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Winter 2020

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Communicating in Crisis Situations

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Abstract: Communicating technical information, especially in a crisis situation and particularly when the audience does not share the technical background, is a challenge that actuaries frequently face. This essay describes the dynamics and issues involved in crisis communications and provides some recommendations for actuaries confronting such a situation.

Keywords. Communication, crisis management, senior management

Actuaries, like practitioners in any profession that involves significant quantitative or technical expertise, have a reputation for sometimes being substandard communicators. To the extent this is true, it is probably less a matter of lacking basic communication skills, than it is the inherent difficulty in communicating technical material to audiences that generally do not share that background. Communicating in such an asymmetric environment presents a natural challenge. When, on top of this, an actuary is attempting to communicate bad news or a potential crisis situation, the task of communicating effectively is doubly difficult. We hope this essay will help actuaries to better understand the dynamics and issues involved in crisis communications.

Potentially, actuaries may confront at least two types of crises. To the extent that actuaries are executives and leaders in organizations, they may well have responsibilities in a high-profile crisis situation such as a cyberattack or an incident that somehow threatens the company's reputation. More often, though, actuaries need to operate and communicate in crises of a more subtle, actuarial nature. Many actuaries have had to deliver bad news or present and educate company executives regarding threatening situations. Just a few of many possible examples include:

- Results of an actuarial analysis indicate that the organization is insolvent, or that its financial condition is worse than had been anticipated.
- An emerging or ongoing natural catastrophe, unhedged financial risk, or other event is about to play havoc with the company's finances, operations, capital adequacy, liquidity, etc.

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- A new type of risk has emerged, and the evolving litigatory environment surrounding that risk suggests that the organization will very soon experience significant losses that were previously unanticipated and were not contemplated in the ratemaking process.

Effectively communicating in a highly technical and quantitative environment, with an asymmetry between the communicating partners regarding an understanding of and familiarity with the analytics underlying the findings, is difficult enough. Where a particularly significant or crisis-level indication is concerned, all the difficulties involved in communicating in a crisis are also piled on. Indeed, post-mortem analysis of crisis situations often reveals that communications could have been handled better. While there could be several reasons for poor communications in crisis situations, we argue that a majority of miscommunication can be attributed to two main causes. First, audiences in a crisis behave differently than they do normally, so adjustments must be made [3]. Second, we as crisis communicators often overestimate our delivery ability, which can further cause issues. In this essay, we attempt to highlight some of the major factors within these two areas, as well as offer some advice for actuaries and other crisis communicators to overcome them.

The nature of a crisis impacts individuals' abilities to process information, requiring them to alter the ways that they cognitively operate in such a situation compared to their normal approach. In these cases, crisis communicators who do not alter their messages will often encounter problems, or at the very least fail to convey the importance of their information in a way that the audience understands. The result can be a failure to take the crisis seriously, a lack of motivation to act on the information, or an under-impression of the potential impact of the crisis on the company or organization.

In terms of audience behavior, crisis communicators must be aware of three key issues. First, in a crisis, individuals tend to find themselves in situations of high stress and are often being presented with large amounts of information in a short period of time. In cases such as this, research has suggested that individuals have trouble with message retention, oversimplify the message content often missing key pieces, and misinterpret goals articulated by the crisis communicator [4], [8]. Second, a crisis represents a situation in which uncertainty is created as an individual's understanding of the world is challenged or that person's ability to predict what is going to happen next is compromised. In cases such as this, individuals often find themselves clinging to "what they know is true." This means that people will often default to long-held beliefs about the world and how it works, or "tried and true" ways of handling things instead of alternative plans or

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ideas [2]. Audience members will often reject “new” information in favor of what they have normally encountered. In cases of crisis, this would suggest that crisis communicators who present novel information or ideas, might be ignored by their audience in favor of “what has normally happened,” or what has occurred in the past. Third, feelings of uncertainty will often result in negative emotional states such as anxiety, fear, and anger [1]. Emotional states such as these have been argued to create “action tendencies” or behavioral responses in individuals, that if left unaccounted for may present additional problems with a crisis communicators message. Fear, for example, has been linked with a tendency for “flight” responses while anger has often presented an “attack” response [7]. In the context of crisis communication, this could translate into a tendency for the audience to avoid a crisis message, either by ignoring it or discounting it, or they could challenge the message, questioning its validity. In either case, heightened emotional states can cause failure in the crisis communicator achieving her/his goal by having the audience be less receptive than anticipated.

While the impact that a crisis has on an audience is problematic, so too is the way in which crisis consultants convey the information. In many cases, people who are tasked with conveying information make assumptions about both their message as well as who they are talking to, which often causes confusion or reduced understanding. Unfortunately, in the case of a crisis, these assumptions can have severely negative impacts. One particularly problematic issue – particularly for actuaries – is a communicator’s use of jargon. Oftentimes in work specializations, individuals develop and use terms that are not common vocabulary to those outside those specializations. Unfortunately, given the often-siloed nature of the workforce, and individuals being in constant contact with others who also speak with a similar vocabulary, people can often forget that these terms are not commonplace, or at the least make erroneous assumptions that “everyone else gets what I mean.” In fact, the use of jargon impedes one’s ability to effectively communicate with non-experts [5]. When conveying information to others, especially in high stress situations, individuals thus can overestimate the “simplicity” with which they are speaking. In cases where the audience is already experiencing the issues mentioned above, this can result in a speaker believing that a successful message was completed, while the audience member becomes lost or ignores what is being said.

There is an additional issue that should be of concern to crisis communicators. Literature involving primacy effects suggests that the first piece of information that people are presented with will be used to interpret and compare all future information [6]. Therefore, the first message that an

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individual is presented with in a crisis tends to carry the most weight. This significantly increases the importance of presenting not only correct information to an audience but of making sure that it incorporates the issues stated above. If the message is designed without consideration of these issues, then not only can the decision making of individuals be compromised, but how people view the crisis will also be very hard to change from their initial erroneous impression.

Taken together, the above comments suggest that, when dealing with a crisis, the actuaries and other individuals doing the communicating cannot approach the task as simply “conveying information.” By its very nature, a crisis impacts an audience, altering the way that they process and interpret information. Furthermore, some of the tendencies that speakers have, which might be normally overcome in everyday conversation, can have negative impacts when exhibited in a crisis conversation. It is important for individuals to remember that they must be simplistic and repetitive in the conveying of their information. They must be prepared to deal with audiences wanting to avoid what they are saying or challenging it. While the speaker may feel that they are speaking “plainly” they must examine their use of jargon and appreciate the experience level of those they are speaking to. Finally, while a speaker may believe that the solution being presented is logical and practical, he/she must understand that if the proposed solution deviates too much from the established norm, the audience may reject it as their uncertainty causes them to fall back on what has been done before – or, at the very least, what is comfortable and safe.

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