It is though recommended to find the outbreaks and potential sources of threats, identify signals which may predict these situations and face them with an adequate strategy planned ahead to protect and rescue the organization if anything happens.

Crisis communication is one of the powerful tools of crisis management at which I am going to focus in my work. As we are going to see, the company has a crisis team which focuses on protecting the whole company and develops variety of strategies to be used in case of an uncertain situation. I am going to deal with the Internal communication team, the effort expended to create an approach how to face crisis and how to built an effective basis of trust in the eyes of stakeholders and employees. This team is very closely linked with the activities of the HR and PR team of the company that mutually support their activities. A good reputation, image of a company can be build many years but destroyed in a moment because of fast spread of information to public by different means of communication and with different prejudices. As means of communication nowadays are able to publish an event in the moment that it happens it is necessary to have prepared a strategy how to communicate with the press-people, what information to disclose, through what means, and in general, how to react to the event.

Many companies prefer the reactive approach while it is strongly recommended to have a plan prepared in advance. A proactive approach is less costly than the reactive, and moreover, may create an opportunity. Communication is very important tool of the proactive approach and in doing business (nevertheless also in the reactive approach). In peace time, more likely in times of uncertainty, people require information. Companies usually think on communicating outside the company but often forget that those who create value of the company and who contribute to achieve the targets are inside the company – their employees. Therefore, all information should be directed primary to employees to create a familiar environment based on trust. This approach supported and developed by the Internal communication team, is reflected positively in times of uncertainty and changes in the market. The Internal communication team tries to lessen the negative perception through communication models and frameworks, but also approach that increase firms' credibility, employees' loyalty and restore its reputation. Vodafone is one of the companies that had built strong culture based on values which are indoctrinated on a daily basis to all employees in order to fulfil the company's vision and support it at the time of instability.

How to face a crisis in a smooth way and develop reputation and employees loyalty is going to be presented in my work. This proactive approach may form a basis to be learned and applied by smaller companies, to be used for their crisis prevention. Based on the proactive approach studies, and learning from the weaknesses of the crisis communication tools in Vodafone, I would like to build a package composed of selected useful tools used by Vodafone Company, which would be usable for smaller businesses on supporting their internal communication and reputation. These means should help to prevent companies from harming their reputation in case of unforeseen events and build a strong positive culture based on trust by creating Internal communication team before the crisis for a certain period or for the whole year. This mainly depends on the available financial and personnel resource. Building the reservoir of goodwill, should create a good basis for other companies to start up creating their pillow to succeed in case of crisis and prevent the company from uncertain situations.

Prevention is the best treatment and even though this work will be concentrated on the internal communication team and contribution of the proactive approach to the company, it is necessary not to forget to create a reaction framework on the difficult events.

## **2 OBJECTIVES**

The aim of the work is to find out weaknesses of the communication crisis model in the company Vodafone and to suggest the optimal economical way how to promote strategy and goals of the company in a proactive approach to be able to face crisis if it occurs. To achieve the goal it is necessary to describe the current situation in the company - the crisis management in the Internal communication team and its tools. It should help us to disclose weaknesses and costs of the Internal communication department and evaluate the benefit of the team in case of crisis. After assessing the situation should be clear that for a big company it is recommended to have a special team focused on development of the internal communication, and dedicated to creation of strong culture and image of the company. The communication tools offer to employees required information and help to manage fluently the crisis. These tools used by Vodafone may be also applicable in a modified way in smaller companies to help to create a pillow of goodwill and to protect them in unforeseen situations.

## **3 MATERIAL AND METHODS**

The theoretical part focuses on describing the main topics linked to the crisis management and communication by addressing the most frequently used models of crisis management and communication used in Vodafone Company in the Czech Republic.

In the practical part will be described the proactive approach of the company. The work will focus on the strategy of an Internal communication team, how the department within the company shares messages as it wants to be understood, and how it supports the image and reputation of the company to successful overcome the crisis.

As a basis will be used methods as Organizational Balanced Scorecard, or the crisis matrix to analyse potential threats and to develop strategies to face them. The cost analysis offers different techniques how to build an Internal communication team in the most economical way and thus forms basis for the decision making. Another source of information are going to be the tools of the Vodafone company used to build their positive reputation. This study is also going to be based on professional literature in printed as well as in an electronic format.

## 4 SOURCE LIST

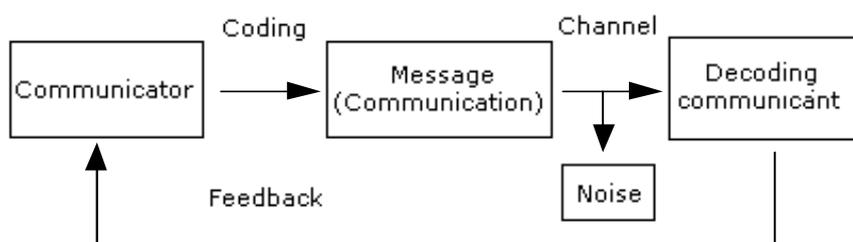
### 4.1 Communication

People are part of society in which communication is one of the most important tools which helps us to understand each other. To communicate means to emit information as well as to receive them. We communicate verbally or nonverbally. Although we usually hear about verbal communication the nonverbal part is also very important in doing business. All our activities are based on communication as society forces us to communicate all the time.

Communication is very difficult to describe as it is a process formed by many attributes and people's activities. In the Encyclopaedia Britannica we can find definition of communication as "the exchange of meanings between individuals through a common system of symbols" [GORDON, 2009 ]. This word has its basics in Latin. *Communicare* means to share, inform, join, participate in, and *communis* means to make common.

The origin thus helps us to understand the meaning of the word and its function which is not only to share information but as well to create relations. Communication involves many activities in a diverse world and that is why sometimes we don't understand to each other. Misunderstanding is a result of existing different models and interactions in a society thus we should learn about our counterpart, recipient as much as we can to communicate effectively. Because everything what we want to achieve, what we do and each human relation is linked with communication.

The communication model describes who and what elements enable us to communicate but also what disrupts the communication.



**Figure 1 The model of communication**

Source: Foret, 2006

The concept of communication is based on sender (communicator), receiver (decoding communicator), message, and the channel. Through these elements the organization/person will reach its required information (feedback) to be transmitted and understood correctly if the effect of noise will be minimized. According to Smith, Laswell and Casey the communication model is based on questions: who says what, to whom, using what kind of communication channels, and with what results achieved?

Communication in an organization is a very important tool to create effective working environment and good relations between all departments, employees and managers as well as investors and the public. Area that examines communication in the internal and external environment is called Public relations (PR is one of the components of the communication mix). Its goal is to build a positive reputation of a company by constant influencing and by using systematic tools of PR. These tools are almost the same for internal and external communication. As I am going to focus in my work on internal communication, try to imagine these tools used mainly to create a positive relationship between the company and its employees. If we achieve the alignment of objectives and interests of both parties before the crisis occurs it will create an advantage and their loyalty as well as good image of the company.

These tools are called "PENCILS" [Foret, Procházka, Urbánek, 2005] :

**Publications** - for eg. annual report on financial management, corporate magazines, customer magazines, etc.

**Events** - for eg. sponsorship for sporting and cultural events, sales exhibitions, etc.

**News** - information about the company, its products, employees, and extraordinary achievements, etc.

**Community involvement activities** - for eg. investment of money and time spent for needs of local associations and their activities etc.

**Identity media** - for eg. notepaper with the corporate graphic design, business cards, corporate uniforms, etc.

**Lobbying activity** - attempt to retain the adverse actions or negative reports about the organization, regulatory actions, etc.

**Social Responsibility activities** - build good reputation in the social sphere

To improve effectiveness of these activities we combine them with other tools. Among them pertains a sophisticated database of media contacts, media list or media plan. In the database we can find an overview of media, contacts on people to whom is the message, crisis communication determined according their area of interest and their history of cooperation. The database has to be constantly renewed to be useful. Media list is an overview of people who are going to be contacted in case of preparing a crisis communication, or an event, conference organized by the organization that should be mediated to the public. The media selection criteria are similar to those in the database: area of specialization, relationships, former experience, or the target group the message is aimed to. The media plan is formed by instructions to the media contact

and schedule of activities to be done in case of crisis communication. The media plan should provide the required publicity and help to achieve effective intelligence beneficial for both - media and the organization.

These tools are used more for external communication but they are also necessary for the internal communication. Employees should know what relation has its company with the media and be informed about the facts which contain press releases. These main information and basic facts are important for both parties, no matter if they form part of the company or form its surroundings.

## 4.2 Crisis

Crisis is a crucial time which is linked with a decisive turning point in a company to strategic changes. Usually it is understood in a negative sense as a situation, process or event that harms firms' reputation, image or existence when the company is unable to meet its business goals and obligations. But crisis may be also an opportunity for a company to improve its communication, image, reputation and processes. It is also a renewing opportunity and a positive turning point which strengthens the company. The state of affairs harming the company attracts media as well as public interest or other parties involved, more than normal situation.

In Chinese culture, in the Mandarin language, the symbol for crisis is interpreted as “dangerous opportunity”. The word is composed of two signs where one describes the negative side of the crisis – the danger that might harm the company and the other one, the positive side – an opportunity to change things and to be stronger.



**Figure 2 The Chinese symbol of crisis**

**Source: Ulmer, Sellnow, Seeger, 2007**

In my work I am going to understand crisis as any kind of nonroutine situation (in nature, social, financial, political, technological sphere ...) that might be a source of opportunities for an organization, but also a cause of many unpredictable/predictable events that might harm or even destroy a company.

It is important to differentiate crisis and risk. As a risk we understand an estimate - what can go wrong, what might happen, with certain degree of predictability. Crises have in common that they are unpredictable – a surprise, they require urgent information and decision making in a short response time. Their impacts create a threat for the company and may have good or bad effects depending on different perceptions. The reputation suffers and communication is difficult to manage as pressure rises.

Crises can be global (like the financial crisis in 1929 or 2008), local (natural crisis in the Mexican bay in 2010) or only impeding a concrete company or department. According to Pražská [Pošvář, Tomšík, Žufan, 2004] crisis may be caused by external and internal environment.

1. External causes, which account for 20 to 30 % of crises, include causes induced by activities of people, e.g. influences of international globalisation changes, changes of political and economical situation, changes caused by legislature, competition, consumer behaviour, etc., and causes induced by environmental influences, e.g. droughts, floods, earthquakes, etc.,

2. Internal causes, which account for 70 to 80 % of crises situations include:

- Structural causes subjected to obsolescence, or a slow or insufficient renovation of resource structure, production, employees, etc.(...) Their share among the causes of crises is estimated to 20 to 30 %,
- Management induced causes, which have the highest share among the causes of crises (estimated to be 40 to 60 %), and these causes are further divided into:
  - causes induced by managing, as e.g. improper strategy, mistakes in selection of suppliers, slow reaction of management to the changes of external environment(...) etc.,
  - causes induced by leading, as e.g. too authoritative leadership, mistakes in communication with employees, conflicts among employees, (...) etc.

By identification of crisis causes it may appear that we should focus mainly on management and leadership inside the company as 40-60 % of problems arise there. As causes and their impact may vary and we never know what and when can happen it is important to have team for crisis management, which should be prepared to manage all unforeseen cases.

#### **4.3 Crisis management**

Crisis management should form part of organization's management although its function might never be executed. It is necessary to realize that market changes and that crisis can affect us also

externally: by competitors, from the legal point, as a natural disaster, etc. Therefore, it is highly recommended to be prepared to react at any moment.

According the Act No. 240/2000 Coll. (§2, a), on crisis management and amending laws the crisis management is defined for legal purpose as: " crisis management is summary of the management activities of the authorities focused on analysis and evaluation of security risks, planning, organizing, implementing and monitoring activities undertaken in the context of addressing a crisis situation."

Crisis management encompasses activities which attempt to warn before the crisis occurrence, to prevent the company from unforeseen events and remove uncertainty. It sets the roles, powers and responsibility of people who need to be involved, to help to face the crisis and react on time. It helps to see actual and potential consequences of the situation that would have to be repaired in attempt to achieve desired outcomes. Its next task is, to prepare for media relations, to enhance corporate culture and reputation of the company. Crisis management helps to coordinate activities that have to be done to keep employees loyal, safe and to continuously run a business.

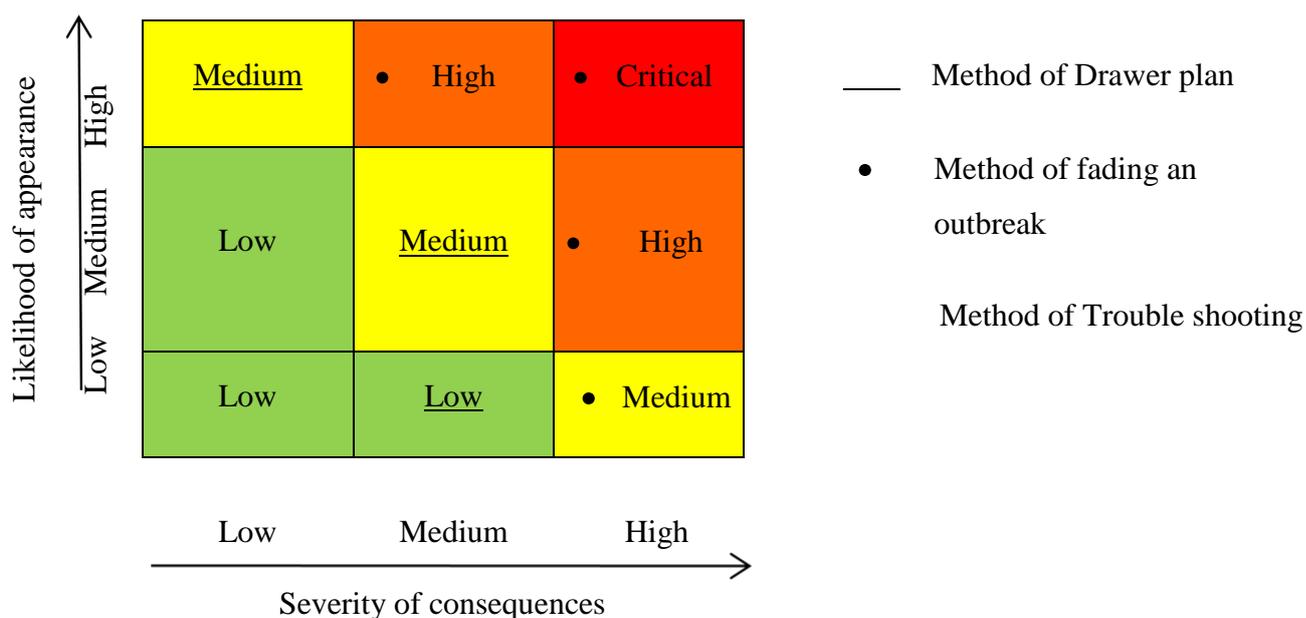
Crisis management is being sometimes confused with risk management. Although some people don't recognize difference between these terms R. Zuzák and M. Königová [2009] in their book „Crisis management of a company“ do consider them different but also complementary. Risk management deals with systematic analyzing, identifying and assessing potential threats, business processes, events or other bottlenecks that might harm, damage or cause a loss to a company. The company is aware of risks that are based on known circumstances that may occur. Crisis management tries to forecast the unknown situations, identify them, minimize their consequences and to help recover from the crisis. It very closely cooperates with public relations which ensure the public image to be positive and shares information about the recovery to the normal running.

There are different methods how to assess the potential risks that could cause a crisis, both in terms of severity of its consequences and likelihood of appearance. The risk factor shows on which causes of the crisis the firm should focus. Probability of occurrence may have values from 1 to 10, where 1 means that the risk is impossible to happen or the probability is very low and 10 means that the risk is certain. In case of severity of failure it is similar. 1 means that the risk occurred won't have impact on the company at all, or very low. 10 means that it may have a catastrophic impact on the company.

$$\text{Risk factor} = \text{Probability of occurrence} * \text{Severity of failure}$$

By calculating the risk factor (shown in the equation above) we obtain different values for the potential causes of the crisis and the one with the highest rank is the greatest potential threat that needs to be addressed.

Another tool is the risk matrix which is also based on assignment of values according to the likelihood of occurrence and severity of the impact. In the risk matrix the part where the likelihood of appearance and the severity of consequences are high - the critical part - the situation usually requires immediate reduction of risk on acceptable level. The next part where the impact and the likelihood show that the risk may happen or have a serious impact the company should reduce risk before another action. If company is in the part with medium impact and likelihood it may run its business in a moderate way but should be aware and preferably reduce potential risks. The last part is situation when risk is unlikely to happen and in case that something occurs it won't have negligible consequences. The company may run its business in a normal way and focus on supporting its image inside and outside the company.



**Figure 3 Risk matrix**

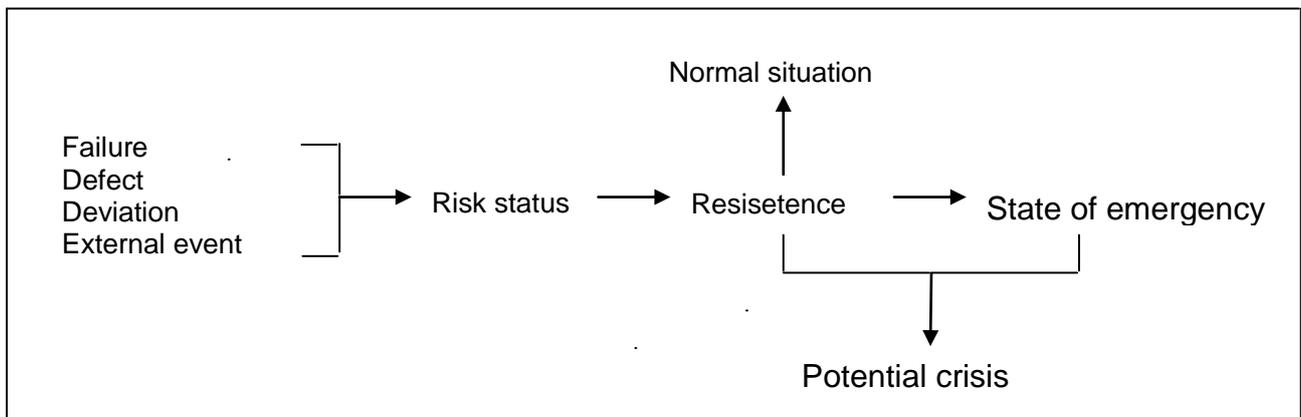
Source: Zuzák, Königová 20091; Winterling, 1992 ; edited by author

The risk matrix also explains how to behave and avoid the crisis from the point of view of Winterling [1992]. It describes the three strategic options for crisis management to be proceeded. **Trouble shooting** is a method that is used when the crisis is unlikely to happen and when it doesn't harm the undertaking in the performance. The basis for this method are the drawer plans but also flexibility in reacting. The second method is called “**drawer plan**“ and it is used when the company expects the crisis or when the probability of occurrence is low.

The impact does not compromise the company but does restrict some activities. The company invents measures that are used in times of crisis. For each potential crisis are created adequate countermeasures, which include the provision of information, press releases and other necessary business documents. The plan should be tested during a simulated exercise, which would reveal possible deficiencies. The last method is to **find an outbreak** of the crisis when an enterprise is threatened and immediately invest in measures that would ensure safety and prevent further development of the crisis,

A very useful tool to identify the internal and external key factors that helps to achieve the objectives is the SWOT analysis. This strategic planning tool has disadvantage because it is presented as a list of factors (strengths, weaknesses, opportunities and threats), that might help to uncover the sources of crisis situations, but unfortunately it is not sorted by severity neither prioritization.

Risk may degenerate into a crisis, as mentioned before, which justifies usage of the proactive approach in context of risk management. Crisis management is characterized by a reactive approach that tries to manage negative deviations, or unpredictable events that have happened to the company. It helps to return the organization back to its normal and effective way of functioning.



**Figure 4 Potential crisis scheme**

**Source: Königová, 2006**

To detect upcoming crisis and reduce vulnerability of a company it is necessary to regularly observe the company’s environment, to do audit of internal operations and other elements of the business. Companies use financial analysis to identify crisis but as they reflect the situation on the market and companies’ success/failure with a time lag it is highly recommended to prepare crisis scenarios and plans (described in the next chapter). The Crisis management should be part of corporate culture of an organization not only to create awareness or for safety reasons but to support firms’ image, to show and explain that preparedness is a way you do business.

#### 4.4 Crisis communication

Crisis communication is a tool of crisis management which helps to communicate firms' strategy and goals to be achieved during unstable period when its image or reputation is harmed by negative opinion, but not only during this difficult time period. The crisis communication has to be build in advance and form part of a firm's strategy. The early warning system should help to prevent the company from a crisis, reduce the potential business disaster, and to provide transparency- to be able to say whether it will occur in a particular time horizon (as there always exists a risk that something unpredictable might happen).

The objective of crisis communication is to spread information between all subjects in the society: employees, employers, managers, departments, public, relevant authorities, media, as well as family members and other materially interested parties at the right time and publish it on the right place to decrease uncertainty in society and decrease the negative effect on organizational, personal or social reputation caused by unpredictable situation. People in fear decide differently and give more weight to messages which they have heard first.

Firms may have manual for crisis communication which is part of an internal document of the crisis plan. Crisis plan builds on the crisis scenario which describes potential crises and their course. The crisis plan is a more complex tool which describes processes and plans how to communicate and organize production, services to handle the crisis. It sets the team responsible for managing crisis communication, and it also might contain templates for press release, letters and other public documents published to support firms harmed reputation. Its other part may contain monitoring and assessment of the whole process to develop the communication strategy. After the part about crisis there is a part called reflection, to complete the document. It is a manual to analyze conducting of the company during the crisis period. It contains analysis of the causes of the crisis, reaction of the organization, evaluation of effects of crisis communication, quantification of the impact of the crisis and a proposal for its development from management of the company. These tools should provide a useful and successful overview how to prevent company from crisis or what kind of strategy to use in case of unforeseen situation. The public should have impression through given information that the company has the situation under its control.

An illustration of manual for crisis communication recommended by Don Crowther [2004]:

1. **A list of the members of the crisis management team**, which should include, at minimum, the CEO, a trusted assistant/top manager from the CEO's office, heads of each department, public relations and marketing team members, legal and security.

In case of actual crisis, this team will be focused down to the group applicable to that specific crisis.

2. **Contact information for key officers, spokespeople, and crisis management team members** including company and personal phone numbers, email addresses, cell numbers, pagers, faxes, instant message handles, addresses, even spouse's cell numbers.
3. **Fact sheets of the company, each division, each physical location, and each product offered.**  
These should be in camera-ready condition, plus available on a disk in a generally-accepted word processor format (Microsoft Word) so they can be revised and printed out if necessary on a computer external to your facilities. Photos should also be included.
4. **Profiles and biographies for each key manager in your company**, again in camera-ready condition and on disk.
5. **Copies of your company, division and product logos, your press release format and the scanned in signature of your CEO on disk** in a format that works on your internal word processing program (plus one in Microsoft Word in case you have to work on a computer that isn't tied to your network.)
6. **Pre-written scripts answering key questions that you have generated through your crisis scenario analysis.** Included in these scripts should be the words you use to say "we don't have that information yet, but will let you know as soon as it becomes available."
7. **Contact information for each of your key media contacts both locally, nationally, and if appropriate, key financial press and analysts.** Contact information for your appropriate political, regulatory, and union leaders should also be included. Don't be afraid to go overboard here - if you have a large chemical release, your CEO will probably want to call not only the Mayor, but the Governor and congressional representatives.

This type of communication should be somehow managed. There are several rules which were during years set as useful principles for crisis communication. Between them belong answering in a brief, trustworthy, accurate way to criticism of press-people. The cornerstone of a successful communication is to be honest, to expect the worst response and to acknowledge the responsibility for the damages, events that have occurred. A crisis may harm, surprise anyone so it is important to have prepared a communication scenario which helps to set the team responsible for solving situations. If a company refuses to give information to press-people or if it keeps the topic with no answer the situation may be worsened and grow in crisis. For a company the basis is to realize and accept the fact that the scenario filled up and that now is the time to face the crisis by using

the communication plan, strategy and means of communication like internet, the fastest source of information.

A prepared methodology helps firm to effectively operate internal and external communication in difficult or unexpected situations. This methodology according to Antušák and Kopecký [2005] contains:

1. Description of the entire situation and its elements which cause complications to the company.
2. Identification of the potential crisis areas. Definition of the crisis core and basic processes how to manage it.
3. Establishing a communication strategy and founding measures for its realization.
4. Setting system of usage of available communication channels.
5. Building a crisis communication team, its personnel composition from the operational point of view, description of the team members work in crisis period.
6. Determination of the communication principles with the press-people, public and other participants of the communication process.
7. Creation of the crisis communication plan.
8. Preparation and performance of simulated training at crisis communication team, realization of communication audit<sup>1</sup> and an introduction of effective internal communication system. Creating an opportunity to communicate.

Though Antušák addresses this topic from the military perspective, these steps may be used also by a company and should be prepared in advance and used when crisis emerge. Planning and distributing tasks during crisis may lead to difficult and intractable situation. Time, is factor that restricts organizational activities, but contributes to spread unwanted messages by the press. It is necessary to be ready to act immediately when the first signs of crisis appear and to give the first information so the press-people issue objective information and not the fictitious data.

The Antušák's and Kopecký's model and the manual for crisis communication recommended by Don Crowther complement each other, creating a powerful tool for successful managing of crisis. Don Crowther aims his attention for documents and building teams ready to react in case of crisis and the other model more explains the strategy to be done in order to face the crisis.

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1 Evaluation of external communication of a company during certain time period.

W.R. Crandall, J.A. Parnell and J.E. Spillan describe in their book of *Crisis management in the new strategy landscape* a comprehensive view on the model used for managing crisis, which is also valid in the communication field. The model is divided into two frameworks: the internal landscape which embraces stakeholders who form part of the company and operate within it, and the external landscape which includes all stakeholders from the external environment of the company. These factors, do not form part of the company, but have impact on it from outside. This division is practical because you may see factors that affect the company from outside (weather, situation on the market, consumers, media, competitors, etc.) or inside of the company (owners, employees, culture of the organization, financial situation, etc.). The development of the crisis is further divided into four phases, which are displayed in columns. The phases can overlap, as individual actions are based to the prior and are interconnected. The phases are:

Landscape survey – where the company assesses the environment in which it operates, enthusiasm for changes, and identifies its weaknesses,

Strategic planning – during this phase the company prepares on facing the crisis on a mock situation and trying to mitigate its impacts, including building the crisis team, creating plan and strategies to be applied in case of real disaster,

Crisis management – is the application of activities to return the company to well running and communicating with stakeholders to manage their reaction,

Organizational learning – phase, which protects the company from repeating mistakes and learning from them effective communication, it enables the company to see opportunities in another uncertain situation.

These stages are studied from both landscapes - the internal and external, to use a systematic approach and to comprehensively describe the situation affecting the company. Each stage includes other parts of the framework as shown in the table n.1 on the next page.

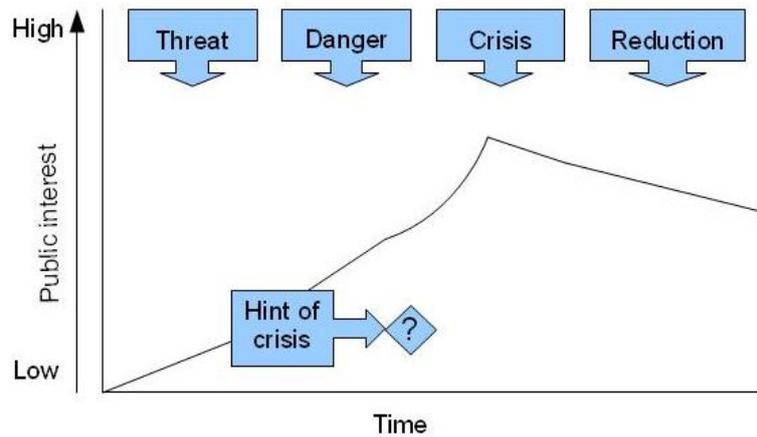
**Table 1 A framework for crisis management**

	<b>Landscape Survey</b>	<b>Strategic Planning</b>	<b>Crisis Management</b>	<b>Organizational Learning</b>
<b>The Internal Landscape</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Identify the organization's weaknesses</li> <li><input type="checkbox"/> Determine the enthusiasm for crisis management</li> <li><input type="checkbox"/> Overview the organizational culture</li> <li><input type="checkbox"/> Asses the ethical environment</li> <li><input type="checkbox"/> valuate company safety policies</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Form the crisis management team</li> <li><input type="checkbox"/> Develop worst-case scenarios</li> <li><input type="checkbox"/> Formulate crisis management plan</li> <li><input type="checkbox"/> Conduct mock disasters and training</li> </ul> <p style="text-align: center;"><b>CRISIS</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Return the organization to an operational status</li> <li><input type="checkbox"/> Manage the primary stakeholders</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Evaluate the success and failure outcomes of the crisis management process</li> <li><input type="checkbox"/> Strive for organizational learning</li> <li><input type="checkbox"/> Strive for organizational renewal</li> </ul>
<b>The External Landscape</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Determine the degree of industry vulnerability</li> <li><input type="checkbox"/> Determine the degree of political stability</li> <li><input type="checkbox"/> Assess the organization in relation to globalization implications</li> <li><input type="checkbox"/> Assess the technological implications</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Consider existing government regulations</li> <li><input type="checkbox"/> Consider current industry standards</li> <li><input type="checkbox"/> Develop working relationships with the media</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Manage relations of external stakeholders                             <ul style="list-style-type: none"> <li>o Negative media</li> <li>o Public outcry</li> <li>o Web-based criticism and company hate</li> <li>o Web sites</li> <li>o Impeding government regulations</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Reap the benefits of industry renewal</li> <li><input type="checkbox"/> Be ready for new government regulations</li> <li><input type="checkbox"/> Be aware of new stakeholder outlooks</li> </ul>

Source: Crandall, Parnell, Spillan, 2010

As we can see there are many different types of crisis management frameworks. It is important to study the problem as a complex otherwise we may forget to take into consideration factors, which might influence the whole development of the crisis and spoil our efforts. This holistic approach will help us to capture the crisis in a pre-crisis phase (explained later) and prevent it, or at least limit its effects on the company. To respond adequately to the crisis it is important to know in which stage of its development we are.

The picture below will show us the crisis cycle and its stages, when are people mostly interested in crisis and when a firm should focus on the communication with press-people.



**Figure 5 Crisis cycle and public interest**

Source: Antušák, 2009

As we can see the crisis cycle is composed by 4 stages. The first stage with weak signals of a coming crisis may be easily detected by early warning system which warns about changes in the environment and even within the company based on certain symptoms (cash flow, changes on the market). Other tool is usage of manual for crisis communication prepared in advance. The signals may be several and it is only a question of the organization and its tools to manage the crisis. An effective communication management between a person or a department, that had captured the signal and transmitted it to a department for further analysis and assessment, forms a basis for timely interception and successful management of the crisis. This time during which an organization develops plans, capabilities, activities, and other tools in advance to prevent firm from risks, threats, and to lessen negative repercussions is also known as **pre-crisis**. It is the best time when the company can transform threat into an opportunity.

Another stage is **confrontation**. This phase begins when media start to have interest and when the existence of a crisis is evident. Again is important to highlight the time factor. The first reaction should be pronounced by someone from the organization. This person should be the spokesperson of the company with reliable, fast and accurate information. Information should be also spread between the employees of the company – through the internal communication team.

**Culmination phase** of a crisis has the greatest interest of the media. It is the time during which an organization faces the unforeseen, difficult situation and tries to protect the good reputation of a company. The communication manual is mainly used during this stage of a crisis, when the company has still time to prepare and react on the situation. When the crisis culminates the communication strategy, its control and handling depends on the skills, ideas, and experience of the top management of the organization. Decisions have to be carried out rapidly and according

to the whole strategy of a company. Press-people like to receive new information about the causes of crisis and people involved.

Sometimes it is good to hire an extern, which will select appropriate communication strategy according to targets which would the company like to achieve. Although it is rather costly the company can instead of focusing on crisis strategy focus on its normal running and maintaining its good reputation. The strategy applied and successfully managed situation will be sufficient reward for the investment of funds.

Reputation of a crisis is being re-established during this stage of crisis cycle, called **post-crisis or resolution of a crisis**. Internal communication is also its integral part which supports loyalty of employees and motivates them to other working performance. The crisis cycle does not end in this stage. The company has to get ready for constant media attention and also work to improve the communication plan and incorporate newly acquired experiences into the corporate strategy. After successful management of crisis the target groups are satisfied with overcoming situation but firms should be aware of further development of the crisis because it might return. Also the company should use the positive aspects of the crisis as an incentive to innovate and learn about its employees.

Based on the awareness, at which stage the company is, the management can develop adequate strategy and prepare exact communication plan. This strategy should be consistent with the corporate strategy and support the corporate identity and image of the company.

### ***Corporate identity***

The corporate identity of a company is made up of many factors that may be divided into two main groups: the physical/visual and the cultural. The company expresses itself visually by its corporate design - logos, signs, colours, fount, etc. to be identifiable and distinguishable among other companies on the market. The cultural aspects of a company consist of elements incorporated deeply into the corporate core values and conduct of the organization. It is reflected in the way how company communicates with its employees, stakeholders, public ... and how it conducts on the market. The core values of a company are sort of unchanging guiding principles which participate on determining the culture of the company. Company that bases its business on built strong values is more likely to be prepared for changes and to better manage the unforeseen situations.

Corporate identity is supported by the vision of a company, the aim why does the company exists and what it wants to achieve and also by its mission, what does the company bring to the target

group. These factors all together influence and form the corporate culture, the commonly shared values of a company-its „personality“.

### ***Image***

Image of a company is an important feature that may help to maintain its good reputation in times of crisis. It is a set of characteristics that help us to associate and to identify the certain company on the business market. These characteristics are attributed to the company according to thoughts and impressions that a customer, public, or anyone who gets into contact with it, obtains. It is obvious that image of a company is mainly made up of products, services that a company offers. Its success on the market is provided by using marketing mix (product, price, place, promotion), communication mix (PR, direct marketing, personal selling, advertising, sales promotion), but also the way employees talk about the company and how well it is managed.

Image might be positive or negative. By describing and developing the self-image (how is the company seen by its employees, from internal point of view), intentional (image intentionally designed to promote the corporate personality of company) and public image (opinion about the organization created outside the company) the company should build in minds of target groups a positive image. This tool is a feedback on the built image of the company and the one that it would like to have.

The following method is also a feedback. It assesses the performance of the company and if is achieved vision and image desired by using the chosen set of strategies.

### ***Total Performance Scorecard***

Total performance scorecard is a complex tool used in human resources. It provides information about best practices, impacts of strategies, expectations, and progress of the organization from the point of view of whole organization. It encompasses also Personal Balanced Scorecard based on the same elements like the Organizational Balanced Scorecard but that is not our topic because its focus is to understand and disclose inner needs of the employee. Knowing the personal motivators, aims and the goals of the company the manager's task is to align the employees' assumptions of the job with its goals and to create relation between the company and the employee.

The Organizational Balance Scorecard (OBSC) is a systematic process designed to improve and align the business activities with the vision and strategy of the company through performance measures. It provides measurements of the performance but also a guidance how to balance the long-term and the short-term activities and thus to transfer the strategies into real action. We can measure success of the whole organization, department, or only of the business unit from four perspectives:

- financial perspective – analyzing accurate and timely data is a must but for the future prediction is necessary to know how is the company seen by the stakeholders,
- internal processes perspective – this measure discloses how well is the business running and if the products continuously create value for customers, but also it reflects the organizational environment
- customer perspective – shows how is the company seen by the customers, if the firm satisfies customer needs and reacts to their requirements,
- the learning and growth perspective – the company constantly grows and learns due to changing conditions on the market, and thanks to innovative technologies and improved competencies of employees.

These measures of success have to be put in context with the company’s mission, vision, core values, objectives, etc. which form elements of the OBSC. These elements were described previously. Other elements include also critical success factors, performance measures and targets, and the improvement actions.

The Critical success factors (CSF) are those activities which differentiate the company from others and establish the competitive advantage and uniqueness of the company. These factors help the company to survive on the market.

Organizational performance measures whether are objectives achieved and the targets indicate the quantitative value which the company would like to meet.

Organizational improvement actions are realized strategies which contribute to achieve companies’ vision, mission and objectives. The improvement actions are steps which bring quick results and that have to be done in order to meet the goals.

**Table 2 Example of Organizational balanced Scorecard**

Perspective	Critical Success Factors	Strategic Objectives	Performance Measures	Targets	Improvement Actions
Financial	Increase profits	Decrease cost price for promotion	Comparison	20%	Change in promotion means
Customer	The best service provider	Adopt to the customer	Complains	5 out of 100	Quality standards
Internal process	Increase leverage	Knowledge of values	People integrated	80% of the company	Promotion activities
Learning and growth	Effectiveness	6 projects/year	Less people involved	5 for project	Training

Source: university lectures, edited by author

The core elements of OBSC are studied from the four perspectives: financial, customer, internal processes, and learning and growth. To the improvement actions are given priority weights according to their contribution of the improvement action to the critical success factors. The improvement actions with the highest priority score need to be implemented first regarding the revenue ratio and the time needed for implementation. The priority score is calculated as follows:

$$\text{Priority score} = \text{weight to the particular CSF} * \text{weight to the contribution of the improvement action to the CSF}$$

According to the results we prepare prioritized strategy plan which will provide the company an overview which elements define the success of the company and which activities are unnecessary. The priority score should be calculated for one perspective only. That means that we can compare and consider only Improvement actions and Critical Success factors of the same perspective, for e.g. the financial, later compare the one for customer etc. In the table below is an example of the perspectives all together which should be done for each perspective separately. The company thus adopts improved strategy of each perspective and chooses the one that perfectly fulfils its needs to success.

**Table 3 Example of calculated priority scores**

Improvement Actions	Critical Success Factors	Weight of CSF (W1)	Contribution of IA to CSF (W2)	Priority number of IA $P=W1*W2$
promotion means	increase profits	3	4	12
quality standards	the best service provider	4	5	20
promotion activities	increase leverage	5	3	15
Training	effectiveness	4	4	16

Source: university lectures, edited by author

The OBSC method which turns strategy into action is important in crisis management because it facilitates to communicate the set objectives and targets through all levels of the organization. It motivates employees because they better understand the continuous systematic approach of learning and improving which also helps to face and prevent the crisis situations.

## 4.5 Internal communication

A company's communication is represented by the way it communicates with its environment, by the way it conducts on the market as well as internally, what sort of information it conveys, to whom and in which form.

G.M. Goldhaber (in *Comunicación interna en la empresa*, 2005) explains how internal communication may be understood.

- The internal communication occurs in an open and complex system that is influenced by the environment which it at the same time affects.
- The internal communication consists of messages circulating through various channels and issued for a specific purpose.
- The internal communication refers to attitudes, feelings, relationships, and people's 'skills'.

Goldhaber defines internal communication as a dynamic process through which organizations create structures and their various substructures and also relations with the environment.

Its goal is to keep its employees- the source of success- informed, motivated and to create the corporate culture which is based on organization objectives and mission. The unified corporate communication is influenced by the corporate identity which forms a basis of the company's image. The internal communication focuses on all members associated with the company like employees, managers, stakeholders, members of the statutory authority or the labour unions, and on other target groups within the company. It is a two-way communication model which creates good environment for crisis communication and forms pleasant relations among different parties and employees, as well as between employees themselves. The company management cooperates with the department of Human resources, as a mean and source of information and communication with employees. The organization uses media including firms' web pages, newsletters<sup>2</sup>, information boards, emails, intranet<sup>3</sup>, indoor medias<sup>4</sup> etc, to communicate effectively, motivate, and to identify the employees with its vision. Nowadays are getting popular social networks - Facebook, Messenger, and Twitter...to stay in touch with employees. These networks are usually informal way how to link executives and employees and receive or spread required messages in an interactive way. Other communication means are internal personal meetings like consultations, conferences or visits of top management in a certain department.

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2 Newsletter is a publication which provides information about topic of the company's' interest. It may be distributed in an electronic or printed form.

3 Intranet is a private network used by members of a company to share organization's information based on internet technologies.

4 Indoor media are ways/media through which are conveyed and mediated the vision and strategy of company to its employees.

#### *4.5.1 Internal communication department*

Internal communication department is formed in bigger companies where the communication among the employees, other departments and managers is getting difficult to be managed. This department helps to build an open view about the company based on employees opinions that might contribute to efficient working of the organizations and to improve its reputation. The main aim for it is to spread information through the company as required and to build trust among team members. It is closely linked to other departments like marketing, HR, PR, and also to the top management.

The main factor influencing it is the size of organization because there is high probability of decentralization in the environment which has to be connected. The number of people forming the department depends on the number of employees. The larger the organization is the more people are involved. Usually till 1000 employees the organization does not invest in foundation of special department or there are only few people involved. If the company has more than 2000 employees then 10 % are involved in this department. If the company has more than 2000 employees the percentage is higher. Since 5000 the company needs to involve more than 25 % of its employees.

If the company posses this team than the company ensures the core values, beliefs and processes to be communicated to all members of the company, as mentioned before, and also to facilitate the flow of information during uncertain situations.

The communication model used in crisis facilitates the flow and helps to achieve certainty during unpredictable situations. The model may vary according to the decision making of the top management and the field in which the company operates. The attitude to risk affects the willingness to pay attention to the model and to contribute financial and personnel resources to implement it. Even though companies vary, during facing different types of crisis and their impacts, there are similar requirements for the communication to be done.

In the book *Effective crisis communication* (chapter 3) [ULMER, SELLNOW, SEEGER, 2007] we can find best practices in crisis communication to communicate effectively in difficult situations. These practices include 10 steps to be learned and processed to manage crisis.

Lesson 1: Determine your goals for crisis communication.

Lesson 2: Before a crisis, develop true equal partnership with organizations and groups that are important to the organization.

Lesson 3: Acknowledge your stakeholders, including the media, as partners when managing a crisis.

Lesson4: Organizations need to develop strong positive primary and secondary stakeholder relationships.

Lesson 5: Effective crisis communication involves listening to your stakeholders.

Lesson 6: Communicate early about the crisis, acknowledge uncertainty, and assure the public that you will maintain contact with them about current and future risk.

Lesson 7: Avoid certain or absolute answers to the public and media until sufficient information are available.

Lesson 8: Do not overreassure stakeholders about the impact the crisis will have on them.

Lesson 9: The public needs useful and practical statements of self-efficacy during a crisis.

Lesson 10: Effective crisis communicators acknowledge that positive factors can arise from organizational crises.

The first lesson suggest to the firm to set the key goals to create the future response. It is a basis for forming the strategy, to better able to respond to the situation. The goals may be for example: to soften the impact of the crisis, to maintain their customer base, or to ensure the image of the company to be unchanged. The next three steps are linked to the image of the company and maintaining good relationship with its stakeholders all the time and acknowledging them as partners. Creating a dialogue to concern the important issues is a good step to establish equal communication relation. The stakeholders should be divided into two groups according their main impact and importance to the company. The first group - primary stakeholders - is linked and associated with the activities and success of the company. In this group belong the employees and owners. The second group – secondary stakeholders – is a group which is linked to the company but does not play a key role in daily activities of the company. The government regulatory bodies, customers, the media, competitors, or community members belong to the second group.

Communicating with stakeholders and groups important for the organization creates a familiar environment, trust and a two sided communication based on listening and creating adequate response and treatment with the parties involved. A positive relation with stakeholders is based on listening to each other and working on reaching agreements of both parties. Generating goodwill and reacting to uncertain situations is thus much easier because you know what goals are crucial for your partners. You can adapt your strategy to mitigate the crisis according to their needs and expectations.

To maintain good relations and support all the effort evolved during whole years, it is very important to stay in contact, acknowledge the situation and its possible evolution, early after crisis emerges. The lesson number 6 explains how quick flow of information and action taken by the company has to be communicated to stakeholders to maintain confidence.

The lesson 7 and 8 more describe how information flow should be done. How one interprets the situation and what information discloses to the public influences the reflection of the situation. It is important to say what the company knows and what is certain about the crisis, not to announce statements which would have to be denied or altered in the future. A clear, accurate, and consistent message stated by reliable spokesperson will satisfy the audience and keep it calm. The lesson 8 also points to the possibility of another understanding of the assurance from the side of the company. If it reacts too certainly and assures public that there is no problem, it may have an opposite effect on people. People tend to behave well and rationally during crisis and if they feel that the company tends to hide something, the uncertainty rises and their trust disappears. Thus the authority or spokesperson should be trustworthy, truthful and open to inform about how the things really are. Instead of excessive reassurance, it is better to suggest them practical instructions how to protect themselves from effects of the crisis, as mentioned in the lesson 9. The protective statements should be instructive, valid and useful to protect the stakeholders. The last lesson focuses on a positive thinking approach which helps to overcome the crisis. Moving beyond the crisis helps to face crisis by applying required changes, new strategies, creating competitive advantage in the company, and also to better foresee and protect the company from upcoming potential crisis. The power of optimistic thinking motivates employees and stakeholders to work consistently and trust the organization.

The company which is going to learn these practices is in fact creating a reservoir of goodwill<sup>5</sup>. This reservoir based on effective communication between the company and stakeholders creates trust and helps to respond quickly during uncertain situations without losing their attention.

#### **4.6 Why to communicate effectively and prepare for crisis?**

Crises are seen as the worst time for a company but as we could see from the Chinese explanation of the world, we should understand that there are also good parts that might emerge and create new opportunities for the company. During handling the difficult situation companies focus on the main operations which have to be managed and changed to work well. From the financial perspective financial resources are limited where they are not needed and allocated to other necessary operations of the company. Thus, the crisis evolves a change of resource allocation which creates

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<sup>5</sup> Goodwill is an intangible asset of the company which builds its reputation and good public image.

an opportunity for achieving competitive advantage through lower costs. And not only change in reallocation of financial resources may create an opportunity but also changes in operations which create new values, based on creativity of managers and others from the company. It is highly recommended to see in crisis an opportunity and base all your efforts on an optimistic approach to face the uncertain situation. In the *Crisis management*, by Kőnigova and Zuzak, are made conclusions and given reasons why to see crisis as an opportunity and deal with it and also why to communicate effectively.

- By managing the crisis the company may achieve better position, than at which it was before the crisis. (...) Crisis is always an opportunity because sometimes miracles happen.
- To meet the crisis as an opportunity, there are several interrelated factors, as *conditio sine qua non*<sup>6</sup> that substantially increases the chance of success and turnover in the crisis management.
- The essential condition to use the crisis as an opportunity is its early detection, because with the time spent decreases the available resources for the crisis solution, and preparedness for the crisis, which enables rapid and adequate response.
- The business climate, positive power of the corporate culture and open communication enables wide range of active people to participate, their high involvement, loyalty and creativity. Just creativity and ability to come up with original solutions for the specific situation, finding opportunities based on company resources and opportunities in the neighbourhood are not in the business random, but the phenomenon that stems from the corporate culture, the overall business climate, managerial leadership style, and many other factors.
- From the previous points results (and is supported) not only finding new solutions, approaches and innovation, but also their implementation. Ability to change the goals and strategy to its achievement, and major process change in the company, are possible in short term only when they do not encounter with resistance, but rather if the changes will be strongly supported.
- The company also needs positive environment and a bit of luck. If negative macroeconomic factors appear or factors as bankruptcy of an important subscriber, then the chance for the company to succeed decreases.

The crisis creates pressure to change and helps to find out where we are strong and where are on the contrary our deficiencies. We have to consider crisis to be part of our lives and as a source

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<sup>6</sup> Condition that is indispensable.

that draws our attention to the shortcomings of society. It helps us to improve and learn how to build trust among stakeholders, communicate effectively and create a strong position on the market to succeed during unexpected events.

## 5 RESULTS

### 5.1 History of Vodafone Group and Vodafone Czech Republic

Vodafone Group is a global communication operator with its headquarters in the UK operating in 28 countries. Its first local call was made in 1985 and in 1991 was made the first call abroad to Finland. It provides telecommunication services and consultancy to telecommunication equipment, information systems and electronics for resale and sale.

In 1999 was founded in Czech Republic an entity called Český Mobil which was later renamed to Oskar Mobil. This operator launched its services in 2004 and so was the third rapidly growing mobile telecommunications network created. By making its commercial operations more affordable it clearly changed situation on the Czech market and quickly gained more than 14 % of the market share.

Since June 2005 Oskar became a member of Vodafone family and became Vodafone Czech Republic, a joint stock company, registered in the Register of Companies in Prague. Its popularity grows among customers as well as employees every year. Already after two years, in 2008, it had more than 2119 employees and in 2009 it pertained according to study organized by Hewitt Associates among the best employers in the Czech Republic.

Offering Vodafone live, a mobile portal, and Vodafone Passport, a service which allows its customers to call from abroad paying the same price as their domestic tariff, increased the significance of this operator. Vodafone has very attractive marketing and business strategy which supports its success and popularity. In 2007 was launched Vodafone OneNet service which includes internet access, fixed and mobile communication in one system. This service is useful for small or medium business where you have one provider and one number used for desk phone, mobile phone, or internet.

#### 5.1.1 *On what is constituted Vodafone*

Vodafone Czech Republic is company that supports development in telecommunications and satisfies customer needs in accordance with ISO standards. Vodafone's vision and strategic goal is to „be one of the most trusted companies in fields in which we operate“, and “arose among customers and employees the greatest enthusiasm for the Vodafone brand, in the whole Czech Republic”.<sup>7</sup> The long-term strategic goal is to grow, by always doing what is good for the customer. By providing high-quality service at an affordable price it strengthens its position on the market every year (more than 3 million customers as of December 2009). As Vodafone opened its first franchise shop in Přerov this year its short-term strategy is to double the number

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<sup>7</sup> [www.vodafone.cz](http://www.vodafone.cz)

of branded stores around Czech Republic (from current 63 to 130). Among its other goals pertain to cover with the high speed 3G<sup>8</sup> mobile internet more than 70 % of current Prague location and expand with this service to other bigger cities.

To be a recognized and respected company on the market Vodafone established an integrated system of environmental and quality management. Its business goals are achieved in respect with the social responsibility, by staying innovative, and environment friendly. These business principles, with other, must be part of every operation. Respecting public policy, operating within the confines of law and other international regulations, providing information, and conducting according to ethical standards will ensure responsible approach to employees, customers and shareholders.

The corporate values support the vision of the company, its ethical business running, and form therefore the cornerstone of how Vodafone is doing business. These principles are called the Vodafone Way and they are used globally. All over the world we can find Vodafone companies using the same way how they achieve the strategic goal to grow and satisfy customer needs.

Vodafone's way:

- Speed,
- Simplicity,
- Trust,
- We will give the customers the Moon,
- We always have lot of ideas,
- We have courage and we are competitive,
- We are global, yet we have our own ideas.

**Speed** contributes to achieve results in a rapidly growing field and hence creates competitive advantage. **Simplicity** is a way how things work and services for customers, partners and colleagues are fulfilled. **Trust** is a key of success in doing business. The company strives to work transparently and to be a reliable partner in dealing with others and this is expected also from the others. By fulfilling this way of conducting and fulfilling the rest of principles, the company will gain admiration.

The main difference in the strategic change is the way how the long-term goal is being achieved thanks to the Vodafone Way. The company realized that it wants to offer services require by the customers and not to offer something what is useless. Thus the strategy is to give the customers the Moon and invent required and desired services to satisfy the Czech market.

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<sup>8</sup> 3G technology is providing fast internet in the mobile phone with a speed of 1 MB.

As a corporate responsible company it helps to protect the countryside and to decline negative impacts on the environment by using environment friendly solutions. It also focuses on business and profits as well as on relationship with its employees, partners and other people around the company. The Vodafone Foundation was created to financially support young or socially weak people through granted programs and also to arouse sympathy for the company. Its employees should be proud to work in a responsible company where solidarity is taken for granted. Running a legal business in accordance with law and supporting beneficial projects that benefit the community and by promoting other principles mentioned above this company ranks among the companies which are most interested in corporate social responsibility.

All these activities strengthening investor, media relations, creating corporate responsibility, or sponsoring non-profit activities are useful tools supporting company in crisis.

Vodafone objectives:

Vodafone focuses on achieving business goals and on supporting development in communication services but it also incorporates the social responsibility („**Decide with the Heart**“) among the strategic objectives of the company.

**Reduction of costs** through outsourcing IT Application Development, centralising Network Supply Chain Management activities, consolidating data centres, reducing number of people involved in management, etc.

And on the other hand, **stimulation of revenues in Europe** by promoting mobile phones and their extensive usage.

**Deliver strong growth in emerging markets** is another goal to be achieved. Vodafone would like to penetrate new markets which are economically potential and build there an effective communication network.

**Innovate and deliver on customers' total communications needs** is an objective aimed to face growing competition on the market and changing requirements of customers. Strategy will be called „Mobile Plus“and will focus on personalisation of offered services and integration of mobile, PC and internet for better mobility.

**Actively manage the portfolio to maximise returns** is an objective based on creating additional value by investing assets into more profitable businesses and by acquiring mobile assets.

All financial statements are prepared in accordance with Czech Accounting Standards for Businesses and with Accounting Act, as amended.

**Align capital structure and shareholder returns policy strategy** that will be based on mature and growth of businesses within the company and thus reflect increase in dividends linked to underlying earnings per share.

At all levels is ensured that the Vodafone Business principles are fulfilled and that the sustainability strategy will help to achieve the vision. Vision of the company is to be one of the most admired and trusted companies on the market with telecommunication services as mentioned before.

### *5.1.2 Organization and shareholder structure:*

Vodafone is a global company that operates in 27 countries. Its headquarters are located in UK.

In 2010 (as March 2010) the majority of shares of the company were held in UK-48, 8%. In North America were held 27, 4% of shares, 16, 4% in rest of Europe (excluding UK) and 7, 4% in other continents.

It manages its business with a global team of sustainability managers working in every local market. In the appendix n. 1 we can see the structure of Vodafone Group which is same in each country where Vodafone operates.

The Group Chief Executive Officer (CEO) is the highest executive whose responsibility is to develop and implement high-level strategy, to make business decisions, and to direct the overall growth, operations and resources of the company. Its other role is to facilitate the communication between the board of directors and management of operations.

Chief of Staff & Internal Communications is another body where the Chief of staff is supporting staff or is a primary aide to the CEO and where the internal communication undertakes communicating with its close stakeholders to inform them about news and developments in the company.

Vodafone Group is separated into two groups based on geographical areas - Europe and the rest: Africa, Middle East, and Asia Pacific. Each area has its own manager responsible for its development and growth in accordance to achieve corporate objectives.

Strategy and business development is formed by group of people whose aim is to think out the correct and competitive strategy and develop business to satisfy all stakeholders' needs and assumptions.

Group Commercial focuses on developing an interesting portfolio strategy of offered products which meet customer needs and help to facilitate higher revenue growth.

Group technology enables the development of global knowledge management using best practices and new technologies that are environmentally friendly and do not pollute it.

Group Finance develops a business strategy for investment, effective control and maintenance of the financial budget that has to comply with laws and state regulations but also to build on ideas of the commercial group.

Group HR develops the most effective organizational structure that enhances performance of employees and helps to enable smooth communication within different levels, departments in the company. Its goal is to build loyal employees who align with the vision of the company and who will support the organization especially during difficult times.

Group Legal ensures the legality of all activities associated with the organization. It provides a legal platform for international business opportunities and operations done in the Vodafone group.

Group External Affairs concerns with building and maintaining relationships among people within the company and those abroad and hence helps to promote services offered by the company. Its goal is to keep the wide scope of people beyond the company, outside of the country, to be informed concerning the issues of the company and to create basis for crisis communication.

In Vodafone Group exists Board of Directors which has its executive members and a Chairman. Their aim is to manage the business of the company. The Supervisory Board consists of members who were chosen by the stockholders to promote their interests in the company. An Executive Management Committee is formed by the Vice Presidents of Departments and the Chief Executive Officer. This body deals with developing a corporate strategy, financial planning and structure, and focuses on organizational development and other policies.

To communicate effectively the company has developed a scheme how to transfer information between each other. The Vodafone Group communicates with its corporations which operate abroad using email as the most effective mean to transfer information and to discuss other business matters.

Vodafone Group is a global company which owns Vodafone Czech. That might influence it in many aspects but in my work I am going to focus only on the Czech management of the company and its communication.

## **5.2 Vodafone Czech structure**

In the Czech Republic the structure is very similar to the one of the Vodafone Group. It has more than 2000 employees who work in technology centers in Prague Vinice, Říčany and call center Chrudim. There are around 300 employees working in 70 shops in Czech Republic. The Vodafone Czech Republic is managed by Muriel Anton the Chief Executive Officer. Other people responsible

for the management of the company who form the Czech Vodafone top management team are Vice President for Enterprise Business (strategy to increase portfolio of customers), President for Consumer Business (strategies for corporate customers), HR, Technology, Finance, Strategy and Planning, Vice President for External, Legal and Regulatory affairs, and President of Brand and Communication. I am going to focus on the functioning and responsibilities of part of the last team - the internal communication team.

### *5.2.1 Internal communication team*

My work describes functioning and strategy of one team which is led by the President for Brand and Communication. This department includes three teams which are responsible for marketing communication, corporate communication and internal communication. I am going to focus on the Internal Communication team and its communication management in crisis.

The Internal Communication team is led by the Senior Corporate manager who manages work of two senior managers, team leader, graphic and the copy writer. These people lead their own teams. Everybody from this team takes care of creating a nice working environment and effective operation of Vodafone. To do so it is necessary to create dynamic environment based on variety of opinions formed by listening the social policy and supporting communication ability of leaders who listen people from all levels in the company. Therefore, it is obvious that knowing the organization, its history, culture and the way it functions is underlying. The team engages employees into the business and informs them about new strategies and development.

The objective of Internal communication team is to communicate the strategic plan of the company which is aimed on the welfare of the customer. It is linked to the vision of Vodafone which is also focused on customer. The vision should be fulfilled in 3 years goal plan. Its aims are to increase the market share, to be faster and more efficient, and to be the best employer.

The market share should be increased by offering services that have competitive advantage or which are not yet offered in such extent as demanded by the market. In case of Vodafone among these services pertains internet connection in mobile phones. The second aim should be achieved by enhanced speed of the executive process of bringing the product on the market. Nowadays this process takes longer than it could take in the future as speed and reaction on the situation on the market creates competitive advantage of the company. The third topic is the most discussed one in the present because it focuses on sensitive issues including the social responsibility.

By using these steps Vodafone communicates its goals effectively through different kinds of media and builds strong partnership among the company and its employees, and further among

stakeholders. Positive thinking and listening to each other only strengthens this relation and supports the business even in times of instability. The crisis situation is easier to manage in a friendly environment with clearly stated goals and strategies than in an environment without set functions and rules.

### ***Internal media:***

Notice boards-it belongs to one of the oldest media tool to communicate within the company where you can find information about personal changes, newspaper releases, safety materials as plans of escape routes,...

Internal magazine – Kari Curry ensures that people inside the company are informed and motivated. It contains the latest news about the company and also its stakeholders. It is focused on the company's success, achievements, strategies, and further development. It may contain also statements of the top management to discussed topics or other serious issues. This medium was replaced by intranet called Humbuk (discussed further). Vodafone also issues a magazine for the public called Cilichilli to offer its news, best services and nice reading.

Internal email - Companies use electronic emails for their speed and reliability. It is source of information from Human resources, top management, heads of other departments, or a means for communication between employees (even though nowadays replaced by chats).

Open days - might be also for the public but we are focusing on internal communication so our interest is to exchange information between employees and also to get to know each other. The aim is to understand how the company works, what are the responsibilities of each department, with whom we work, and with whom we are in everyday contact. If a company is based more on an informal basis of communication, problems or topics tend to be discussed and solved in a smooth way.

Furniture and physical environment of the company - as people have nonverbal communication in which belongs also dressing, the company has also its visual part - architecture, furniture, equipment, etc. - through which it communicates its image and personality to the public and its employees. The pleasant environment enhances working effectiveness and motivates people.

Meetings - may have different purposes but their aim is to share necessary information through executives. The information may concern technical, political, commercial, social issues, etc. In advance may be sent a document with discussed issues and employees or other departments may add their proposals on other topics. After the meeting, is being sent another document with all gathered information from the meeting with an unbiased attitude.

Notes and news in flash - Their aim is to focus on concrete personnel of the company with a certain message.

Boxes with comments - these tools help to improve the company, its management and processes. It is important to give feedback to all reactions and opinions of the contributors. It might turn into box of complaints as the comments are not always positive or pleasant. But it also may contribute to improvements or changes in the company that might satisfy employees' needs.

Audiovisual means - Through this media are published messages which are addressed to the entire company and should initiate further discussion based on motivation, interest and arguments. They form a basis for the Indoor media.

Indoor media – As a relatively new way how to reach and target an affluent audience is by using indoor media. As a basis we can mention number of LCD player where are played the corporate videos advertising the values of the company. The corporate identity of the company is also expressed in the signs at desks, rest rooms, elevators, kitchen,... everywhere we go. Their presence strengthens the spirit of the company.

To promote and support communication in the company I would use the PR tool called PENCILS to complete the list and take advantage of every possible means available. Although this tool is aimed for improving public awareness, it can be similarly used for development within the company. It is necessary to gain attention from both. Vodafone has a very good reputation thanks to its Internal communication team which develops the affinity with the company. Vodafone uses its publications to inform employees regularly about their results achieved and the fulfilment of the strategy. The events include for example Open days, or gifts that are given as a reminder that something was attained. For example, when the company opened its new shop in Pardubice the employees received as a symbolic present gingerbread. News informs about the company, its products, innovations, and employees. Usually the news are spread through intranet. Community involvement activities are issues of the HR department. I would include there benefits because

the company invests money in employees interests. Indoor media which are used to attract employees and to make their working environment pleasant form part of the Identity media. We can see that the corporate vision is a very strong feature which permeates the whole building. Lobbying activities may be taken from the perspective of an employee influencing decisions made by top managers (legislators). I have mentioned that Vodafone uses boxes with comments where people express their opinions and improve the operation of the company. This tool may be understood as a lobbying. The social responsibility is the main goal of the Internal communication

department. The company embraces responsibility in all activities concerning employees, environment and stakeholders during its operations. This principle of conduct is communicated through all the media and as we can see Vodafone uses fully all available tools to be successful.

All these preventive approaches that prevent Vodafone from being harmed from outside the company but also from the inside, form an imaginary „pillow“ or a reservoir of goodwill, on which Vodafone builds its reputation and basis for overcoming any unexpected reality. The communication plan prepared by the chiefs of departments and consulted with others, is low cost procedure which may preclude much higher costs in advance as proven recently during the financial crisis.

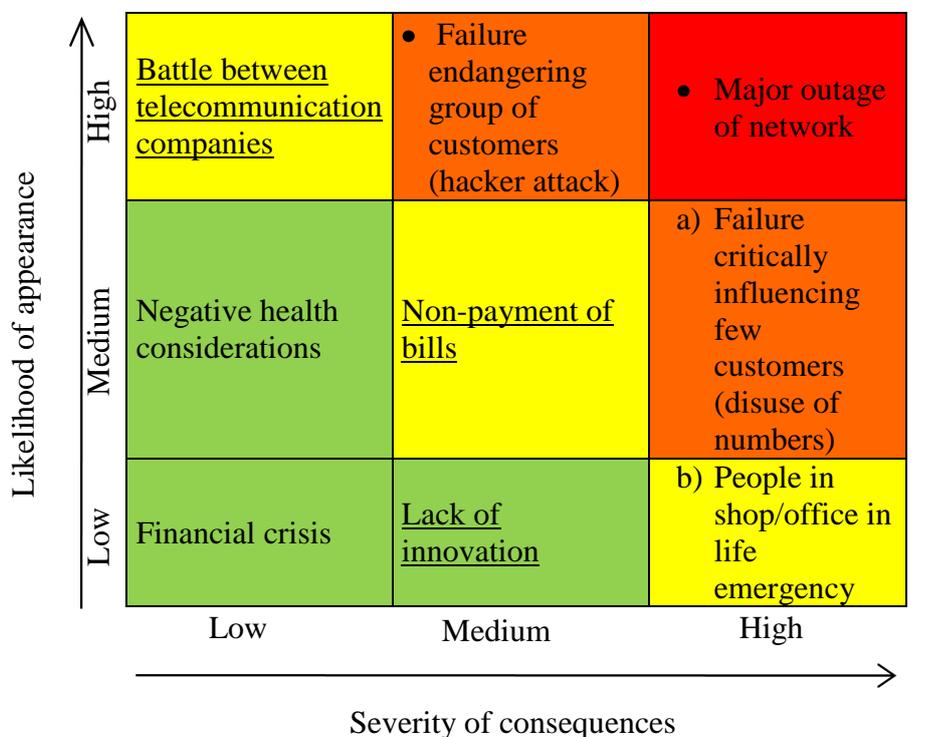
### **5.3 Communication policy**

Crisis communication for a company is very important in case that anything unforeseen occurs. It is much better to be prepared than surprised - trying to quickly invent solution for recovery. Vodafone is prepared to resist crisis that cannot be avoided or it may confront problems with the firm's reputation harmed by different reasons. Vodafone is aware of the dangers that would bring a crisis, and leaves nothing to chance. Vodafone is so engaged because it realizes that 40-60% of crisis may be avoided as they originate within the company. To minimize sources of potential crisis Vodafone creates through the internal communication department a sense of an open company built on trust where anybody may discuss their concerns and participate on the company's development. Working in an open environment supports discussing identified signals or changes in the company by its own workers and facing the potential threats in advance by creating for e.g. a reservoir of goodwill.

#### ***Potential threats***

According to the situation in Vodafone and the environment in which it operates, we can say, that the company is located in the part of risk matrix where risks happen unlikely and even though they would appear their impacts wouldn't be so damaging for the company. It is a big company operating also abroad, with a strong basis created by strong culture and respected values. Nevertheless, should the company be aware of an uncertain situation and promote the better proactive approach, than the reactive one. This approach is based on corporate cultural sense built by the Internal communication team and supported by the enthusiasm of the whole company. To protect the company we are going to analyse what can occur to Vodafone and what are the main threats which threaten the business using the crisis management measures.

One of the possibilities how to measure the potential risk which might grow into crisis and harm the firms' reputation is the risk factor. In our case it is better to use the risk matrix which will clearly show us where might arise threats, how unfavourable could they be for the company, and categorize them according the priorities to be addressed.



- Method of Drawer plan | Method of Trouble shooting
- Method of finding an outbreak

**Figure 6 Risk matrix**  
Source: author

In the matrix we can see the 4 main factors which are perceived as potential threats by Vodafone. In the next 5 fields of the matrix I've suggested other threats that should be considered by Vodafone because they include factors which might be potential threat for the company and not always are caused by the external environment of the company. These sources of instability are taken from the point of view of the whole company because they influence all its departments including the Internal communication team.

From the colours we conclude that the major outage of network constitutes the greatest threat for the company. Solution to this situation is finding the outbreaks of the crisis and reacting to the identified signals. Thanks to early detection of the crisis we may analyse the situation and apply the prepared crisis plan in advance to avert this type of crisis. Companies usually have a backup source of energy in case of outage of the network, also Vodafone has it, but it is useable only for a limited time. It is therefore important to act quickly. Another threat is the illegal disuse

of numbers or other data from customers, and or hacker attacks. These weaknesses in the system may be partly ensured by safety procedures and programs. These security measures are not cheap, but nowadays, when all information is stored mainly in electronic form it is necessary. The lack of security against data loss and protection of information is difficult to justify and to correct, not to mention regaining the confidence of clients. Vodafone is aware of these weaknesses and has prepared a plan in case that these situations occur. People in shop/office in life emergency should act in accordance with the evacuation plan, which is required by law. The evacuation plan is more concerned with the security of people in an emergency. The communicating plan and strategy are suggested by the Internal communication department and the whole organization then has in charge the crisis team. In case of an accident caused by factor which might cause injury or danger in other offices, is important to communicate it to other agencies for their prevention. These precautions shouldn't stay only at the national level but also get beyond the borders of the Czech Republic.

I would suggest focusing also on other factors which may harm the company. For example nowadays, as a consequence of the financial crisis, many subjects are not able to pay their invoices on time. Their solvency is limited and commitment is transferred from one entity to another. It is necessary to insist on strict compliance deadline, or allow longer repayment, and have financial reserves for these purposes available. Also another threat requires financial reserves like the lack of innovation or battle between telecommunications. In these cases we should have prepared the drawer plan, according to the risk matrix. A drawer plan is a document which includes information about people who should be informed in case of crisis occurrence and also a manual with the content outline of press releases that are necessary to be issued, and a way how to solve the situation. In the „drawer“ we should have documents concerning the company, which should be available to demonstrate the operations of company and its compliance with the legislation. In these cases this tool requires more than anything else to have prepared funds. The drawer plan should contain contacts on people responsible for the funds, also statements which should help to gain additional funding to ensure coverage from other sources, and other steps to be followed. The last method helps to solve problems using as a basis the drawer plan and an active approach. That means that in case that we have no plan prepared we have to rapidly develop it and be able to apply it. I would suggest to Vodafone to be aware of new health studies which may have a negative opinion about using mobile phones for health reasons. Such information may lead to reduction in interest of clients, or at least would require a significant investment in technical research that would refuse these claims. The financial crisis, perhaps indirectly, influenced everybody. For this reason, Vodafone stresses to have good relationships with their clients and employees, to ensure that they will be able to perceive explanation of the company at given

situation, despite the media attacks. As we can see, all the tools are important to be used according each situation. Probably we are not going to have prepared a drawer plan for the battle with our counterparts because the situation on the market changes all the time, but at least we can be aware of this outbreak and react according to the warning signals and in case that for example a new company appear at our market Vodafone should more focus on the reminder advertisement based on long-term and reliable experience that the company offers. The communication plan helps to address the required information to all departments concerned and effectively develop a protection strategy. Therefore, the key to success is preparation, speed and agility of management to respond to the occurred situation.

#### **5.4 Crisis Communication plan used by Vodafone**

Vodafone's model contains elements of models - the manual for crisis communication recommended by Don Crowther and additional model of Antušák and Kopecký. Taking into consideration also practices of the crisis management framework. Vodafone suggests the following steps to be fulfilled in order to protect the organization against crisis.

The proactive approach consists in preparing the communication crisis plan (see the appendix n.2) which suggests steps that should be done in advance, before a crisis. It should be prepared in the pre-crisis phase of the crisis cycle. Vodafone's plan is prepared for four main threats which might occur and harm the reputation and impede the functioning of the firm. The major threats are major outage of network, failure endangering bigger group of customers through hacker attack. Further threatening facts with which Vodafone counts are people in shop or office in life emergency situation, and or failure that would critically influence few customers like illegal disuse of phone numbers. As we can see Vodafone is aware of threats that originate outside the organization but are aimed directly on it. Probably the reason why it is more focused on issues outside the company is because of the trust it creates in the employees and vice versa. Strong culture is apparent throughout the company.

In case that any of this situation would become the crisis communication process in Vodafone would be as following. The first step is to correctly identify in advance the signals and threatening factors of coming crisis in the confrontation phase of the cycle, in order to prepare on reaction and predict its possible development and its consequences. The spokesperson should receive information about the problem no later than 15 min after its occurrence from the internal or external stakeholders. The prime managers keep him informed during the whole event until the end of the situation by regular text messages or calls. Sometimes it is impossible to identify the situation firstly in the internal environment because there are several factors that may have impact

on the company from outside. Therefore it is important to react fast and pass the information to be further processed in other relevant departments like Marketing, Internal communication team, PR, etc., and of course the Crisis team. In the culmination phase the internal culture of the company will be apparent in fast mobilization of forces and effectiveness of teams working together to achieve again working calm environment. During next 60 minutes the team should suggest solutions for solving the problem and make proposal of the information that should be disclosed to the public through messages from the PR department. After the approval the messages would be disclosed through reliable sources, CEO or head of the crisis team, to the public. PR department has a media list prepared and contacts of those influential journalists with who it keeps in touch throughout the year because they know the company and have good relationships with it. The company has a document prepared which shares information about crisis for which is the audience looking for - name of the company, date, and hour, description of the incident, place, nature of the event, description of causes, severity and consequences in the short and long-run, actual situation and its other evolution. This document identifies the key messages for the public. Their main purpose though is not to come up with shocking information but to issue a reliable one.

All these information would be disseminated through the company using reliable channels thanks to innovative techniques like intranet. Its advantage is that it is an internal network and you can choose to whom you need to send the key message. In case of crisis Vodafone would use safe means for transferring the message and medias adequate for the situation. The transformation has to be fast and known in advance to whom it is addressed because there is no time for inventing and speculation. The communication strategy and people involved has to be clear and set before. Another possibility how to get the message to the target group is by organizing meeting and answering questions which could cause further speculations. This should be done, according to my opinion, after the key messages were sent for example by email, not to lose time by explaining for what purpose the meeting was convened. The indoor media are used for these purposes only exceptionally. It is important to share the key messages only to responsible people and in an adequate way otherwise there is high probability of misunderstanding and spreading false information resulting in panic. This could cause more harm to Vodafone than the crisis itself.

Vodafone has prepared a list of members of the crisis management team. This team is mainly formed by senior managers from different departments who participate at the decision making process during crisis. These people have to be responsible, trustworthy, loyal, and have very good background knowledge about the company, its operations and strategies. The team also includes the CEO. The senior manager, with its team of internal communication, is member of the crisis team because it is an important agent who ensures the smooth flow of information and motivates people to be loyal to the company also during the difficult time and keeps in touch with them

and ensures that everybody understands their basic strategy - to satisfy needs of the customer. As they maintain contact with others it is important to have contacts on everybody who could be potentially involved and important for solving the problem. Emails, company and personal phone numbers, cell phones, pagers, faxes, or contacts through social networks are available to the crisis team. As mentioned before the main people of the crisis team are skilled and have knowledge about their company's products, history and have available all fact sheets of the company to be helpful in case that crisis occurs. All the important documents are made in a copy on disk so in case of network outage would be still available. Among these documents saved in copies are also included devices with single visual style used for example writing the press releases. In the communication model also is recommended to include the pre-written scripts with often used questions by the press-people, methods how to answer and words you should say or which should be avoided. This department is linked to the PR and cooperates with them on development of the appropriate way of communicating with the stakeholders and press-people during crisis. There are several principles to be followed to successfully interact with the media and Vodafone, as a company which focuses on social responsibility, has it easier. Vodafone is committed to reduce the pollution and to build a green brand. The welfare of society and improvement of environmental conditions using friendly technologies are topics in which are stakeholders and media interested. Among the core principles how Vodafone communicates with media are maintaining constant contact, creating a friendly relationship based upon trust and honesty. The PR is focused on communicating with audiences outside the organization and the team of internal communication on the inside of the company. In a large company that has more than 2,000 employees it is recommended to invest in creating this department. The results of investment are shown not only in the number of satisfied employees, their performance, but also in case of crisis, that they support their employer and stand by him. Both communicating teams have to work constantly and during all phases of the crisis cycle, also in the post-crisis phase to recover the image of a responsible company.

The Internal communication team suggests those steps mentioned before to face the unforeseen situations and to solve them in a smooth way. The senior manager, as a member of the crisis team solves problems of the whole company, but his main issue is to support the positive image of the company and to promote its good reputation by working at the Internal communication department.

The model of functional plan for 2010/2011 has many aspects common with the OBSC as we can see in the appendix n.3. It describes the main goals of Internal communication team to be achieved and suggestions how it will be done. The main critical success factors to be changed in the company to improve its effectiveness are the integration of internal communication within

new internal communication web (IC web) and make it compliant, and to align internal communication with the strategic planning based on alternative media. These strategic objectives include progress of communication with employees on a regular basis, convert printed internal magazine into an electronic format, execute employees' polls on actual topic, and usage of media functions on the new IC web to achieve these goals. In case of alignment of the campaigns/strategies and internal communication the steps are to leverage the communication plan with the strategic planning by using the alternative media more often. In the table in the column "Initiatives" we can find the improvement actions to be done and in the column "What will you accomplish" the targets to be achieved. This model performs the possibility of strategies to be done in order to achieve desired results. These steps of the Internal communication team improve relations and support the reservoir of goodwill.

The communication group gives every day opportunity to talk about important issues with those people who are responsible for the certain topic that is being negotiated through team meetings, discussions or intranet blogs, wikis, and sites used for online discussions. That is also an useful way how to improve operations in the company and face threats which may be discovered earlier by employees than by the management. Mutual trust supports work and helps to create the reservoir of goodwill and resolve the unexpected situation in a calmer way.

### **5.5 Usage of the pillow**

The imaginary pillow of Vodafone was tested since the beginning of the financial crisis which itself began to manifest in the Czech Republic around August 2008 and affects us till now. Its effects are particularly noticeable in goods outside the daily consumption, or vice versa, where the crisis has caused increase in prices of production materials. Many companies had lost their usual customers and thus the revenues had fallen. Some companies survived, some of them had to close their production or at least reduce it. In case of Vodafone the financial crisis wasn't that noticeable because the usage of telecommunications didn't decrease and also because of its good financial policy which made in advance for these cases financial reserve. The communication towards clients and employees had risen to avoid the lack of information needed in difficult times. People need to know the taken attitude by the company to the situation. The relation between employees and Vodafone had to be strong to overcome the unpleasant situation, otherwise it would face uncertainty and panic which only worsen the situation. It is not only case of Vodafone but of each company to build good reputation in advance, and not only with public but as well with their employees.

## ***Humbuk***

Humbuk is a network with different applications used by the company for internal purposes managed by the Internal communication team. It is the main source of information and communication among the employees. It is divided into 2 main parts – the information and the internal applications. The internal applications include profile of the employee and applications for different purposes like purchase, borrowings, etc. of Vodafone equipment. For our purpose is important to understand the usage of the second part with information. This part is divided into three other parts – news, the Carry Face, and the KariCurry. In the part with news we can find all flash news regarding Vodafone. The Carry Face is another communication tool which is similar to social network service Facebook and also includes forum, gallery, etc. It is useful in creating relations, especially informal ones, among people at all levels. Employees may communicate very effectively regarding different topics and quickly exchange their experiences, comments, give orders, or help to each other. The last part is KariCurry, an internal lifestyle magazine of the company. One of the main changes in Vodafone which were influenced by the crisis was the transition from printed internal magazine to an electronic format. The reason was simple - the costs. Vodafone wasn't influenced by the financial crisis that happened in the whole world in 2008, as it is one of the biggest company in Czech. But as a protection or preventive measure it reduced the costs which it would use in case of occurrence of unexpected situation. By switching from press to electronic magazine they have lowered their annual costs about 30 percent (700 000Kč). Even though the costs seem to be high it is caused by the similar number of people involved in the activity. The costs had fallen primarily to the saved paper by using the intranet the organization had gained better optimized access to the information resources and communication with employees. It helps to collaborate on goals due to the availability of data and to motivate employees.

In addition, employees have their personal email to receive and send messages which is much faster than sending it by post. Another advantage is that the recipient doesn't have to be connected at the same time and may obtain the information in different format - visual, text, or to listen. Usually the company has its own signature in accordance with the corporate visual style so the person is easily identifiable with the company. Through this mail are received ad hoc mails concerning the most important news or information.

All these tools and instruments used by the department to support reputation and develop good image of the company in eyes of employees and other stakeholders is forming an important role in crisis management. Communication is a must in all stages of the company and in all parts of the company. That is why Vodafone invests large sums to improve it and thereby helps to avoid spreading false news which would might emerge into a crisis and thus threaten the reputation

of the company. According the internal survey of the company (based on the survey for the campaign of Vodafone OneNet) some employees insist on lowering usage of certain instruments used by the internal communication team to promote the vision and strategies used by the company. Even though the costs are high building a strong culture in the company and explaining the main goals of the strategy and the way how to achieve them is very important. Due to an instable environment in which the companies nowadays operate the trust of employees in their employer is crucial and building the Internal communication team I would recommend.

## **5.6 Economical building of Internal communication team during crisis**

Vodafone is one of the biggest company in Czech Republic which has more than 2100 employees. It achieves good financial results and thus it has amount of resources available for investment. In this case investing into the management of internal communication is a good choice, in my opinion. In this chapter I am going to propose three techniques how to build this department for companies that have less resources available but also would like to create team which would promote their companies goals.

There are three possibilities how to achieve the previously mentioned goal:

- a) to use skills and availability of employees and extend their job description in their teams (HR, PR),
- b) by building a new responsible team for the internal communication in attempt to create the pillow of goodwill,
- c) to create this team only for the difficult period-during crisis.

My calculations are going to be based on data from the Czech Statistical Office where the average gross monthly wage for the information and communication activities was 42 821CZK (by 1st-3rd quarter 2010). I am going to suggest that in Prague wages are higher than in the rest of the country, thus I am going to calculate that the average wages in Vodafone in HR, Internal communication team are 45 000CZK/month. The average wages in PR team I would suggest higher, about 70 000CZK/month. The number of employees is taken from the data of company Vodafone and I will only try to suggest optimal solution taking in account costs of employees. I will suppose that the costs for building and other equipment won't rise, because I will only redeploy staff from one department to another. Other companies have to adjust their calculations according to their costs and number of employees.

First case ad a):

First I am going to find out how much would cost Vodafone to have only two departments: one responsible for human resources and the other one responsible for public relations. These two departments would also fulfil the tasks of the Internal communication team because this special department for development of the corporate culture and image among the employees wouldn't exist.

**Table 4 HR costs in CZK**

HR	Normal situation (30 employees)
Personnel costs	730302
Costs of social security and health insurance	173713
Social costs	9545
Wages	1350000
<b>Total</b>	<b>2263560</b>

Source: [www.czso.cz](http://www.czso.cz), internal documents, edited by author

**Table 5 PR costs in CZK**

PR	Normal situation (4 employees)
Personnel costs	97374
Costs of social security and health insurance	23162
Social costs	1273
Wages	280000
<b>Total</b>	<b>401808</b>

Source: [www.czso.cz](http://www.czso.cz), internal documents, edited by author

In the table n.4 are costs during its normal operation when 30 people are employed and in the table n.5 the costs of the PR team with 4 employees. In this model, if the company doesn't have the Internal communication team, and/or there is nobody working on the tasks of the Internal communication team there is higher probability of misunderstanding or unsatisfied employees during the period of crisis, because the PR team is going to focus on communication oriented more outside the company and HR team will work for example on training activities or other responsibilities. This model I would suggest to smaller companies because it is easier to talk and keep information among the employees and there is no such a need for an extra department.

Second case ad b):

This case is describing the current situation in Vodafone. This is a big company and thus its management decided to create special department responsible for keeping employees informed and to promote values, strategy of the company and build strong corporate culture which should create a nice working environment and a pillow of trust in case of instability. Costs of this team are shown in the table below. Costs of the HR and PR team didn't change.

**Table 6 IC costs in CZK**

IC	Normal situation (4 employees)
Personnel costs	97374
Costs of social security and health insurance	23162
Social costs	1273
Wages	180000
<b>Total</b>	<b>301808</b>

Source: [www.czso.cz](http://www.czso.cz), company's internal documents, edited by author

Third case ad c):

In my opinion I would suggest to Vodafone, or any other company, to have this kind of department only for the period of uncertainty (mainly because of costs). We may compare three possibilities in the next cases how to build an effective team of 4 people by different redeployment of the staff, outsourcing or hiring and choose the most economical model that would satisfy our goals.

- 1) The first possibility how to build an effective team of four Internal communication employees during crisis is to redeploy three people from the HR team and one person from the PR team. Of course people in HR team would have to work hard, do their work and also the work of their three colleagues that have left their department for a certain time period. Because there are 27 people I think that the work would be spread among them without any problems. If there would be difficulties I would pay extra hours to those who would work more. In case of PR the overtime spent in work to fulfil the work requirements for their colleague would be 14 hours extra per each (for 3 employees. The costs are shown in the tables on the next page, comparing the normal situation and the situation in case of crisis and creating the Internal communication team while using employees from HR and PR team.

**Table 7 HR costs in CZK during crisis, 1<sup>st</sup> possibility**

HR	Normal (30 employees)	Crisis (27 employees)
Personnel costs	730302	657272
Costs of social security and health insurance	173713	156342
Social costs	9545	8590
Wages	1350000	
<b>Total</b>	<b>2263560</b>	<b>822204</b>

Source: [www.czso.cz](http://www.czso.cz), company's internal documents, edited by author

**Table 8 IC costs in CZK during crisis, 1<sup>st</sup> possibility**

IC	Crisis (4 employees)
Personnel costs	97374
costs of social security and health insurance	23162
Social costs	1273
Wages	180000
<b>Total</b>	<b>301808</b>

Source: [www.czso.cz](http://www.czso.cz), company's internal documents, edited by author

**Table 9 PR costs in CZK during crisis, 1<sup>st</sup> possibility**

PR	Normal (4 employees)	Crisis (3 employees, 14h extra each)
Personnel costs	97374	73030
Costs of social security and health insurance	23162	17371
Social costs	1273	954
Wages	280000	210000
Overtime costs		70000
Outsourcing/hiring		
<b>Total</b>	<b>401808</b>	<b>371356</b>

Source: [www.czso.cz](http://www.czso.cz), company's internal documents, edited by author

As we can see, in case of PR team people would have to stay 14 hours/week more in their job. Czech legislation, Labour code, does not permit that amount of extra hours. Even if it would be possible we would have to add 0,25 % to their wage or give them extra free days as a compensation.

This case is though not possible and rather we should consider other possibilities.

- Another possibility how to manage the situation is to outsource somebody. Outsourcing has its advantages and disadvantages. Advantages may be the costs (we don't pay benefits, social security and health insurance, neither other social costs) and the abilities of the outsourced person because he/she has to fulfil required knowledge. Disadvantages might be that in case of HR or PR outsourcing is not recommended due to responsibilities and other build relations outside the company, and also because of knowledge of the internal operations. Calculations of a person outsourced for certain period are shown in the next table. HR team costs and Internal communication remain the same like in the previous case.

**Table 10 PR costs in CZK during crisis, 2<sup>nd</sup> possibility**

PR	Crisis (3 employees + 1 outsourced)
Personnel costs	73030
Costs of social security and health insurance	17371
Social costs	954
Wages	210000
Overtime costs	
Outsourcing/hiring	80000
<b>Total</b>	<b>381356</b>

Source: [www.czso.cz](http://www.czso.cz), company's internal documents, edited by author

- The last case describes possibility of hiring a person for the necessary period. In this case I didn't include the costs of training, neither the hours spent on recruitment which would raise the total cost of the new employee. Nowadays many companies prefer

to leave the temporary recruitment to employment agencies because of lower costs and the time spent as mentioned before. The temporary employee would have lower wage and wouldn't have benefits like other employees.

**Table 11 PR costs in CZK during crisis, 3<sup>rd</sup> possibility**

PR	Crisis (3 employees + 1 hired)	
Personnel costs	73030	24343
Costs of social security and health insurance	17371	5790
Social costs	954	318
Wages	210000	
Overtime costs		
Outsourcing/hiring		30000
<b>Total</b>	<b>361808</b>	

Source: [www.czso.cz](http://www.czso.cz), company's internal documents, edited by author

According to the results I would suggest to Vodafone and other companies to make such calculations including the cost of training or overtime costs to better decide which kind of solution is the best.

**Table 12 Comparison of costs in CZK**

PR	Normal (4 employees)	Crisis (3 employees, 14h extra each)	Crisis (3 employees + 1 outsourced)	Crisis (3 employees + 1 hired)	
Personnel costs	97374	73030	73030	73030	24343
Costs of social security and health instance	23162	17371	17371	17371	5790
Social costs	1273	954	954	954	318
Wages	280000	210000	210000	210000	
Overtime costs		70000			
Outsourcing/hiring			80000		30000
<b>Total</b>	<b>401808</b>	<b>371356</b>	<b>381356</b>	<b>361808</b>	

Source: [www.czso.cz](http://www.czso.cz), company's internal documents, edited by author

Even though we may conclude from the table that the third option is the cheapest, we have to be aware of the training costs and time spent on the training preparation. The possibility to keep three employees working extra hours is not legal in our country and thus we cannot take it into consideration in this case. The last option is to outsource somebody. I think that in case of longer cooperation the person could be well acknowledged with the company and its culture, and thus be very helpful. In my opinion I would suggest to companies with available financial sources to have their Internal communication team responsible for creating nice working environment and supporting the image, culture of the company because it is very important in case of crisis

and building good image of the company. In case of a company which wouldn't have enough sources available I would propose the solution with outsourcing. From the table it seems to be the most expensive solution but if we consider the total costs (not mentioned in the table) at the end it would be the best option and the most economical as well.

### **5.7 Benefits of building reservoir of goodwill and supporting company's reputation**

The calculation of international communication successful promotion and support in case of unforeseen situation is very difficult because of incalculable benefits that it brings to the company. Yet we may measure its success thanks to its campaigns and their achieved goals like in case of Vodafone OneNet. This campaign took place at 19.4. – 9.5.2010 and its aim was to deliver message to the employees that Vodafone offers to corporate customers possibility to have mobile line, fixed line, and internet ensured by one partner. It provides integrated communication services, simplifies communication and improves efficiency, and decreases the overall cost of communication. The campaign should promote among its employees all these pillars at which is OneNet built. According to the Vodafone computer checkbox survey was tested the awareness, understandability, and likeability of the campaign. The results (see appendix n.4) are made from 175 random Vodafone employees. They show us that people are aware of the campaign, they like it, and understand it well. The media through which it was spread among the company were: stickers, 3D, events, TV spots, e-mail communication, intranet, and posters. The majority saw the ads (see appendix n.5) on the posters in the corridor, elevator or WC, or through e-mail. From these results we may suggest main sites where people usually pay attention to messages of the company. Although the costs for the posters are the lowest (see appendix n.6) we can see that it is the most efficient way how to deliver message to employees.

### **5.8 Recommendations and proposal of guidelines**

Vodafone is one of the largest companies in Czech and thus its management cannot be compared with medium or small companies which operate differently. But it may be seen as a model how to solve uncertain situations and prepare for them. My proposal is to create a special team, if needed, or transfer useful steps of the Vodafone crisis communication to certain members of the company into their job description. These employees would be responsible for fulfilment and for the development of internal communication media to communicate effectively with their employees and other stakeholders. The Internal communication team I would specially recommend to build during instability and uncertainty on the market. The costs of certain techniques were

approximately shown in the tables above. To solve the crisis when it emerges I think that many companies would take the same steps as Vodafone. But what will probably differ will be the potential causes of the crisis and their solution. To be able to prepare a crisis plan it is necessary to detect and analyse the possible threats to be prepared to convert them into opportunities or to solve them.

As we could see Vodafone had created a pillow of goodwill based on good reputation disseminated to the public which supported successful management of the financial crisis. It has its Internal communication team operating throughout the whole year because the company has financial resources available. Smaller companies should also use their communication tools to do so and create new media to support this proactive strategy against crisis.

Nowadays when the communication among businesses is done mainly through internet (almost each company has its email, phone, and website) the company should use these media also for its own purposes and goals. Using internet as a source of information about its competitors, situation on the market or consumers trends is not sufficient. Through internet we may communicate with our stakeholders and employees. For companies from 50-250 employees I would strongly recommend to issue monthly magazine, or to send emails, with information about the company - its achievements, employees, projects, ... As we could see from the case of Vodafone, the on-line magazine is cheaper and much easier to manage. I think that five people should be able to manage it. The prime of PR and Internal communication should coordinate the content of the magazine/mail only occasionally. It is necessary to have another person who would take care of its creation, with help of person from PR team. An IT person should be available once in month to help to issue the magazine to the local network or Web site for employees. The price of the magazine thus depends on the salary of 3 people and their time spent on it. Of course more people may contribute to the magazine by sending their proposals of subjects, articles, or special business successes and news to be issued. Probably monthly management issues would be issued by the PR department.

Another tool how to increase knowledge about the activities of the company are teambuilding activities or meetings where is possible to discuss topics concerning the company. The topics may be taken from ideas of employees put in the box with comments. It is a good way of getting feedback on the company from its own "clients" and gaining new ideas and comments to improve the society. Pleasant working environment should emanate from inside the company, as well as externally for example from the words of the employees while speaking about work with friends. Pleasant interior design affects not only customers but also employees' performance. Therefore, it is important to have the interior design in line with the culture of the company and its employees. There Signs in corporate visual style suggest strong cohesive culture. To improve

relations within the company and help to understand how the company works is good to organize an open day for employees. It is not very costly, but it may help to create better relations among the employees and thus improve their effectiveness. Notice boards are well known media, used to keep employees informed. I think that recently much easier and comfortable is to read an email or an on-line magazine covering the most important events that have occurred in the past month, or two months. The notice boards shouldn't be the only media, used by the company but other tools depend especially on organizational and financial funds available. If the company has enough personnel and money for investing in audiovisual promotion of company's spots then it is also an effective way how to improve reputation and most importantly how to raise awareness about the entire operations of the company.

## 6 Discussion

Crisis management in communication is a very broad topic which may be analysed from different point of view. In my case I have focused on the activities of Internal communication team of the company Vodafone which I have analysed according to models used for many years by managers operating in different fields and companies. These models were chosen after considering several models from different authors according to their appropriateness of their use. Even though I am using model based in military environment (methodology of Antušák and Kopecký) I think that the main steps are simple and useful also in case of business environment. The other models are chosen to create comprehensive guidance for companies, how to manage and cope the crisis and also how to create an effective proactive approach. My work focuses on analysing weaknesses of the Internal communication team because describing the whole system responsible for crisis management in the whole company Vodafone would be difficult and also because of my aim to show how important is communication inside the company (for which is responsible the Internal communication team) among the employees to build trust and a reservoir of goodwill which will protect the company in case of uncertainty. Loyalty of employees and their satisfaction is as important as satisfying the needs of customers.

I would suggest to companies to analyse their resources available and to think of the organizational structure before building an Internal communication team. Thanks to the costs available from Vodafone (of a company with more than 2000 employees) I could have thought of three possibilities which could be thought by companies before creating their team of workers responsible for the tasks of Internal communication. In my calculations I have used only wages, personnel costs, social costs and social security and health insurance because I suppose that the other costs remain almost the same in case of Vodafone Company. These technical solutions would cost approximately the same amount only in case of such a big company and in case that there wouldn't be necessary to rent other buildings for the employees. In case of bigger company the resources needed would be higher and vice versa. In case of smaller companies I would recommend to divide the tasks of this department among existing employees and not to create new department. Only in case of crisis I would build a temporary team for the purpose of creating strong sense of belonging and promotion of the corporate culture of the company.

The sense of belonging is build through the tools used by the Internal communication team and by building good relations among employees and their corporate culture. Employees in Vodafone are constantly surrounded by media pressure which try to describe the goals, vision, strategies, and values important for the company. The effectiveness of the Internal communication team is very difficult to express in numerical values and thus sometimes this team is not supported by the top management. We have to take into consideration that its effectiveness and usefulness

will be noticeable in case of difficult times in the company by its flexibility and ability to mobilize its forces faster than other companies. In my work I have shown the effectiveness of the campaign on Vodafone OneNet. I realize that I cannot draw conclusions from one successful campaign, but in general I think that it is good to build interest in employees of the company and promote the strategic goals to be achieved. If invest in the communication or not is a question based on the available financial and personnel resources. In case of Vodafone I suggest that they have these sources and thus they may build the reservoir of trust during the whole year and create a very successful image of a good and responsible employer interested in his staff. The crisis management of the whole company should cooperate very closely with the Internal communication team to keep contact with the employees and also to have information about changes in the company that might be seen sooner by the employee than the top manager. An open and flexible environment creates a good start for better solving of unexpected situations and together with the proactive approach it will only make it even easier.

## 7 Conclusion

People can see only a part of an iceberg of the whole story of the crisis. This portion is mediated to them by media which aren't always honest and unbiased. How successful will be an organization in getting the right message to the public depends on the reports of press-people and also with who they communicate from the company. What media need to come up with, are amazing news with controversial elements. This information has to be spread between the public as fast as possible. Firm though should be prepared to offer accurate, simple and statistically based information from related department. Media like to obtain information from responsible person, to get comments from the highest authority if possible, thus it requires the management to focus on effective communication between all departments and the company's executives. All these steps should be also done inside the company, to keep informed all the employees as they form the cornerstone of the company and also might get in touch with press-people and disseminate information.

In my opinion the reactive approach may be only used in unpredictable situations which couldn't be foreseen in advance. The proactive approach is much better to use, nevertheless involves many people and requires additional operations to be done in the company. In Vodafone the proactive approach concerns building strong corporate culture, also by the Internal communication team, which addresses communication through the company during calm period and explains the strategy and vision of the company to be followed also during difficult times. I am sure that for smaller companies than is Vodafone, the internal communication tasks should be also carried out even though within the PR or HR team. Creating a new department to ensure building good reputation among the employees and other stakeholders is costly but is worth. For small companies I would suggest only to use the skills of other employees from HR, PR team and incorporate suggested activities and tools into their job description.

All the communication means and tools like boards, intranet Humberk, or signs with logos everywhere in the company, created by the Internal communication team ensure that people from the company are going to use the common language in time of crisis because they will know about the firm's strategy, goals and way of conduct. Facilitating communication across the whole organization builds sense of community and better understanding for the company's' planned activities and changes. In time of crisis when people are aware of changes it is important to trust the company and help to rebuild its reputation, to facilitate the difficult situation and return it to normal running of business. Vodafone ensures successful running by creating in advance a reservoir of goodwill based on information received which increases employee's trust in their employer.

During the crisis and in advance the models of crisis management used by a certain company may vary. Vodafone's main focus is to spread necessary information through the company as fast as possible by using certain steps from the framework of crisis management. Vodafone's weaknesses consisted in omitting internal potential sources of threats and including in their preventive approach mainly the external threats. I had suggested to focus more on the external threats and take into consideration the health topic which emerges nowadays as more important while people are interested in social responsibility and their environment. My proposal for Vodafone is to keep the Internal communication team running and in case of future lack of financial resources to consider using one of the technical solutions designed in the work designed for operating during crisis. For smaller companies I have proposed guidelines of tools and media used by the company Vodafone and which could be also useful for smaller companies to build an effective communication in the company and to create a reservoir of goodwill. For large companies I would strongly recommend to have such a team which would focus on employees and promote the goals and vision of the company in an interactive way to create nice working environment. Considering the costs for the Internal communication team which creates good image of the company among its employees I would consider the available financial resources and propose the most economical way how to build such a team.

My guidelines for companies supporting the good image and reputation of the company among its employees are inspired in the tools used by Vodafone. They should help to create an open, flexible environment able to face the crisis in advance and convert it into an opportunity. To manage unforeseen situations and fluctuations on the market I would recommend a preventive approach which is better and at the end less costly than may be the recovery. Even though we cannot express effectiveness neither profit of the Internal communication team in the company in numerical values its benefits brought to the company are valuable and observable in fast mobilization of forces and effectiveness of team cooperation enabled by created friendly relations.

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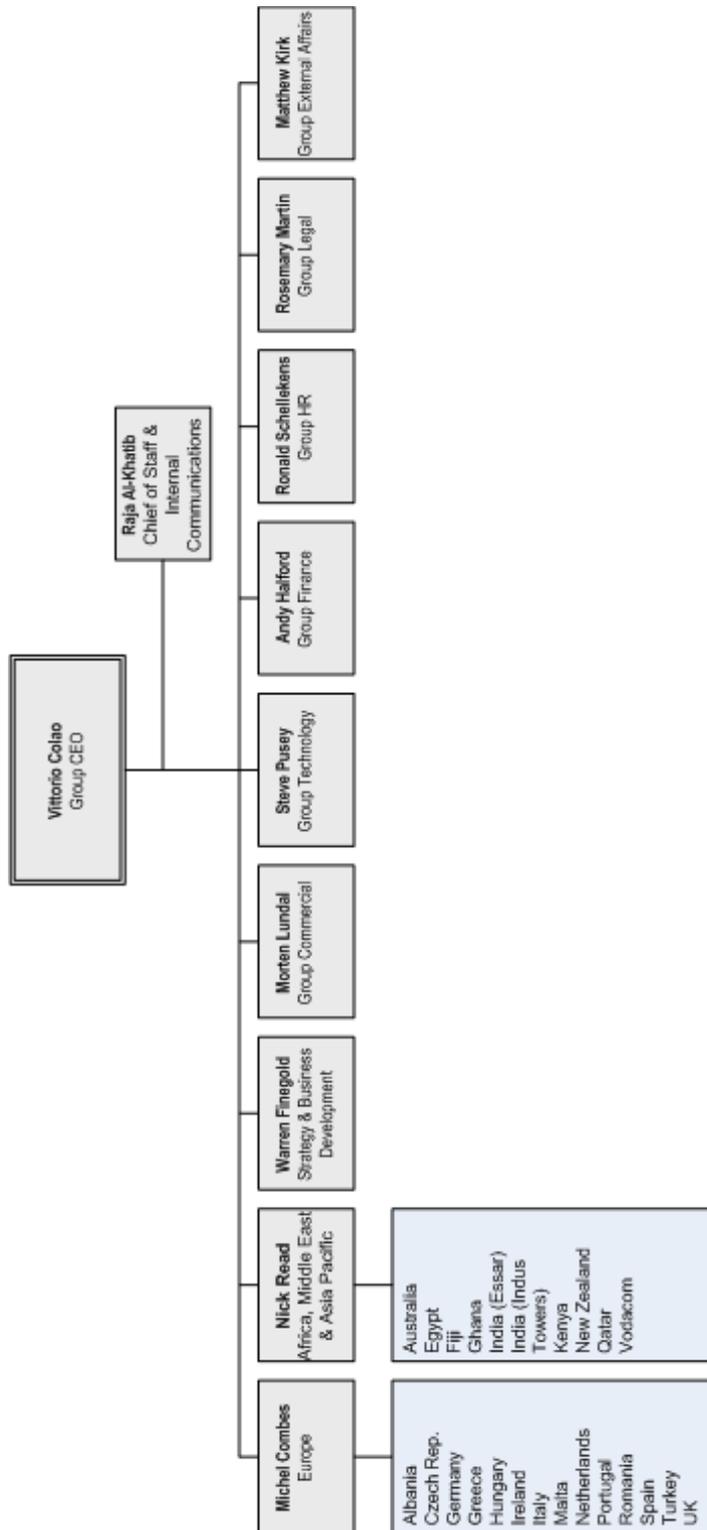
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9 APPENDICES, INDICES, LISTS

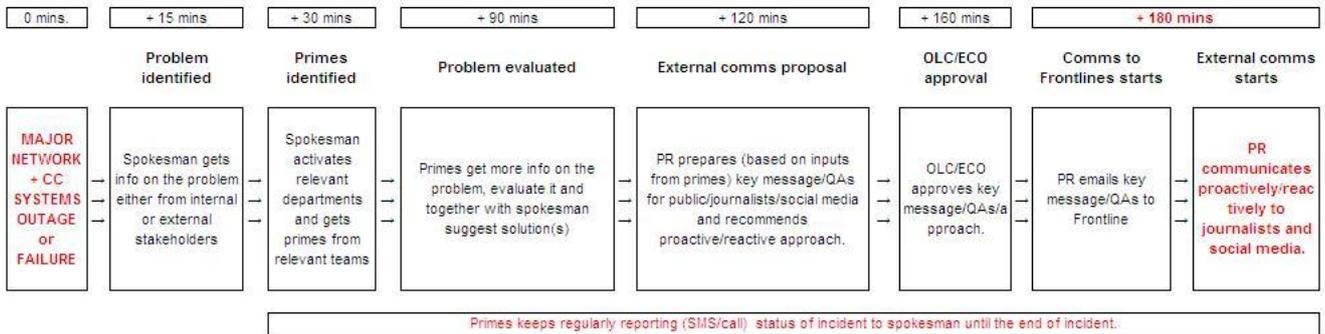
Appendix n.1

Structure of Group Vodafone



## Appendix n.2

### Crisis Communication process (BrandComm)



## Appendix n.3

### Internal Communication

Functional vision			
<i>Deliver the best employee experience with internal communication on the market through interactive and alternative media.</i>			
Functional goal	Initiatives	Description	What will you accomplish
Integrate internal communication within new IC web and make it more participative and engaging.	Regular employee communication	Execute regular communication to respective employee groups (all/OLC/OCT) on weekly/biweekly/monthly within new IC web.	Reach daily averages of 1000 UV and 4000 PV within Internal communication web quarterly.
	KariCurry	Convert print KariCurry into electronic form as a part of new IC web by Q2.	
	ECO videomessage	Execute ECO videomessages hosted by Muriel quarterly within IC web.	
	ECO chats	Execute chat discussions with ECO/OLC members on quarterly basis within IC web.	
	Employee polls within IC web	Execute employees web polls on actual topics on monthly basis.	
	2.0 platform within new IC web	Leverage social media functions on new IC web: individual/team profiles, chat discussions, questionnaires.	Have 30% of individual profiles on Internal communication web personalized 3 months after launch.
Align internal campaigns communication with strategic planning cascade and focus on alternative media.	Planning cascade	Align, plan and prioritize internal communication campaigns according strategic planning cascade.	Reach average 80% likeability and 80% of message delivery by Q2 and Q4 within campaign communication.
	Alternative media	Leverage alternative media in campaign communication on bi-monthly basis.	

## Appendix n.4

### Awareness

Q: Viděl/a jsi někde v budově Vodafone tuto komunikaci nebo komunikaci na toto téma? (N=175<sup>9</sup>)

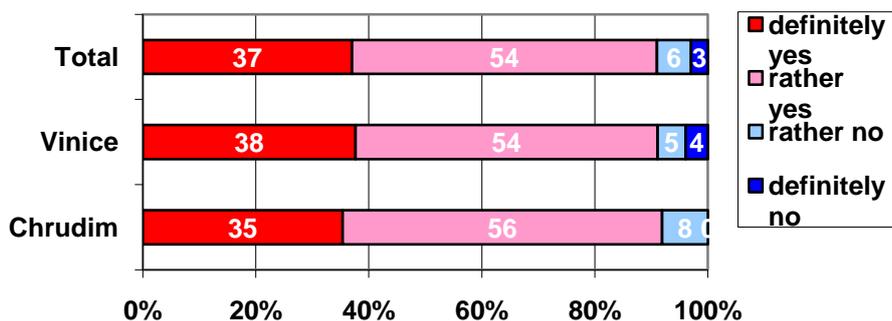
*Dis you see somewhere in the Vodafone building this communication or communication concerning this topic?* (translated by author)



### Understand ability

Q: Je pro tebe tato komunikace srozumitelná? Je jednoduché porozumět o čem je? (N=160)

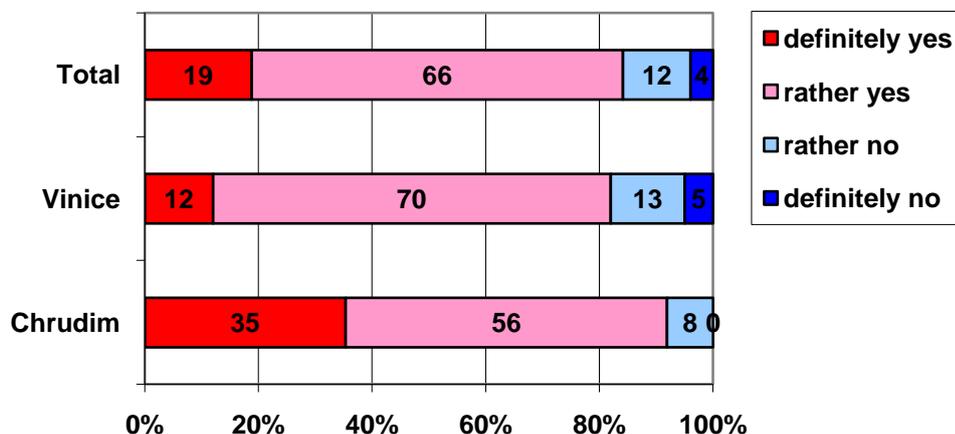
*Is this communication understandable? Is it easy to understand what is it about?* (translated by author)



### Likeability

Q: Líbí se ti tato komunikace? (N=160)

*Do you like this communication?* (translated by author)



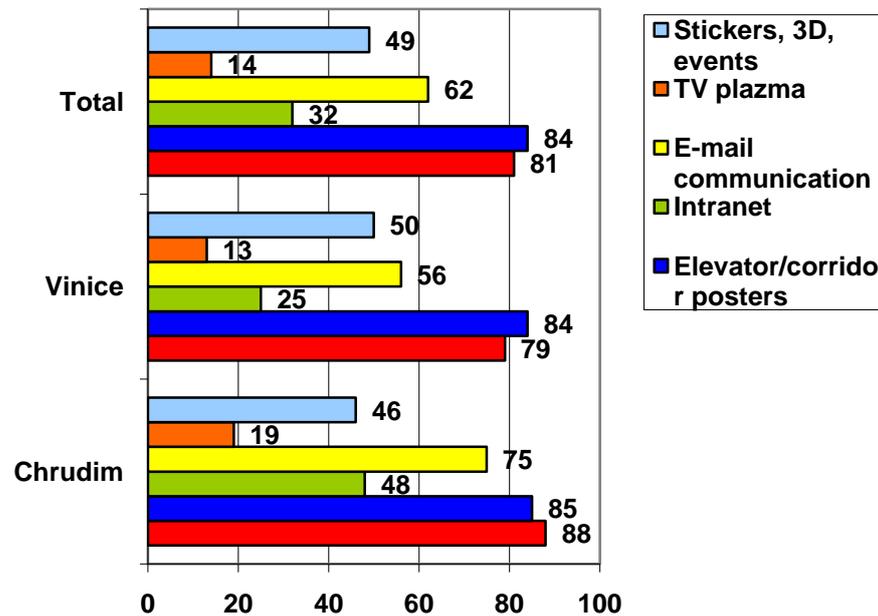
<sup>9</sup> "N" is number of respondents of the Vodafone survey.

## Appendix n.5

### Media

Q: Kde všude jste ji viděl/a nebo slyšel/a? Mužeš uvést i více odpovědí. (N=160)

Where did you see or heard about the communication? You can mention even more answers.



## Appendix n.6

Costs for the campaign<sup>10</sup>

- **Timing:** 19.4. – 9.5.2010
- **Budget:** 274.350 CzK
  - Breakfast 103.458 CzK
  - Stickers 165.087 CzK
  - Video 5.000 CzK
  - A3 Posters (115 ks) 805 CzK
- **Cost per % awareness: 3.015 CzK**
  - Stickers + breakfast 5.481 CzK
  - Video 357 CzK
  - A3 Posters 10 CzK

<sup>10</sup> The cost per % awareness is figure based on total investment into the campaign/medium divided by its awareness from the appendix n.2 and n. 3.