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Costa Concordia Crisis

Introduction

A crisis is defined as “an event that brings, or has the potential for bringing, an organization into disrepute and imperils its future profitability, growth,” and more (Lerbinger 4). The crisis of the Costa Concordia cruise ship certainly met that criteria. People were killed and injured, reputations were shattered, legal trials ensued, profits went down, and the recovery process proved to be difficult. Former CEO Micky Arison was unequipped with the proper training despite many opportunities to practice crisis management. Many organizational changes have been implemented since the incident but perhaps more need to be considered in order for the company to recover from such a devastating tragedy.

Organization and Mission

The mission of Carnival Cruise Lines & plc “is to take the world on vacation and deliver exceptional experiences through many of the world’s best known cruise brands that cater to a variety of different geographic regions and lifestyles, all at an outstanding value unrivaled on land or sea.” It was founded in 1972 by Ted Arison and fifteen years later became “The World’s Most Popular Cruise Line.” Much of this was due to 20 % of the common stock becoming public. The company began to expand rapidly. In April of 2003, Carnival Corporation created the first global cruise line operator with the combining of Princess Cruises, plc. This business venture combined 12 highly popular cruise line brands and quickly became the largest cruise line

brand in the world. This cruise empire attributes its success to its business plan of autonomy within each entity with “separate sales [and] marketing and reservation office[s]” and remaining “the industry’s most aggressive shipbuilding program” (“Mission and History”).

The company comes from the humble beginnings of Ted Arison who had no money but just a dream to make an overwhelmingly successful company. He only had a 1 dollar investment and 5 million dollars in debt when he started with his one ship in Miami (“Mission and History”). Today, Carnival has approximately 43,000 employees total on land and sea and is traded in both London and New York stock exchanges. It serves about 4.5 million customers every single year (“Carnival Cruise Line Fact Sheet”). As of April 16, 2014 the stock price is at \$36.54 at an approximate volume of 2,281,900 (“Investor Relations”).

Organizational Precrisis

Carnival has not had the best reputation in recent years with its safety and reliability measures. The chain of mishaps began in November 2010 with the Carnival Splendor. An engine room caught fire and power went out forcing emergency responders to bring supplies such as food and water aboard. It took three days for passengers to get back ashore. In February of 2013, the Carnival Triumph experienced a similar fire and also lost power stranding the crew and passengers off the coast of Mexico. Guests were stranded for five days with limited supplies and no power; many have filed lawsuits. The next month, another cruise ship’s engine failed and had to return to port. Then, yet another cruise ship’s journey was cut short when it had trouble reaching the appropriate speed (Davies). According to Coombs, “listening is what scanning for warning signs is all about” and if Carnival was listening, they should have heard these disastrous warning signs loud and clear (Coombs 25). Carnival and its entities were in a paracrisis mode in which specific warning signs had already taken place and those instances themselves could be

considered crises on a smaller scale (Coombs 26). Of the three stages of precrisis development (signal detection, prevention, and crisis preparation) it seemed as though there was only detecting (Coombs 12). No evidence was found that the company took measures to find solutions to the current problems and to assemble a crisis response team.

The Costa Concordia Crisis and Response

The most devastating incident for Carnival happened on January 13th, 2012 when the Costa Concordia hit rocks off the coast of Italy and partially sank. The incident left 32 people dead, many injured, and an extensive trial of the captain, Francesco Schettino (Davies). At 21:30 on that day, the captain had warned that the ship had to proceed cautiously; otherwise she would hit rocks. Only fifteen minutes later, the ship “hit a rocky outcrop while traveling at around 16 knots.” The engine rooms began to flood, efforts of regaining control failed, and power was quickly lost. However, the captain told employees and crew to remain calm and stay where they were. At 22:33 the alarm rang for passengers and crew to go to rescue stations and wait for instructions. A few minutes later, the ship was already tilted at a 30 degree angle and lying on a rock bed. It took many more minutes for the captain to finally tell the people on board to abandon ship and make it to the life boats. At 23:19 (only 25 minutes after the order for passengers to abandon ship) the captain made his way to a lifeboat and abandoned ship leaving hundreds of people still on board. At 00:42, “a coastguard commander ordered the captain to get back on board. He did not, and went ashore.” He refused to follow orders of the Coast Guard commander to do a body count of how many people were still on board and needed assistance; thus slowing down the rescue process and possibly risking more lives (“Costa Concordia: What Happened”).

Then, it was time for Carnival's crisis response including the "three basic rules:" being present, remaining where the action was, and to be present before the crisis occurred (Coombs 27). The day following the disaster, Carnival issued a press release committing to assistance in the situation and providing contact information in multiple countries for people to call with any questions, concerns, or information. (Dunham-Potter) However, a clear presence directly following the disaster was not made. A day after the event, Carnival Cruise Lines posted on its Facebook January 14th, 2012 page saying, "Our hearts go out to everyone affected... They will remain in our thoughts and prayers... We wish to recognize and thank the Italian Coast Guard" and all other parties involved in the rescue. However, no physical being from Carnival Cruise Lines made his or her way to the site of the incident. It took days for a spokesperson to be present (Bhasin). Afterwards, the CEO of Carnival tried to distance himself by standing down from social media (Dietrich). This contradicts the second step of crisis response. However, since Carnival already had a presence on social media sites such as Facebook and Twitter. This gave stakeholders and interested publics the opportunity to reach out for more information and discussion.

Postcrisis Phase

Remaining active in the postcrisis stage is essential because "stakeholders may still require follow-up information and updates after the crisis is officially over" (Coombs 28). The CEO Micky Arison told one source that even after the loss in market shares, the company will recover and it will take approximately three years (Jones). The ship's captain and other officers are currently in prison or in the process of the trial for the misconduct that possibly costs many people their lives (Jones). Now, Carnival is using this crisis as a "stimulus and motivation for rebuilding, [and] improving" its reputation and safety policies (Lerbinger 51). Currently, 500-

600 million dollars is being spent on improving ships, a new CEO Arnold Donald has been put in place along with other top management positions being refilled, going above and beyond current safety regulations, and is working on getting more customers (“Carnival CEO talks...”). It seems necessary for the cruise line to “change gears” at such a pressing time. Only innovation and fresh ideas will get the empire back on track.

Media Coverage

Negative feedback on the disaster itself was scarce since the incident was not directly caused by Carnival Cruise Lines. However, responses from the company were scrutinized by multiple big-name news outlets. Fox Business exclaimed that the company had plenty of opportunity and notice to create a crisis plan but it ignored to do so time and time again (Booton). Another news blog wrote that the company had “found itself in a social media crisis, brought on by – you guessed it – themselves,” in response to the lack of social media presence in the height of public questioning. Other media coverage was neutral and expressed more concern for the missing people affected by the tragedy, updates on the trials, facts about the ship, and things of that nature.

Carnival’s Response Mistakes

The first mistake Carnival made was trying to stay out of the spotlight. Since Costa Cruises directly owns the Costa Concordia, Carnival Cruises was trying to distance its name from the situation. “The CEO – the face of the company – is nowhere to be found,” exclaims one reporter. He remained in Miami during the incident and there was no good explanation given as to why he would remain halfway around the world when the biggest tragedy to ever hit the franchise occurred. When the CEO is front and center during a crisis, it makes people feel as though the company cares and is genuinely distraught by the victims of the situation. Even if

behind the scenes, he was incredibly active in the situation, the public never got to see that (Dunham-Potter).

Second, Carnival failed to supply a source of leadership off the Italian coast at the shipwreck site. It was one week until Arison sent Howard Frank, the Vice Chairman and COO, to the scene of the incident. Then, the CEO of Costa, Pier Luigi Foschi, and Arison did not arrive at the scene until weeks later. The Carnival executives were accused of “gallivanting around town at black-tie gala parties and even Miami Heat professional basketball games.” Arison wanted to avoid making any speeches and public appearances about the Costa Concordia incident to distance itself from the Costs brand and hopefully not have the disaster attached to their name (Dunham-Potter). Obviously, this did not work. Only one of approximately twenty news sources said anything about the Costs Cruises brand; it was all about Carnival.

Third, Carnival Cruise lines is placing all of the blame on to Captain Francesco Schettino as strictly a human error claiming he had taken “an unauthorized detour” (Castonguay). While the human error may be the most significant aspect to this, crisis management expert Ian Mitroff claims “it’s easy to put the finger on just one bad apple but you still have to ask, ‘what about the whole system?’” Schettino claims that Costa “condoned the close-to-shore sail-by for promotional reasons.” Carnival failed to answer any questions even after the first year of what the cruise line could do to improve safety measures and how it could improve training of captain and crew in order for these types of things to not happen again (Booton).

Carnival’s fourth mistake was denying survivors of the Costa Concordia to the one-year anniversary ceremonies. The survivors found this out through letter by Costa chief executive Michael Thamm. The accusations as to the reasons for this stemmed from respect for the families who lost loved one to the company wanting to keep displeased victims at bay and avoid a

possible confrontation. Many claimed the request was an “added insult to their both physical and psychological” pain (“Costa Concordia owner...”). Fifth, Carnival contains no updated information about the incident on its website. It is like they are trying to push the incident out of the public eye and still steer the blame from them to the Captain. This has proven unsuccessful given the heavy media coverage of the incident tied to Carnival’s name.

The Carnival Cruise team has predicted a three-year recovery time for its reputation and profitability. Micky Arison claimed that “there are a lot of great brands that have had setbacks and they’ve recovered...but the economic situation in southern Europe isn’t helping” (Jones). Failing economic situation or not, Carnivals shares dropped 15% January 16th, 2012 when the first day of trading following the incident opened. This was the most significant drop since September 2001 (Booton). Carnival is left dealing with and providing legal dignitaries to the Captain’s trial which could land him “20 years in prison if convicted of charges including manslaughter and abandoning ship...which left 32 people dead” (D’emilio). While Carnival avoided criminal action against itself by paying a hefty fine of \$1.35 million civil cases are still rising against them (Jones). The effects of this incident were noticeable throughout the entire cruise line industry such as “10 new safety policies to the unification of nine key industry groups into a global Cruise Lines International Association.” New policies may be on the way as well including “industry-led operational safety review...and lifeboat loading drills” for passengers (“How Costa Concordia changed...”).

Suggested Improvements for the Future

First, I would suggest to Carnival Cruise Lines to develop a detailed crisis plan for many probable events that face their company such as the many incidences they have experienced in the past. It is best to develop “individualized plans for each eventuality” and collaborate with

various departments to gain various perspectives (Howard 182). It would be especially wise for the company to establish who the spokesperson would be and make sure that person was being clear about responsibilities (Howard 184). The CEO (who will ideally be the spokesperson in the event of a crisis) needs to “be accessible” as opposed to distant as former CEO acted (Howard 185).

Second, the company needs to avoid placing sole blame on one person for any incident. Francesco Schettino was the captain, he did capsize the ship, and he disobeyed Coast Guard commanders to assist in the rescue. However, instead of placing blame on him Carnival should look at what the company can do to make sure an event like this does not happen again and focus on that. While the company may be making changes now, it took over a year to implement new policies and executives. Third, if another crisis of this nature were to occur, the company will need to be more respectful of the victims. Not allowing survivors of the incident join the ceremonies made people feel that the company was trying to hide something. Intentions of being respectful to one group may be seen as discriminatory and insensitive to another.

Methods to Use

Travis Kircher detailed 5 steps to handling a crisis better. First, “get a spokesperson.” This person has to be reliable to both the employees and the public in order to maintain calmness and appropriate information flow during a crisis. Micky Arison was not a good spokesperson but hopefully the new CEO Arnold Donald will be better equipped to handle unfortunate accidents. Secondly, information that has yet to be confirmed needs to be withheld until a reliable source can confirm. This will help the integrity of what the spokesperson is saying. Previously, the company has done well with not revealing false information. However, withholding too much information was Arison’s problem.

Third, a company needs to be able to “reach out to friends.” This idea of having friends in the industry to help a company and speak kind words is to help build reputation and credibility. From my research, no evidence was there to support any other companies or other entities within Carnival speaking out in support. It would be wise for the company to create stronger unity between the cruise line offspring so one with a great reputation can shed some positive attitude to one going through a crisis. Kircher’s fourth step of getting a good photograph of the incident does not apply directly to Carnival since their emergencies involve Coast Guard assistance and rescues. It would be unwise for an executive member to ride in a helicopter to a scene just to snap a photo! However, the company should consider this in case of internal conflicts such as embezzlement or employee distress. Fifth, a company needs to “make sure statements or press releases are clear.” Carnival failed to do this during the Costa Concordia. The first few press releases never mentioned what the crisis actually was. Instead, the company let the media take care of that. Carnival should have been one of the first (if not the first) news outlets for public and family information. Instead, Carnival distanced its name from the incident.

Conclusion

Publics were not fully able to trust Micky Arison as the spokesperson of Carnival Cruise Lines as a source of information and rightfully so. Arison was absent the few days following the crisis and he and other members attempted to distance the Carnival name. However, people always find out. While profits are on the way back up, a lot of work still needs to be done. Carnival is currently taking steps to advance safety features on ships and has implemented a new dominant coalition to replace the old and outdated one. Many years of further improvements will need to be made along with effective crisis management plans.

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