Feature

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Crises of a Generation and the Lessons Learned

Why is corporate America still unprepared?

By Anne Sceia Klein

Twenty-five years after the Three Mile Island nuclear disaster, it appears that most American business organizations still remain largely unprepared to deal with catastrophic occurrences and other crises.

A professional colleague attending a conference of 160 major business executives earlier this year asked how many of them had a crisis management plan in place. Only one executive raised his hand. And that plan, as it turned out, covered only operations.

Imagine! Of 160 companies represented in that room, not a single organization had any sort of crisis communication plan in place, ready to deal with employees, shareholders, customers, the media, and the public, and to protect the company image and reputation. It was almost as if none of the major crises of the past 25 years (and the lessons they taught) had ever occurred.

This is no surprise to those of us who earn our income managing issues and crisis communication. All too frequently we are not consulted until damage control is needed or when the crisis has reached unmanageable or barely salvageable proportions. By then, as anyone who follows business news knows, it is often too late.

However, it is not just crisis communications professionals and corporate managers who need to be concerned with crisis management and its public relations implications these days. Directors and boards also need to become more personally involved -- not only for the corporate shareholders to whom you have a responsibility, but also for your own self-protection.

Added to the Board's Agenda
Nowadays it is no longer unusual to see the names and pictures of individual corporate directors in a newspaper or on the TV screen when a company gets into trouble. When that happens, it can be not only embarrassing, but also damaging to your reputation. We need only to look at the directors of the New York Stock Exchange who were put on the hot seat after Dick Grasso's compensation package was revealed. So it behooves you and your fellow directors to insist on adding crisis communication management to your growing list of additional responsibilities.

Crisis communication management helps safeguard your company's reputation and image, both of which are essential for success in the financial markets and in the general marketplace. Three Mile Island awakened the business world to the importance of having a crisis communication plan prepared for unexpected contingencies. Other major crises since then have contributed additional strategies for helping ensure success. Here are 13 lessons we have learned.

1. **Be Prepared**. The owner of the Three Mile Island nuclear plant, General Public Utilities, was caught completely unprepared to deal with the media during a potential nuclear meltdown, leading to much confusion, fear and speculation. The event made evident the need for crisis communication planning. Three Mile Island is a perfect example of Murphy's Law: If anything can possibly go wrong, it will – and usually at the worst time in the worst way.

2. **Do the Right Thing by Living Your Mission Statement.** That's what the makers of Tylenol did in 1982 when, without any advance planning, they pulled the product from the shelves of stores across the country following a nationwide poison scare.

3. **Act Promptly.** With the advent of 24/7 news cycles, the public expects instant response when trouble strikes. It took executives seven days to decide to pull Tylenol off the shelves. Today the public expects products to be recalled immediately if need be.

4. **Exhibit Leadership by Making Certain Top-Level Executives Get Involved Publicly.** Johnson & Johnson's CEO and vice president of public relations held frequent press briefings when the Tylenol scare erupted. In 1984, Union Carbide's CEO personally went to Bhopal, India, the day after gas from a pesticide plant caused one of the worst human tragedies ever. The president of Alaska Airlines responded even quicker when Alaska Air 261 crashed in 2000; his public relations counsel reported that he was on a plane to the crash site within 20 minutes after the event. These executives all won respect for their companies and themselves because they took their corporate responsibility seriously -- in contrast to the CEO of Exxon, who earned the public's wrath when he sat safely in his home in Connecticut while an oil spill from the Exxon Valdez created an environmental disaster.

5. **Tell the Truth -- Even When It Hurts.** When several deaths occurred a few years ago as a result of an incorrect laboratory test reading procedure at a Philadelphia hospital, officials made certain that patients were notified immediately, then the general public. Although hospital spokespersons could have been better prepared for their news briefings, they did the right thing in acknowledging the error. The Pennsylvania Department of Health approved the hospital's corrective action plan, allowed the fine to be put toward laboratory improvements, and reported satisfaction with the results.

6. **Don't Hold Anything Back.** Tell it all. Remember the public anger at the American Red Cross for not telling people they had collected more than enough money for the 9/11 Fund and were now silently diverting donations elsewhere?

7. **Assume Responsibility -- Not Liability.** Don't try to shift blame when things go wrong. That's what Ford and Firestone did when Ford Explorers equipped with Firestone tires became involved in a series of deadly crashes. Firestone blamed Ford for faulty specifications. Ford blamed Firestone for sloppy work. The public blamed them both.

8. **Take Action and Respond Immediately.** Be aware that improved technology and the 24/7 news cycle can make you the center of media attention in virtually an instant and, without any factual response and updates, the subject of endless speculation -- much of it likely to be negative. That was the lesson brought home by the shootings at Columbine High School in 1999. Since then, all-news channels have turned disaster subjects into a fish bowl populated by talking heads.

9. **Know What Your Organization's Policies Are Regarding Various Situations.** Know what you can and cannot say. Be aware of privacy issues. Hahnemann Hospital in Philadelphia learned the hard way during the Republican National Convention in Philadelphia in 2000 when former president Gerald Ford was taken to the hospital after not feeling well. The former president declined certain tests, asked to be released, and then had to be re-admitted. Criticism and speculation abounded. Neither the CEO nor the chief medical officer met with the media to explain a patient's right to refuse treatment and the privacy guidelines all hospitals must follow.

10. **Choose Corporate Spokespersons Carefully.** Instead of enhancing your message, the wrong spokesperson can create the exact opposite impression with the public, as Dow Corning discovered after women in 1977 began suing over the company's silicone breast implants. Forgetting that emotion always trumps logic when it comes to health and safety, the company employed the wrong spokespersons with the wrong message.

11. **Put Proactive Public Relations to Work for You.** Pepsi-Cola did just that in 1993 when public concerns arose over the process of filling Pepsi cans. The company rebutted the charges aggressively by showing film of its bottling process so customers could see for themselves that it was impossible for a foreign object to get into a can.

12. **Reach Out to Families of Victims.** Immediate, direct contact is needed with families of victims involved in a tragedy. Families need a place to stay, a place to mourn. That was a principal lesson learned when TWA Flight 800 exploded shortly after takeoff in 1996. Families complained that they did not receive timely information. They had no place to come together. Since then, immediate direct contact with families, complimentary lodging, and mourning and religious services for victims and their families have become the norm following tragedies.

13. **Recognize That Timing Affects How Your Message Is Perceived by the Public.** Earlier this year, McDonald's donated an additional $50,000 to a $25,000 fund it had set up for the families of three employees who were killed on the job two years before. But the goodwill that should have resulted from such a generous gesture was lost on a cynical public, which noted timing: It came after the family of one of the victims sued the company for her life insurance death benefits and after it was revealed that the earlier $25,000 fund was still sitting undistributed in a bank account. A classic case of right gesture, wrong time.

With corporate crises as public as the ones listed, why do so few companies have a crisis management plan, including crisis communication, at the ready?

'It Can't Happen Here'

The problem, based on my experience, appears to stem from three main reasons. The first is that some executives sincerely believe that "it can't happen here." Second, many companies appear not to know how to start or what they should be doing. Third, implementation becomes an internal conflict between "doing the right thing" and "protecting the company's vital interests." While ostensibly these goals should be one and the same, there are times when they appear to be diametrically opposed. What action should a director take? Following are six suggestions:

- First, make the decision to develop a proactive plan for working with all key audiences, especially the media, before damage control ever becomes necessary. A good proactive plan can go a long way toward building trust between your company and your key audiences, including the media. That way trust will be established when it is essential for getting your story out correctly.

- Second, plan now for a crisis. In fact, plan for every conceivable kind of crisis scenario that could happen. Plan your action steps for "doing the right thing," then prepare your communication responses to each scenario. Reactive communications without planning can result in missteps and cause even more serious consequences. Determine who within your organization will be the official spokespersons and determine how they will respond to the media should any of these incidents occur.

• Third, develop key messages and talking points for each potential incident. When responding to the media, be sure to give your key message up front before discussing or addressing other issues that may arise. If you don't get your message out first when the crisis is getting under way, you may never get it out. Knowing what you will say avoids the potential of the company sounding hostile when executives get defensive.

• Fourth, be aware that technology now makes it possible for journalists to be on the scene reporting instantly, and they will be looking for immediate answers. Working in conjunction with your general counsel, develop a pre-approved list of the kinds of information your company can provide to the media without having to clear every word while the crisis is actually under way. Take advantage of technology and immediately use your own Web site to tell your story. A segment of your Web site can be "dark" and ready for activation with an hour if necessary.

• Fifth, if your company holds disaster or crisis training drills, be sure key audience and media response is included. Drills provide the perfect opportunity for designated spokespersons to practice and sharpen their response skills.

• Sixth, recognize that as a director practicing crisis management, you may find yourself in the position of advocating a stance contrary to that recommended by your company attorneys, such as being candid in comments to the media. There may also be instances where your corporate lawyers may be legally correct in the advice they give, but entirely wrong from a public relations point of view. Their recommendations may someday help lead to victory in a court of law, but long after your company had lost big in the court of public opinion.

The McProblem
The McDonald's case cited earlier is an example. Based on news accounts at the time the suit was filed, McDonald's may indeed have been legally correct, based on a technicality, in withholding the $40,000 insurance benefit when the family contended it was due. The case may or may not have been resolved by the time you read this. But regardless of what the court decides, McDonald's has already lost in the court of public opinion. The suit generated reams of negative publicity for "family friendly" McDonald's in newspaper reports, editorials, and commentary columns as well as on talk radio and triggered hundreds, perhaps even thousands, of impromptu boycotts of the chain.

The McProblem, as it was dubbed, hardly qualified as a major crisis to the giant international food purveyor, but it is an excellent example of why companies are frequently better off to do the right thing initially rather than to follow the legal route.

This McDonald's case illustrates the kind of dilemma you may face in your multifaceted roles as a director and corporate executive when confronted with differing opinions from public relations counsel and legal counsel. It is a perfect illustration of having to choose which is more important to you and your company's reputation and image: winning in the court of law someday or winning in the court of public opinion now.

In your role as a corporate director (and as a corporate executive), you owe it to your shareholders to be involved in the decision-making process before a crisis arises.

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