Chapter 4

Strategical Reputation Management in PR: The Case of Soma Enterprise Limited and BP

Ayşe Kara
Istanbul Commerce University, Turkey

Hülya Ant
Istanbul Commerce University, Turkey

ABSTRACT

Corporate reputation, being one of the most important assets that affect the profitability of companies, creates a difference in helping companies to recover from economic crises, gain price advantage against their competitors, diversify their products in the face of fierce competition, and thus, raise their brand value. Non-predictable and sudden global or regional events may cause companies and organizations to make unplanned changes and these changes can inflict difficulties on business operations. This chapter addresses the sudden crises experienced by companies and illustrates their success or failure in managing these crises and the extent of reputation being affected in return. Examples are given to show how crises can be turned into opportunities when managed well and how they can lead to disaster when managed inappropriately.

INTRODUCTION

The negative impact cast by crisis on brand reputation can be listed among the major problems companies and organizations may face. In the face of a crisis or disruptive event, companies strive to ward it off with the minimum possible damage by employing crisis management strategies. Because the establishment of reputation, as one of the key factors triggering a company’s economic development, is a rather long and challenging process, it can be easily tarnished if it cannot be managed well during a crisis.
For centuries, the sole objective of companies has traditionally been to raise capital so as to ensure financial profitability. Such growth requires the trust of the society. In today’s globalizing world, companies need to include reputation management, which is as important as labor force, in their strategical management plan in order to raise capital. Although reputation is an abstract concept as well as an intangible value, it creates a shareholder value and being the greatest advantage of the company, it contributes to the internal and external competitive power of the company in its competition with other companies. This study aims to delve into the issues of crisis and crisis management, which are significant for today’s companies and organizations and to assess the problems related to these. The study will focus on crisis and reputation management. Two companies will be discussed in terms of their crisis management process, the faults they make during this process and the resulting bigger crises; specific analyses and comparisons will be made. All positive and negative matters that could be brought by crises influencing the companies in terms of reputation, will be given consideration. In this context, the first part of the study deals with the mine accident in SOMA, which is stated to be the biggest mine accident in the history of Turkey, and the post-accident crisis communications process. The faults made by company officials during the crisis communication process and the dimensions of the crisis will be examined in details. The humanitarian and social dimension of the accident will also be discussed by giving consideration to the responsibilities of the company and the steps it took and it should have taken. The second part of the study deals with the Mexico gulf disaster of BP company, which has a global reputation in oil industry, the massive environmental and economic damage of the accident, crisis communication and reputation management issues and explains the details of the post-accident crisis management process. Finally, the last part of the study analyzes the crisis and crisis management processes of the two companies studied. These two cases of crisis which take attention in terms of both social and environmental factors, will be subjected to comparative analysis. It is intended to reveal out the steps taken by both companies, which are considered to be faulty in terms of crisis and crisis management and which have a negative impact on crisis communication process. In general terms, this study aims to help companies by showing them how the companies and organizations managed or couldn’t manage their corporate crises and to guide them on the path they should follow in order to timely prevent any negative event and to preserve their company reputation in case of any crisis.

Soma Holding Mine Crisis

It is necessary to note that there is no single definition of crisis accepted by all researchers. While some authors focus on the insufficiency of struggling against the threatening situation, some others focus on the necessity and urgency of overcoming the unexpected situations. Crisis is the situation which is troubling for the company and the manager and, a situation where corporate and managerial activities cannot be exactly fulfilled due to the inability to collect complete, accurate and up-to-date data and the inability to carry out sound communication or to eliminate the obstacles in communicating. A crisis is an unexpected, unforeseen and tension-creating situation requiring immediate response of the company, which makes the prevention and adaptation mechanisms of the company useless and threatens its current values, goals and assumptions. Some authors define crisis as a situation that is threatening the existence of the company. Crises have no limits. It can occur anytime, anywhere and in any organization. As they occur unexpectedly and create a domino effect, it is not possible for a crisis not to occur in an organization. Factors that cause companies to face a crisis, which can be indicated to be the source of crisis, start from the internal and external environment of the company; the interaction of the internal and external environment.