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## THE CHANGING ENVIRONMENT FOR CRISIS MANAGEMENT

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### ***Once is an incident; twice is a trend...and three times is an epidemic!***

The one time that management will really love the idea of media relations is when disaster strikes. As the factory burns to the ground emitting poisonous fumes across half the town, they'll shriek for you, in the fond belief that a smooth spokesperson can somehow save the day.

When you are overwhelmed by events, left in the dark about what's happening, you have to make wild guesses, and accused by journalists of incompetence, prevarication, cover-up, and lack of compassion; then they come back at you and say it's all your fault the press were so nasty.

It doesn't have to be so.

Crisis communication as a specific management discipline only really emerged in the 1980s, with most observers citing the 1982 Tylenol poisonings in the US as the first and ultimate example of the modern art. Johnson & Johnson, the manufacturers of the painkiller, emerged as heroes because of their immediate and thorough response to the injection of cyanide into some of their pain-relief capsules. They took the product off the shelves, pulled all their advertising, set up hotlines and, in short, did all the right things.

It is a sobering reflection on the still-primitive state of crisis management that people get so excited about the Tylenol incident. J & J acted nobly and correctly but they only did the things that any responsible, well-managed company should do in a crisis anyway. What they also demonstrated was that if you do the right things in a crisis you can often benefit from it. Once Tylenol had been re-introduced (in a tamper-evident packaging) and the furore had abated, both the company's share price and the product's market share recovered to higher levels than before, thus demonstrating that a crisis can become an opportunity.

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This contrasted sharply with previous crises where the standard corporate response was to say and do nothing, put up a barricade of lawyers and hope that the problem would go away. In cases like the disintegrating Firestone 500 tyres, the exploding Ford Pinto fuel tanks, and the horrific Thalidomide fertility drug which caused the birth of hundreds of deformed babies, the protection of short-term interests was perceived to take precedence over the much more important considerations of maintaining long-term corporate reputation.

“Much of the credit for the shift to sophisticated crisis management techniques has been given to the media because of the increase in

sensationalism and investigative reporting. More, it was the emergence of consumerism and the increasing power of product liability and consumer rights.’

So Tylenol heralded an era of heavily publicised corporate crises in which the world would watch and take sides. Incidents like Bhopal, Chernobyl, Exxon Valdez, Piper Alpha, Kings Cross, Lockerbie and a host of other events caught the public imagination and created a discrete art out of ‘crisis management’.

Effective crisis management is the art of protecting a company’s perceptual assets. It starts with the premise that a company *has* perceptual assets in much the same way that it has tangible assets, human assets and financial assets and that these perceptual assets have value to a business enterprise. In time of a crisis, the primary objective of any company’s management should be to protect the value of those assets.

‘There is a direct correlation between the way you manage a crisis and of the maintenance and protection of shareholder value, brand value, employee loyalty and relationships with other stakeholders.’

The damage done to Exxon’s reputation with its alleged ‘too little, too late’ approach to the Exxon Valdez Oil Spill is world famous. But the world outside the US hardly heard about the massive 300,000-gallon oil slick on the California beaches a few months later. This was because BP visibly went into immediate ‘apologise and clean up’ mode and ended up being praised by the US coastguard and the media for the speed and responsibility of its response.

These may seem like self-evident concepts, but it’s amazing how often in a crisis situation the company’s objective is simply to make the crisis ‘go away.’ The fact is that every crisis ultimately goes away and the media eventually moves on to another story. It’s how crisis goes away (rather than when it goes away) that will make the difference between the success and failure of a crisis management strategy.

There are questions to ask when assessing the crisis and formulating a strategic approach:

- **What is the crisis?** What precisely has happened? Do we all have the same understanding of the situation?
- **Is there a more fundamental problem?** Could this be the tip of the iceberg? Could this incident call into question the reputation of the whole company; the group; the industry? Does it call our safety standards into question? Could this become a broader issue?

When an El Al cargo jet crashed into an apartment block near Schipol airport in 1993 the immediate crisis facing the Amsterdam city government was that of clearing up after the crash. But the accident triggered a storm of anger over the planning policies which allowed the (low income) apartments to be sited in the flight path in the first place. The incident was the beginning of a major political disaster.

- ***Is there more to come?*** Are there likely to be more of these explosions; product tampering, etc.
- ***What is the worst case?*** Prepare for the worst case scenario.
- ***What are the audiences likely to make of it?*** Step outside the crisis and imagine what it is like looking from the outside – for the worried local community; the staff who is only just learning what has happened; the other audiences – especially the media? What would you make of it if you were in their position? Have you thought, for example, of sounding out one or two journalists to see if they regard it as a minor story or if the editor is holding the front page?
- ***What is the likely time scales?*** First: How long before the various media – daily, weekly, trade, TV, radio – start reporting the story? Is our ‘holding statement’ all they will have to publish or do we have a little time to develop a more detailed brief for them? And by when do we need to have established communication with the employees; the regulatory bodies; group headquarters; the insurers? Second: how long is the crisis likely to run – the initial burst and all the follow-ups; litigation; clean-up campaign; dealing with pressure groups and so on?
- ***What is actually at stake?*** If the worst comes to worst, what will we actually lose? How loyal are our suppliers, our customers, our shareholders – and will they stay with us in bad times? Are we panicking unnecessarily? (But don’t let a positive answer to this question be an excuse for inaction.)

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Boots produced Manoplax, a heart drug after ten years and £100 million of development. After only a few months in the market serious concerns were expressed in research reports and the company had to recall the product. Yet Boots’ share price went *up* on the news because the city’s response was to assume that the company would now have to sell its pharmaceutical division, which they had perceived as being drain on profits.

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- ***Who else is involved?*** Another party to the accident? Slack regulatory bodies? Suppliers? An extortionist? Vandals? This could affect your strategy. It might be that if you are the first to speak you will automatically be seen as the culprit. Or you may have an opportunity to focus your anger – and that of the public – on some other ‘culprit’.
- ***Can the crisis be contained?*** How can our actions help to contain the speculation and publicity as quickly as possible and stop the crisis running out of control?

- **Can we involve any allies?** Would our message become better and more credible, for example, from a trade association? An independent research department? If the MP praised us last month for being a good member of the community, is he or she prepared to say it again now? The Pollution Control Board gave us a clean chit recently – can we persuade them to put their heads above the parapet on our behalf? Often, too, you can involve your enemies in the problem and turn them into allies. For example:

Shortly after the horrific Pan Am crash over Lockerbie in 1988, ITN produced an expose about how easy it was to plant a bomb on an aircraft. They made an imitation holdall bomb using real Semtex and loads of wires so that even Mr Magoo could spot the thing on the X-ray screen – and they smuggled it through Heathrow security with a hidden camera in a second holdall filming the whole process. Once the 'bomb' was on a British Airways plane they revealed their hand and invited the authorities to comment.

Having agreed on a broad strategic approach, the next task is to address the ever-curious audiences. The key objectives in a crisis, then, should be retaining employees, retaining customers, protecting share price, maintaining the equity of brands, products and services and maintaining public confidence and support.

•The best crisis response accepts the media's role.•

There is a tendency on the part of companies when they are in the eye of a media storm, to look at the media as antagonistic, as the enemy. The media has a job to do, just like we have our jobs to do as corporate communicators and corporate executives. We need to recognise the role that the media plays, and try to shape that flow to our advantage.

Appropriate crisis communications response accomplishes a variety of things. It helps shape business and operating decisions. It focuses on the protection of reputational assets, whether those are corporate assets or brand assets. How a company behaves, how its character is manifested in the things that it does, these are the things that shape communication strategy and create a cumulative perception of how a company is managing the crisis.

The long-practiced strategy of containment of a crisis situation is next to impossible. Years ago, the first attempt would be to 'localise' the crisis. With the proliferation of media (and also advent of newer forms of media) containment strategy may not work today. And, if you don't talk on your own behalf, third parties will fill the vacuum.

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Not long after the Coode Island chemical fire had panicked the whole of Melbourne and sensitised the populace to industrial fires, a paint plant on the

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outskirts of Melbourne had a fire in the night.

Though impressive (burning paint on a large scale looks rather spectacular in the dark), there was no danger as the factory staff had started to get the fire under control. But a nearby resident called the fire brigade, which arrived accompanied by a video journalist from a local news agency. The duty manager went to tell the fire brigade that everything was alright and when he saw the reporter filming the fire, told him to stop filming immediately.

It was a quiet news night, not just in Melbourne but world-wide. So CNN were delighted to buy some footage of a blazing factory from the local agency. That morning, the chief executive of the paint company, who was on a business trip to the US, was getting dressed in his hotel room. Spotting a factory fire on the CNN world news, his professional interest was aroused, especially when he realised that it was his factory – and even more so when he saw one of his managers remonstrating with the cameraman.

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Another factor is that managing a crisis becomes as important as the crisis itself. The story about racial discrimination or product recall is only the 'day one' story. The day two story is how the company is handling the crisis. All sorts of consultants get on their soapbox, and talk about how the company is handling the crisis, usually in disparaging terms. That just exacerbates the story and keeps it alive, adding gasoline to the flames.

A lot has changed since the 1980s, when Johnson & Johnson set the standard for effective crisis management. In the 80s, most crises involved product recalls, health and safety issues, and other 'physical' problems. The landscape has widened today to include discrimination, corporate governance issues, ethics issues, sexual harassment, trade and labor policies, etc.

The pressures to do something about crisis planning are increasing, and it is a foolish company that continues to put it on the back burner. Consumerism, single-action pressure groups, legislation, product liability, class action, investigative media – they are all growing in scale and strength. Even the standards people are on the act: ISO 14004 requires a company to have an emergency response plan, which includes internal and external communication plans.

•ISO 14004 requires a company to have an emergency response plan that includes internal and external communication plans.°

•Successful crisis management is more of a psychological one than a procedural one. If you can instill the right attitudes into the senior management and take a simplistic, pragmatic approach to your crisis planning, then you will be making an immeasurable investment in salvaging and perhaps even enhancing your goodwill *when* – not *if* – you are hit by the real thing.°

*(Excerpted from the workbook of PR Pundit's workshop - Pillars of Corporate Reputation, held in Mumbai on March 29, 2000)*