

Need for Strategizing Crisis Communication in Banking Sector: A Study of Social Media Usage during Demonetization Drive in India

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Abstract

This paper aims to establish the need for a crisis communication plan for banking sector. The chaos and the cognitive overload in the aftermath of India's Demonetization drive of 2016 had affected people of the entire country. The crisis necessitated immediate and honest communication on the part of the banks. Though demonetization is not new to India, the use of social media to communicate to and with the public has opened up new areas of research to study the effectiveness of crisis communication. A qualitative study is carried out with multiple sources of data, analyzing the banks' crisis response, and the post-crisis situation. Coding and analysis of the data resulted in themes and subthemes that indicated a need for crisis preparedness and protocol through social media enabled strategic crisis communication plan. A model plan is designed that can assist the communication professionals in the banking sector to use social media effectively and efficiently as part of crisis communication protocol.

Key words: Crisis Communication, Social media, Strategic Crisis Communication, Bank Communications

1. Introduction

Monetary policy decisions like demonetization impact people of an entire country. When the new monetary policy implementation leads to a crisis situation, communication to and with the public becomes critical. Being accountable to a huge population requires effective crisis management and communication that is oriented towards mitigating the impact of crises. During the November 2016 demonetization drive in India, the high denomination currency notes of Rupees 500 and 1000 were rendered illegal overnight and were withdrawn from circulation. It was the banking sector in the country which had to implement and execute the move as crowds were queuing outside the banks and ATMs to exchange and to withdraw their money.

Generally, based on the inputs given by the central bank, the affiliated banks start putting to use their crisis management strategies, in a decentralized manner. Here is where the banks encounter problems in disseminating information to their customers and the public in general, owing to the different demographics that exist in terms of geographical locations, languages, literacy, and usage of technology.

What followed the demonetization announcement was utter chaos. Cognitive overload, withdrawal limits, timelines, recalibration of ATMs to suit the size of the new currency, proxies, misuse of KYC documents, and uncertainty added to peoples' woes. Banks were forced to respond to countrywide media coverage. Banks found the use of social media for communication, during this crisis, invaluable for its ability to deliver instantaneous messages to a vast audience. It enabled direct engagement and dialogue with the stakeholders in the crisis situation created by the demonetization. Even the public was able to reach out directly to their banks through platforms like Facebook and Twitter. By partnering with the public on social media platforms, bank crisis communicators could not only gather accurate information but also address the smallest of issues of the stakeholders and disseminate information regarding the measure they were taking to resolve the issues.

2. Objective

This study is to establish the need for strategizing crisis communication through social media in the banking sector as preparation for future crises situations. By studying the crisis response and post-crisis analysis, the study aims to design a model that can serve as a means of assisting in adopting social media for effective and efficient communication during bank crises.

3. Review of Literature

Bank crises can broadly be categorized as bank runs, banking panics, and systemic banking crises, according to Luc Laeven and Fabian Valencia (2008). The crisis, which is a result of demonetization of

currency notes, is a combination of bank crises types in which individual banks, many banks, and the entire country got affected.

The communications scholar Timothy Coombs defines crisis communication as "the collection, processing, and dissemination of information required to address a crisis situation"(2011). There is a need for organizations to have a protocol for communicating and monitoring with the stakeholders before, during, and even after emergencies. According to Ferrante (2010), the purpose of crisis communication is for an organization to provide information to stakeholders and target audiences to help them overcome a crisis situation, prevent future crises, and maintain reputation.

Timothy Coombs (2007) developed the Situational Crisis Communication Theory (SCCT) in an attempt to better understand the way stakeholders react to crises and also the crisis response strategies to manage crises. SCCT suggests that crisis managers should match the strategic crisis response to the level of crisis responsibility and reputational risk posed by a crisis (Coombs, 2007). The Rhetorical Arena Theory by Finn Frandsen and Winni Johansen (2007), constitutes a dynamic crisis communication model and is both sender and receiver-oriented.

During unstable situations like crises it is the proactive communication that safeguards the reputation of organizations. According to Seeger et al., "silence is never better than communicating something, even if that communication is just to say that you don't have all of the answers and to acknowledge what people are feeling" (2003). Coombs (2009) notes that in any crisis situation, it is only a part of the story and particulars surrounding it reaches the public, creating in them a need for information.

Many sectors and organizations have incorporated the usage of social media in their communication, and the banking industry is no exception. Banks understand that social media's true power lies in its ability to link brands directly with their stakeholders. In other words, banks are using social media to communicate with clients, build credibility, launch new products and offerings, display their company's history and show off all that they are doing relating to social responsibility. Thus social media makes it incredibly easy for banks to respond quickly to every customer and make efforts to turn a negative experience into a positive customer service interaction. Banks being a significant part of the

public's life, need a strong communication system not only for regular day-to-day operations but also to handle emergencies.

4. Methodology

The qualitative method is used in this study to investigate the need for social media-enabled crisis communication strategy in banking sector. Qualitative researchers try to understand the perceptions of participants and the meanings they create from a situation (Glesne, 2011; Merriam, 2002). Multiple forms of data were analyzed in this study to delve deeper into the complex interactions and issues of this study. One-on-one interviews of the participants, who were officials and communications professionals of both the nationalized banks and the private banks, were conducted; and also the social media posts related to the crisis were analyzed. These multiple forms and sources of data strengthened this study to triangulate the data across multiple sources (Creswell, 2013).

In the qualitative research design of this study, grounded theory method, pioneered by Glaser and Strauss, was applied. Grounded theory does not begin with a theoretical framework to centre and support the research but it begins with the data and develops theory or model that emerges from a particular context (Charmaz, 2006). This requires extensive and repeated sifting through the collected data and analyzing and re-analyzing many times to identify new theories.

Content, posts, and comments on the social media platforms related to the crisis enabled in arriving at themes that could be mapped with the content of the semi-structured interviews. This led to the development of a model that is hoped to be used by banks, businesses, and individuals to guide in the adoption, effectiveness, and efficiency of the use of social media during crisis situations.

Content, posts, and comments on the social media platforms related to the crisis were evaluated to determine the social media use by the banks or individuals involved. This helped in gaining an understanding of certain issues and challenges that were addressed by the banks during the crisis. The

electronic copies and the prints were reviewed multiple times. Coding of this content enabled arriving at themes that could be mapped with the content of the semi-structured interviews. A pictorial representation was made of the major themes that emerged while coding the collected data. The trustworthiness of research is important to evaluate its worth, and it should establish credibility, transferability, dependability, and confirmability (Lincoln & Guba, 1985). Using these criteria, the needed trustworthiness and rigor were established in this study.

5. Analysis and Findings

The themes and subthemes that emerged from coding the data revealed that the banks lacked a crisis communication plan and felt a need for one.

Participant 3 said:

We did not have any plan for crisis communication. We kept responding as and when a new issue cropped up. The situation was volatile. We could only disseminate the announcements of the central bank till we internally understood the gravity of the situation we were in and planned our communication accordingly.

The 3 themes that emerged are building credibility through rhetoric, having protocol, and decentralizing the communication process.

5.1. Rhetoric for building credibility

This is one of the 3 themes that emerged from the analysis. All the participants said that they actively communicated with the stakeholders using social media platforms like Twitter and Facebook. But when faced with the unexpected crisis, they felt that they could have handled the crisis communication better if only they had a strategy in place. When asked what should be included in the strategy, most of them expressed that deliberate communication was necessary for maintaining the customer relationship. This sub-theme included information on the deliberate and continuous engagement with the stakeholders that built rapport between the two parties. Further, all of them agreed that prompt updates given on new policy decisions, announcements, and welfare schemes helped in building customers' confidence in the bank.

Participant 5 said:

Our daily updates were a way of continuing our conversations. There is positivity in the relationships, and good readership was noticed. This effort to establish a presence itself is a strategy.

He further added:

Probably through informative communication on a regular basis on social media, we were adopting a strategy of fostering relationships with our stakeholders. There were exchanges on every new piece of information shared, leading to active engagement with one another.

Relying on this trust that they built, bank PRs proactively interacted with the stakeholders on social media during the crisis.

Participant 6, for example, said:

I was aware that at that point of time when chaos was at its peak, it was the bank's social media outlets that all the stakeholders would look at. As my responsibility, I started posting as many times as possible on Facebook.

Similarly, some of the participants felt that being more prompt in responding to their issues and communicating that they are valued would go a long way in fostering relationships.

Participant 4 said:

Some customers posted photos and videos of the public's vows at various banks and ATMs. We had to gracefully acknowledge those posts and appropriately give our replies on social media.

Thus deliberate communication, prompt response, and regular updates can be the most important rhetorical strategies for building confidence.

5.2. Preparedness and Protocol

Some of the participants said that their banks had certain policies laid out informally to counter fake news and rumors on social media, and to demarcate internal and external communication.

But these policies which would guide crisis communication protocol were not written and documented.

In referring to how she handled fake news, Participant 4 said:

Social media has been of great help to us at the time of the demonetization drive because the fake news that spread during that time could be countered immediately with correct information. Prompt and quick controlling and correcting of misinformation and rumours were possible through social media because when a fake news broke out, public immediately looked for clarification on Facebook and Twitter of the banks.

Participant 3 said:

We emphasized on the need to learn facts through authentic sources and not panic at fake news.

Participant 3 said:

The news about the revealed security features of the new currency notes was tough fake news that we tackled. Our Facebook page flooded with the talk on the so-called 'nano GPS chip'. Its 'state-of-art' technology, the chip which will help locate the notes – even from underground, was too much to handle for us. The immediate response from us, in the form of posting the copy of RBI statement dismissing the rumors, yielded results but slowly.

None of the participants stated that their bank had a written strategy or policy as a guideline to follow when they responded to the crisis through social media. They had a few informal policies on aspects of social media use, such as responding to open discussions and comments. There were no written strategies and policies they could follow as guidelines on a day-to-day basis or during crises situations. Most of the participants felt that having formally written policies would help decide on the course of action in crises situations. All the staff members should be made aware of the documented guidelines and should be familiar with them.

5.3. Decentralizing

Banks, whether nationalized or private, have branches spread across the country. Unless the employees have a coordinated working style, especially during crisis, wrong messages may go into the public. Hence, a strong social media communication commitment, to engage with the local staff, is critical. Also, responding to heavy traffic of comments and queries is a herculean task. Crisis communication via social media can happen at the regional branches as well. Hence local group networks connected to the central office can receive information that can be disseminated to the public of their own regions.

Participant 6 said:

I used to receive queries on the confusing instructions given to people at different branches of our bank. That is when I realized the importance of maintaining relationships with our local staff to coordinate our messages. I couldn't suddenly expect the staff there to get in touch with me to take instructions.

If the local or regional level staff are trained and are made accountable for handling the social media posts during the crisis, the burden on the communication professionals will be reduced. A coordinated message received from the central branch can be disseminated.

Further, most participants felt that a strong relationship of cooperation with the local staff was important to receive reliable information to disseminate it from one point.

6. Conclusions

The organizations which have been following social media strategies will have loyal followers. It will have a decisive advantage when a crisis hits. Having advanced social media strategies will enable quick response to mitigate the negative impact of the crisis. Without a plan, there is bound to be a wastage of

time in making decisions that otherwise would have been made in a stress-free situation. A blueprint of the plan will come handy to quickly set out on the action with the established protocols.

A model of Strategizing Crisis Communication in the banking sector emerged from the findings and conclusions. This model is hoped to help communication professionals of different organizations during times of crises.

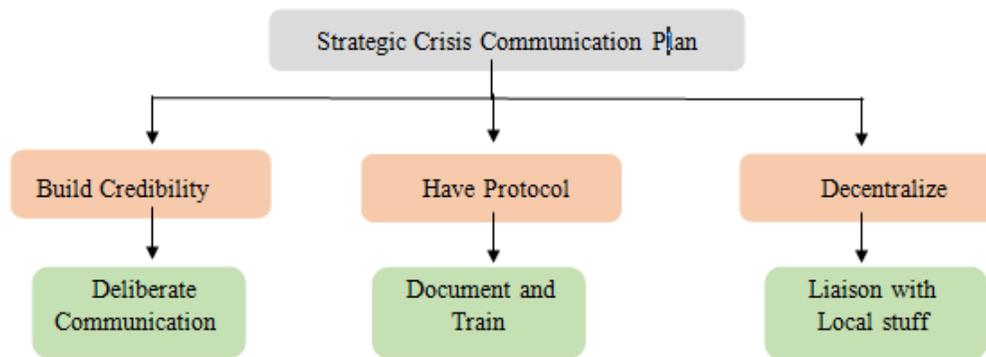


Figure 1 Model showing Strategic Crisis Communication Plan for Banks

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