

Crisis, What Crisis?

But now we all do. And by the time this year is out I'm betting that we'll be able to recite even more 'once succesful' financial powerhouses.

Yesterday all talk was on HBOS and the share price plummeted as a result. Millions of pounds wiped out in seconds. Investors everywhere were shorting the stocks, in the belief that where Lehman Brothers had gone, HBOS was sure to follow.

The speed at which this all happens amazes me. The inability to adequately manage the public perception of businesses, when rumours about imminent trouble ripple through the airwaves, propagate self fulfilling prophecy. Look at what happened with Northern Rock. Rumours of insolvency led to a run on the bank and thousands of savers queued up to withdraw their savings. This run of cash pretty much sealed their fate.

In an age where communications are instant, effective crisis management is everything. And it's as much about knowing when to react as how to react. React too late, and you'll always be on your back foot, struggling to convey credibility and dispel perceived defensiveness. Going on the offensive takes more conviction, but does carry the upside that you can create the platform to get your message across. But you only get one chance to set the record straight. How to balance the fallout of delivering damaging information in a measured and orderly manner, with the impact of not divulging damaging information which later makes its way into the public domain is the \$64k dollar question. Or if you're AIG, the \$85bn one...

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