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## Comunicación en la Vida Cotidiana

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## Preserving Corporate Reputation in an Emergency

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### Crisis Communications

Good afternoon and thank you. My presentation on crisis management is in two parts today. The first part focuses on the crisis environment and discusses the key characteristics common to all corporate crisis. Understanding the crisis environment and anticipating common characteristics can minimize the impact of an emergency on reputation and help preserve an organization's ability to do business. It can also shorten the period of time needed for recovery and/or rehabilitation of a company's reputation. The second part of my presentation focuses on the principles that should inform an organization's actions during and immediately after an emergency.

### Characteristics of a Crisis

The crisis environment is roundly different from normal business environment, the anxiety and disorientation it produces may lead to flawed strategies and delayed decisions and short-sighted responses. Consider how executives perform their jobs under normal circumstances. Before they make key decisions, they assemble all relevant information. They can conduct research and consult with experts, trusted advisors and colleagues.

They spend the necessary time to gather information and deliberate over alternatives. To a large degree, the process unfolds in private, absent significant outside scrutiny.

By contrast, in a crisis there is very little reliable information at hand. There is, instead, misinformation, speculation and rumor. Time and the pace of events are dramatically accelerated. Critical strategic decisions must be made in hours, if not minutes. There is little or no time for deliberation.

The experience of action and reaction is almost instantaneous. And there is intense scrutiny from the outside from the media, customers, investors, regulators and other officials.

None of this can be prevented. Quite the contrary, this is the reality that a company must confront in a crisis. However, to the extent a company can anticipate and understand this radically different environment, modify its behavior accordingly, and exert control over the pace of events, its crisis will be easier to manage. While each crisis is unique, there are certain characteristics common to all. They are:

### Surprise

Surprise.

More than any other, surprise is the characteristic that distinguishes a crisis from any other serious business problems. It is the principle cause of initial dislocation and delay in assembling an adequate response. Most often the surprise comes from some outside agent the media, customers, law enforcement further adding to

the sense of dislocation. Initially, at least, it is most likely someone outside the organization will know much more about crisis than insiders.

For example, Union Carbide officials at headquarters learned of the disaster at Bhopal between 5:00 AM and 6:00 AM Eastern Standard Time. All were at home, preparing for work. First word came via the media. Johnson & Johnson learned of the Tylenol poisonings from police in Chicago.

Perrier learned its bottled water was contaminated with benzene via a phone call from North Carolina health inspector who had used a Perrier sample to calibrate his municipal water testing equipment.

### **Lack of Information**

As noted, there is very little reliable information in the first hours of a crisis. The information vacuum is often filled with rumor, speculation or worse, self-interested depictions of what went wrong.

Unfortunately, what a company does and says in the first 24 to 36 hours after initial media reports will largely define how it is perceived to be managing its crisis.

This is also the time when executives learn how impractical it is to apply the simplistic but nonetheless widely circulated counsel to "Get all the information out as quickly as possible". The first statements from an organization in crisis will be widely reported and must be based on quality information, not conjecture.

### **Intense Security**

Each of a company's key external constituencies will demand to know: -What happened? -Who is to blame? -What is the company doing to ensure the problem will not recur?

Generally, every crisis will produce demands for information and reassurance from: -Reporters, who face strong competitive pressures to be first with the most in depth story on an emerging crisis -Regulators, who may be culpable for a failure of oversight -Investors, who fear financial impact of the crisis -Customers, whose level of concern will be a function of available competitive alternatives. Other external constituencies such as neighbors, suppliers, competitors will require information/reassurance according to the nature of the emergency. For example Union Carbide fielded more than 400 calls from reporters around the world by 11:00 AM the first morning, but they had still not established their own communications link to any Union Carbide employee at Bhopal. In fact, they had seen only media reports by 1:00 PM when Chairman Warren Andersen stood up and addressed over 200 assembled reporters at headquarters.

### **Escalating Flow of Events**

Executives in crisis often perceive that events are moving quickly beyond their control, that outside forces are defining their agenda for corporations during a crisis: Politicians and the media, two groups which are good at working in an environment that is characterized by surprise and lack of information. Reporters, especially, thrive in such an environment.

After the Exxon Valdez disaster, the media featured extensive comment from politicians from Valdez, the state of Alaska, the federal government and interest groups, who began defining the terms of a satisfactory clean-up long before Exxon had defined what had happened and what it would do.

Surprise, lack of information and an accelerating pace of events are a dangerous combination. Taken together, they define the external reality of a crisis.

### **Loss of Control & Panic**

Predictably, when confronted with the reality of the crisis environment, there arises a sense that the situation is out of control. A siege mentality takes hold and decision making becomes all but impossible. Delayed response intensifies scrutiny and demands for action. Unless the spiral is broken panic takes hold. "Short Term Focus"

Strategic decision making is impossible in a panic environment. All decisions take on an extremely short term focus. Most product recall decisions, I suspect, are made in this panic phase. In place of strategic

decision making, discussion tends to revolve around tactical issues and take on a distinctly retrospective quality, focusing on what happened, not on what led to the contamination and recall of their sparkling water. Credibility was at an low point.

In most of their markets they were being criticized for over-reaction and an ill-considered recall while in the US health conscious consumers were being alarmed over media reports about possible carcinogenicity. Still, on the sixth day the entire crisis management team was fully engaged in a discussion with a hydro-geologist. They were learning how gas and water permeate the rock under the Perrier source. The discussion was detailed and complex beyond the expertise of all but one or two people in the room.

While the issue of hydro-geologist was important, it, and similar issues occupied management's time to the exclusion of more strategic issues such as product re-launch plans.

Such short-term, retrospective, tactical focus was a function of the panic that had gripped the organization since its decision to recall the product.

## **Communication in a Crisis**

The second half of our discussion will describe some of the key principles of crisis management.

### **Key Principles**

These are not "rules". While many crisis management consultants describe "golden rules" of crisis management, those who have experienced actual corporate emergencies recognize that there is single no prescription for minimizing damage to a reputation.

These principles are distilled from a range of crises observed and analyzed over the years. Many reflect a common sense approach and might appear obvious now. They may not be so clear in a crisis. They are meant to suggest a framework within which an organization can make decisions. But trying to apply each principle to every crisis is a waste of time.

### **Define The Problem/Set Objectives**

The first principle is to define the real problem and set achievable objectives. Given the environment described earlier, it is clear how difficult this can be.

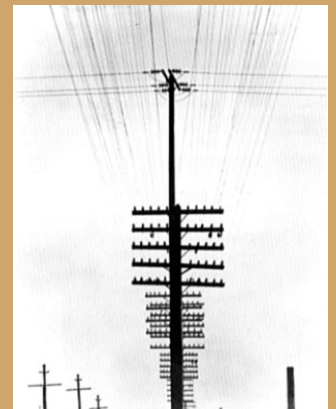
The popular impression of corporate crisis management is that two crises the Johnson & Johnson Tylenol poisonings and the Exxon Valdez oil spill mark the high and low points of crisis management efforts. The simplistic assessment is that J & J did well and Exxon did badly in their respective hours of trouble.

But the assessment fails to account for the underlying circumstances of the crisis. Johnson & Johnson along with the people who were poisoned with contaminated capsules was the victim of a crime. An Exxon tanker, operated by an Exxon employee, ran off course, crashed on a reef and spilled millions of gallons of crude oil. One of management's first tasks must be to define achievable objectives for its crisis management effort in light of the underlying circumstances.

Two examples from Exxon and Johnson & Johnson should illustrate the point:

Exxon Corporation maintains that they followed textbook crisis management procedures in Valdez. They were open and accessible. They held press briefings two and three times a day through the first ten days of the crisis, and thereafter, whenever necessary. Exxon answered any reporter's questions no matter how many times it was asked. They issued reams of background material on their operation at Valdez and on what they were doing about the cleanup.

They spilled millions of gallons on top of thousands of gallons of oil. But they never overcame the visual impact of the oil-soaked otters which appeared on the covers of Time, Newsweek, US News & World Report, and on television programs around the world.



They attacked a visual problem with a verbal solution. They did not adequately define the communications problem. Nor, it would appear, did they adequately define their crisis management objectives. Suppose their objective had been to position themselves as responsible and leading the clean-up effort, a role the circumstance forced on them in any case.

Exxon also hired hundred of boats and thousands of workers to clean up Prince William Sound. Workers scrubbed the beaches and boats transported the crude that had been gathered. But nowhere was there a visual reminder that it was Exxon that was responsible for clean-up operations.

Suppose that they had put an Exxon logo on every single rainslicker and boat. It wouldn't have made the problem go away or made Exxon heroes, but it would have visually associated them with a solution not just the problem.

That is what is meant by defining the real crisis management objectives.

Johnson & Johnson is credited with defining how an organization should respond in a crisis. The Tylenol case is taught in business schools around the world. Instincts, intuition and heartfelt expression of concern contributed to the successful management of the crisis.

But the management team also armed themselves with quality information. Johnson & Johnson commissioned daily consumer research on the awareness of and concern over the Tylenol situation. They also measured consumer willingness to try the product again.

The research suggested the timing of the product relaunch, some eight weeks after the initial poisoning, at the point where consumer concern about the problem roughly matched willingness to try the product again. Research also determined that consumers did not fear contamination from a Johnson & Johnson plant or that non-aspirin pain-relievers as a class were somehow unsafe.

Consumers were concerned about packaging. How was the product packaged? And how could they be sure that something like this would not happen again? Thus, the entire weight of the re-launch message focused on the three tamper-evident seals in place in the new packaging. Research gave Johnson & Johnson a higher level of confidence about their ability to act, it helped define the problem, the action, the timing and the message.

### **Centralize Flow of Information**

Speak through one, authorized spokesperson, who is credible, has the facts and has the full support of the organization. How a company manages the INFLOW of information during a crisis affects the quality for decision making and the speed of a response.

We noted that in the initial hours of an emergency outsiders may know more about the problem than insiders. Reporters may have information which the organization can use. In addition to noting who called, the name of organization, phone number and deadline, one must listen on a more sophisticated level to discern whether the questions contain potentially valuable information.

At the same time, companies must guard against adopting the media's vocabulary and descriptions of the situation. This may become an issue after repeated viewings of the same videotaped news reports or readings of press clippings.

The company must also manage information from reliable experts on the scene. As noted, initial reports from involved executives may be colored by self interest. One reason for dispatching a headquarters team to the site of a remote emergency is to obtain an objective assessment of the situation. "Assume the Worst Case"

An earlier presentation noted the need to balance the desire to issue reassuring statements with the potential for subsequent litigation if the reassurances prove unfounded. From a communications perspective, unrealistically optimistic assessments, especially in the early hours of a crisis may also undermine a company's credibility. Credibility is the cornerstone of any effective communications effort.

Therefore, assume a worst case scenario.

After the Bhopal disaster, Union Carbide managers at a plant in a town called Institute, in West Virginia, which had the same engineering, same design, same relative age and same product line as the plant at Bhopal, insisted that the tragedy in India could not be repeated in Instituto.

Unfortunately some six weeks later, something similar happened at Instituto. A toxic emission blew over the town, irritating people with sensitive eyes and throats. What would have been a local story, if it had made it to the press at all, became an international story. The story quickly undercut that credibility Union Carbide had been building back since Bhopal.

Formulate answers to hypothetical questions about what else went wrong. Develop answers that are less categorical and a little more qualified. Be sensitive to the anxieties of about Desert Storm, echoed an axiom of military science when he said, "I discount 85% of every initial situation report I get from troops in combat. I always plan on things being worse than first reports indicate."

### **Organize a Dedicated Response Team, Depend On No One Individual**

A crisis management team must have the responsibility to devise a response strategy and as important the authority to direct its implementation. It is essential that the crisis team chain of command reach high enough in the organization so that decisions involving basic business strategy can be reached quickly. The crisis team must focus exclusively on the issues at hand for as long as needed. Diversions or other responsibilities must



be subordinated to the resolution of the crisis. Often the roots of a crisis are ultimately traced to the negligence of one, two or a small group of individuals who are closest to the scene. Ironically, in the very early hours of a crisis, those are very often the people the organization relies on for an explanation of what went wrong. However, those explanations are likely to be shaded by self interest, highly interpretive and exculpatory. They will reflect the interests of the people who are making those explanations. It is critically important to make sure those explanations are balanced against others who are removed from the incident, but share a similar level of expertise about the problem. Select a spokesperson based on ability to communicate concern, not on seniority or title. Companies are often advised that their chairman must be the spokesperson in a crisis, the better to demonstrate that the company considers situation serious and is giving it attention at the highest

levels. Unfortunately, the chairman is not a theoretical being. He is a flesh and blood person who may or may not be an effective communicator, especially on television. A chairman who appears nervous, evasive or indifferent may do more harm than good.

### **Understand the Media**

Some reporters are not interested in explanations, especially when they are long and complex. Reporters are more interested in placing blame and getting whoever is speaking for that organization to respond in a verbally and visually interesting way. Well-rehearsed executives are taught to be very bland in an encounter with a hostile reporter. It doesn't make good television. It's not visually interesting, but it may help minimize damaging media coverage.

Do not attempt to rationalize problems for reporters. After a crash, airline executives may say, "We've flown 100 billion passenger miles without an accident", this takes a situation out of context and may be perceived as an attempt to minimize the seriousness of the crisis. Instead, use the media opportunity to express concern and to describe what actions the company is taking to manage the crisis.

As with other audiences, reporters want to know: What happened? How did it happen, and most important, What are you doing to make sure it doesn't happen again?

Realistically, the answers to those three questions in the early hours of a crisis are going to be very limited. That does not excuse delay in responding to the media. Effective communications requires that the best informed member of a crisis management team focus on those three questions in preparation for all communications about the particular problem.

### **Remember all Audiences**



While the media are the most demanding audience, this does not mean that all of an organization's communications resources should be devoted to them. Any organizations that relies exclusively on the media to tell its story during a crisis is making a critical mistake. Messages must be consistent from audience to audience. Emphasis may change, but the core message must be the same. The alternative, different messages for each audience, risks confusion and contradiction. Keep it simple.

Technology today allows an organization to communicate comprehensively to virtually any audience in the world, with speed comparable to the media. Multiple faxing capabilities, e-mail and voice mail networks, electronic bulletin boards, advertising and closed-circuit broadcasting networks enable companies to reach far-flung audiences of employees, customers, investors around the world.

Part of a thorough crisis preparedness effort includes assigning responsibility for identifying and accessing technological alternatives in an emergency. This applies especially external constituencies which, as noted earlier, appear to be setting the organization's agenda. Emergency services people, politicians, neighbors, and members of the community, all of the people who are going to be commenting on the crisis. A front page story from the Wall Street Journal about overcapacity in the refining industry illustrates the point. The story notes that maintenance has generally slipped throughout the industry, creating safety concerns. The first person quoted is the chief of the fire station immediately outside one of largest refineries in Texas not a plant manager or safety engineer. And the fire chief says, "they keep a pretty tight lid on things over there. I haven't been in that plant for one and a half years".

If there is an accident at that refinery, the chief will be the media's principal source of information about that refinery's problem. It is important to communicate directly with emergency services people because they will likely be media sources about the problem.

## Summary

In summary, let me say that I hope that you never have occasion to use any advice about crisis management. But if you do, remember.

Anticipate the pressures and strains of the crisis environment and their effects on decision making. Define the nature and scope of the problem.

Set reasonable objectives for crisis management efforts.  
Develop a consistent set of messages for all constituencies.  
Anticipate a worst case.  
Adopt a team approach to problem solving.  
Understand the media Remember all of your constituencies.

Thank you.

## Créditos Fotografías:

"Poste con cables" [Tina Modotti](#), 1925.

[Regreso.](#)

"Cañas" [Tina Modotti](#), 1925.

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