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## CRISIS MANAGEMENT

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***Communication is the core of crisis management. During a crisis, lack of information and erroneous information exacerbate the situation by creating another crisis: a crisis of perception***



Is your brand prepared for a public relations disaster? When something goes wrong - a fire, a theft, a strike, a sexual harassment suit - knowing who you are is at least as important as knowing what to do.

Broad-minded marketers endlessly focus on keeping their organisational identity up-to-date: rethinking what they do and whom they help, thereby establishing a baseline promise. Everything the organisation does communicates this promise. Managing the promise, and ensuring it remains relevant, is the management's most important job.

When a PR crisis emerges (and it will), the public will listen to your point of view, assess your values, balance those values against your track record, and judge you as an organisation.

Controlling how people think in a crisis is impossible. The best way to be judged fairly is to be prepared: establish your identity in peoples' minds before problems strike. ***The more thoroughly embedded their perceptions, especially with respect to credibility and trustworthiness, the more likely the organisation will weather the storm.***

Today's public expects good citizenship. Exxon felt the consequences of defying this implicit social contract in 1989 when one of its tankers, the Valdez, ran aground in Alaska's Prince William Sound. Up to that point, the company had excelled at product marketing but had invested very little time in thinking about what the sum of those products meant to its overall corporate identity or its relationship to the consumer.

As the environmental tragedy resulting from the oil spill became a public issue, Exxon management's silence and, later, their criticism of the non-Exxon clean-up crews, made a poor impression.

The public was disappointed that Exxon didn't promptly accept responsibility for the disaster. They were judged, first by *vox populi* and later in court, for breaking their promise, and became the butt of jokes. Fourteen years later, the memory of Exxon's response - more than the incident itself - is what haunts the Exxon brand.

Exxon might have considered Johnson & Johnson's handling of the 1982 Tylenol case as a model for protecting its consumers, its broader community, and its stature. That year, tampered bottles of Tylenol began showing up on Chicago store shelves. Police and Tylenol officials were confident that the security breach was limited to just a handful of local stores, but the company quickly decided to recall *all* Tylenol products from store shelves *everywhere*. In so doing, Tylenol admitted that if their product was involved, then the company would be responsible for protecting the public. Healing, after all, is the core attribute of its brand, and Tylenol lived up to that promise, for which it has been amply rewarded.

***Tylenol understood where its brand impacted with the public while Exxon did not  
To have presence of mind like Tylenol, organisations need to examine where their brand meshes with their stakeholders needs***

So what could lay waste the input of thousands of crores of rupees, years of strategic planning and the hard work of a few hundred thousand workers? Well known global crises - the Union Carbide gas leak in Bhopal that killed and maimed thousands, Johnson & Johnson's Tylenol crisis in the US, Exxon Valdez oil spill - are merely some examples.

For corporates, trouble is a dirty word. Ask senior executives a question on why a 'problem' arose, and chances are you will have a defensive management totally at sea on how to deal with the situation. Crisis planning helps anticipate risks and threats, evaluate internal crisis procedures and draft plans as needed. Companies trying to adopt best management practices are fine-tuned to the global consequences of their every action and helping top-level executives communicate effectively with the public.

People's spontaneous ideas about what constitutes a crisis are quite varied and include disasters (when a lot of people are killed), long-term unresolved problems such as drugs misuse, as well as high profile events that engage public awareness and concerns.

In 1979, the nuclear power plant malfunction at Three Mile Island created a meltdown for the entire industry. In 1984, the tragedy at Bhopal left Union Carbide reeling. Common to both disasters was ***striking miscommunication to the public***. When the local utility involved in Three Mile Island did not offer an immediate response, rumours and fears mushroomed. And when Union Carbide blamed the Bhopal tragedy on local management, *The New York Times* publicly lambasted "Union Carbide's defensive posture and faceless approach."

***Of course, catastrophes have disastrous consequences — no matter what.  
Sometimes nothing can change these..  
But the way in which a company communicates a crisis to the world affects the public's perception of the company — and the industry as a whole***

Developing a solid working relationship with the media before a crisis and sharing information with external publics are critical crisis management activities. Good external communication in a crisis can result in favourable public perception, leading to an improved corporate image. But this, of course, depends on the nature of the crisis.

**Organisations that feel threatened tend to limit the amount of information they process and communicate. This typically leads to negative public perception and the belief that the company is**

Recognising that crises can provide opportunities is crucial to balancing an organisation's external communication practices. Furthermore, by communicating a balanced perception of a crisis, the organisation is more likely to sway public opinion and dispel false rumours about the severity and ultimate consequences of the crisis.

Emergency situations arise from a wide variety of natural and man-made events ranging from earthquakes and hurricanes to domestic disturbances and terrorist strikes to nuclear power accidents and airplane crashes. Information about these events can be disseminated by several means, but one of the most important channels for communicating information about emergency situations is the modern mass media. Despite reservations that may be expressed about their ability to play the role of an impartial communicator, the media transmit considerable information about the circumstances and hazards of emergencies to a wide audience.

The media play a key role in determining the public's response to a given situation too, especially in an emergency.

## **How to do it and HOW NOT TO!**

### **The Johnson & Johnson Tylenol Crisis**

This is one of the most celebrated public relations victories that took place in 1982 and discloses how Johnson & Johnson handled the random poisoning of a few capsules of Tylenol, which killed seven people in Chicago. **J&J** waged the recall of 31 million bottles, debuted new tamper-resistant packaging and fielded a blitz of press coverage.

Before the crisis, Tylenol was the most successful over-the-counter product in the United States with over one hundred million users. Tylenol was responsible for 19 percent of Johnson & Johnson's corporate profits during the first 3 quarters of 1982. Within several days of the crisis, the Tylenol poisonings attracted national media attention, setting off a nationwide panic of sorts. Consumers around the country took boxes of Tylenol back to stores, demanding refunds or asking for replacement painkillers. Many people threw away whatever Tylenol they had on hand. Poison control centers were flooded with calls from frightened consumers. Financial experts

predicted J&J would suffer a serious loss; some marketing experts predicted that the Tylenol brand would not survive.

***The Johnson and Johnson Company, led by James Burke, reacted with perhaps the most-admired crisis response in corporate history.***

***The first part of the response was an immediate announcement that all Tylenol on the shelves nationwide would be removed immediately. The company would take whatever short-term loss was necessary to assure customers that no tainted Tylenol would remain available for sale.***

***This strong statement that the company would "do the right thing" created immediate and widespread sympathy for Johnson and Johnson.***

Johnson & Johnson's skillful handling of its product tampering crucible was impressive – even more so in a period when it didn't have access to tools such as the Internet, which can be very helpful in managing today's crisis situations.

Its open approach to the crisis, and its willingness to accept responsibility and take quick, decisive action contributed to Tylenol eventually regaining consumer confidence – and 95 percent of the market share it held prior to the poisonings.

The company won praise for its quick and appropriate action. Having sidestepped the position others have found themselves in - of having been slow to act in the face of consumer concern - they achieved the status of consumer champion.

The second part of the response, and the more relevant part to the topic here, was the decision by Johnson and Johnson to re-engineer every sale of Tylenol. Today, every bottle of pills has a plastic wrap around the outside of the bottle. Customers can examine this unbroken plastic before they buy the bottle. In addition, every bottle has a foil seal inside the cap. This foil proves that nothing (such as the syringe that earlier had contaminated the capsules) has penetrated the protected area where the medicine actually resides. Inside the bottle, the medicine exists in tamper-proof caplets or tablets, rather than the earlier capsules into which the poison had been injected.

In short, Johnson and Johnson built trust into every transaction. Customers use their own senses to reaffirm that the Tylenol is safe. They touch the plastic wrap, they open the foil seal, and they take a tamper-proof pill. Many people will choose a safety-wrapped bottle instead of a traditional bottle of pills that lacks the safety wrap. Tylenol regained its market share within six months of the crisis, and it remains a trusted brand today. One of the biggest crises in consumer confidence became one of the greatest successes.

### **Union Carbide tragedy in Bhopal**

In 1984, over 2,000 people were killed by a release of methyl isocyanate (MIC) at Union Carbide Corporation's Bhopal, India plant. It was the worst industrial accident in history. From the beginning, Union Carbide evaded responsibility for its actions. It tried to exculpate itself by inventing a "sabotage" theory. To shirk its responsibility and avoid justice, Carbide (now merged into Dow) manipulated legal systems, judges and governments instead of going to the people with the truth.

Within the first 48 hours of clarifying its position on Bhopal via an e-mail release, public opinion swept into action and Carbide received messages from around 300 citizens, journalists, and shareholders. Some of these shown below express the sense of public outrage– opinions that caused irreparable damage to the company.

To: press@dow-chemical.com

**Subject: Re: DOW ADDRESSES BHOPAL OUTRAGE, EXPLAINS POSITION**

*Wow Dow, did you send me the above-referenced email, and if so why? The contents are an indictment of your company, and in no way absolve Dow nor justify Dow's position. The argument made is that the financial interests of corporations in general, and yours in particular take precedence over the suffering for which they are responsible. Instead of taking responsibility you offer this rationalization and call it "clarity"! May I suggest, if this email is genuine, that you save even more money and fire your PR department.*

*Right is right. If you made the mess, it IS your job to clean it up. Most of us learn this in kindergarten. It's part of the Golden Rule. Or do you have different rules you play by (apparently!), and if so, who gave you the right to decide when you would and would not take responsibility for what YOU (and no one else) DID?!?!?!?*

*I am shocked, appalled, horrified, sickened and disgusted with you. I guess "corporate responsibility" is the biggest oxymoron of them all. Rest assured, you will never receive a dime from me as a customer. I will make sure I boycott any company that has any connection to yours.*

*You and most corporations are poor excuses for human beings. Do you really consider \$300 to \$500 compensation for a person's life??? Why don't you admit you're at fault and do the right thing? I once owned Dow shares and I'm really glad I sold them years ago. Your loyalty to the other corporations is akin to the Mafia's loyalty to its "family".*

*As a Dow retiree, and a Social Activist, a lot of correspondence has come across my desk that has made me either shake my head in disbelief or feel a huge sense of outrage, and in some cases both. So when I say that this bit of corporate spin is the most irresponsible, reprehensible, and nauseating piece of whitewashed corporate-speak that I have ever seen, I speak from truth. And it makes me ashamed of my long association with the company....*

Union Carbide Corporation's experiences provide a perfect example of the domino effect a crisis can have. After the 1984 disaster in Bhopal, India, the company's stock became severely undervalued, leading to a hostile takeover effort and, ultimately, elimination of thousands of jobs and the sale of company assets.

The Tylenol crisis is without a doubt the most exemplary case ever known in the history of crisis communications. They effectively demonstrated how a major business has to handle a disaster. If you compare Carbide's behaviour with that of Johnson & Johnson, you would find that corporations could remain profitable, even highly profitable, in the long run by sacrificing short-term profit for moral and ethical reasons.

### ***Crises - what current research reveals:***

- Crises affect consumer buying habits
- People are most frequently angry about crisis situations when the company refuses to accept blame or responsibility (76%), when the crisis could have been easily avoided (72%), when the company supplies incomplete or inaccurate information as a response to The problem (71%), and when the company places corporate profits ahead of the public interest (70%)
- 80% of potential disasters are people-generated
- 68% of crises are created by management, 19% by employees
- In general, people-caused problems leave a trail of early warning signals well in advance of the actual crises
- 69% of business crises are "smouldering," 31% are "instantaneous"
- Organizations prepared for a crisis recover 2-3 times faster, with significantly less financial and human cost than those that are unprepared

***Sources: Institute of Crisis Management, Porter Novelli***

### **NASA does it right**

The people at NASA deserve a lot of credit for the way they handled the Columbia tragedy. Top NASA officials made themselves available, and they answered every question about the break up of the space shuttle and the loss of the seven astronauts.

Not long after Columbia was lost, NASA put up a special section on its web site devoted to the incident. The site contains up-to-the-minute information, and also provides detailed instructions for people who may find pieces of the orbiter's wreckage.

When reporters showed up at NASA facilities in Cape Canaveral and in Houston, PR people met them and answered their questions. The reporters were agreed on the fact that they had not been able to find any indication that NASA has evaded a question or hidden behind the "ongoing investigation" dodge.

This is significant, because this was not the way NASA handled things in 1986, when another space shuttle, Challenger, blew up not long after it left its launch pad, killing another seven astronauts.

One of the first things NASA did back then was impound the film from more than 100 video cameras that recorded the shuttle's takeoff. Of that number, about 60 were cameras owned and operated by various newsgathering organisations. NASA acknowledged that the video seizure was probably illegal, but it did it anyway.

NASA imposed what amounted to a news blackout. Reporters who showed up at Cape Canaveral on the day of the Challenger tragedy were told they would have to get their information from NASA's Washington, DC headquarters. In the weeks that followed the crash, reporters were told almost nothing. NASA withheld pictures of the Challenger's crew cabin and the tape of the crew's final comments. A federal judge later overturned the decision on the tapes and they were finally made public.

William Green, a Duke University journalism professor who had earlier worked for NASA as deputy assistant administrator for public affairs, commented that NASA "made a mistake by not being as open as possible." The press, he said, might be expected to treat NASA in a less favourable fashion in the future because many members of the media felt NASA had mistreated them.

NASA gets its money from Congress  
That funding is dependent upon **the public's perception** of how NASA does its  
job  
That public perception is based in no small part upon what it reads in the paper  
and sees on television  
Ignoring the media, or blowing them off, are self-defeating strategies.  
Answer the phone when the media calls. And tell the truth.

### **The Breast Implants Scandal – a case study in the mismanagement of public information during an emergency situation**

In the annals of business ethics, the fall from grace of Dow Corning Corporation was particularly precipitous. It was one of America's 100 most profitable industrial companies and its high-level Business Conduct Committee, which dated back to the 1970s, was considered an industry model. It conducted annually some 25 face-to-face audits worldwide with employee groups. More than 90 percent of Dow Corning employees considered the company "highly ethical," according to a 1988 company survey, an exceptionally high rating.

#### ***That was all before the silicone breast implants scandal.***

Even though the health hazards associated with the silicone implants came to light gradually, over years, the defining moment for John E. Swanson, then manager of internal communications and the sole permanent member of the company's Business Conduct Committee was a June 1991 story in *Business Week* magazine (dated June 10, 1991). This was the first article that alleged that Dow Corning concealed documents about the product's safety. It was the first time the company's ethics were questioned in a public way.

The article alleged that silicone breast implants could deteriorate and leak, wreaking havoc upon a woman's immune system. The company had long maintained that the implants it manufactured through Dow Corning Wright, its subsidiary company, would last a woman's lifetime. At the time of the article, approximately 1.5 million to 2 million women had had silicone breast implants. It was the third largest form of cosmetic surgery after nose and liposuction operations. Nevertheless, *Business Week* alleged that the industry had known for a decade that the implants could be a threat because of animal studies that linked implants to cancer and other illnesses.

The issue came to a head at a Corporate Board of Directors meeting on June 10, 1991. The board met. The breast implant controversy was discussed. Unfortunately, the board decided to stay in the business since the company apparently believed that to suspend production would be to admit the product was dangerous and would invite further legal action.

The result of Dow Corning's decision *not* to suspend manufacture was to exacerbate a situation that eventually was to result in approximately 12,000 lawsuits by early 1994 and a proposed \$4.25 billion global settlement. (The mass settlement included other silicone implant manufacturers as well as suppliers and doctors.)

***The company's reputation suffered grievously. By March 1992, the common view of the company in the public mind was that its devices were not safe,*** that it had covered up evidence about their safety, that it was insensitive, and that its actions amounted to a 30-year medical experiment on women who were uninformed as to the risks.

***Then there was management's inability to gauge the public's perceptions, too.*** Dow Corning's position was and is that all the scientific evidence was still not in

regarding the safety of silicone breast implants. Technically, this is correct. ***But meanwhile the company was "losing the battle in public opinion." It was seen as a callous corporation, indifferent to the plight of its product's end users.***

If the company had stood up and admitted its mistakes and said, "We have to make them right," the media would have lacked the incentive to keep digging unrelentingly into the company's past. The company's stonewalling in the affair only encouraged further media scrutiny.

Dow Corning could have "stepped up" to the issue decades earlier when it was known that women who were users of the product weren't getting all the information needed to make informed judgments. Why did the company think that it was sufficient to provide information only to the plastic surgeons who inserted the devices? What assurance did the company have that women were getting information from the plastic surgeons?

On the other hand, there was positive public perception of the successful handling by Johnson & Johnson of the Tylenol poisoning issue.

Effective communication during crises is a key component of successful management and lessening of critical events. There are always critical information demands from employees, their families and friends, customers, suppliers and vendors, local and national news media and the local community. These demands for information occur when stress is high, time is short and information resources may be limited. During crisis events, businesses (as well as many security staff, managers and employees) will face aggressive questioning and coverage by the local and national news media.

Prudent organisations establish suitable media skills training in today's high media scrutiny security environment.

### **Crisis Response Strategies used by Johnson & Johnson**

Johnson & Johnson employed a *Forgiveness* and *Sympathy* strategy for their crisis. The forgiveness strategy consisting of Remediation and Rectification, seeks to win forgiveness from the various publics and create acceptance for the crisis.

Remediation offers some form of compensation to help victims of the crisis. Johnson & Johnson provided the victim's families counselling and financial assistance even though they were not responsible for the product tampering. ***Negative feelings by the public against Johnson & Johnson were lessened as the media showed them take positive actions to help the victim's families.***

Rectification involves taking action to prevent a recurrence of the crisis in the future. Johnson & Johnson's development of Triple sealed packaging is an example of rectification. They also developed new random inspection procedures before the shipment of Tylenol to retailers.

Sympathy strategy was a big component of Johnson & Johnson's crisis communication strategy. Sympathy strategy wins support from the public by portraying the organisation as the unfair victim of an attack from an outside entity. Johnson & Johnson's willingness to accept losses by pulling the Tylenol product developed sympathy with the public.

The Johnson & Johnson Tylenol crisis is an example of how an organisation should communicate with the various publics during a crisis. The organisation's leadership set the example from the beginning by making public safety the organisations

number one concern. This is particularly important given the fact that Johnson & Johnson's main mission with Tylenol is to enhance the public's well being or health.

While it is vital to have a crisis communication plan, crisis communication effectiveness depends on a combination of saying the right things in the right way. What is said should be meaningful, appropriate and responsive to both the situation and the specific questions posed by the news media. However, even though professional delivery does not compensate for lack of content quality, delivery can still make or break the effectiveness of messages to the media.

***Effective Media Relations  
Communication Techniques***

*Honesty  
Concision  
Clarity  
Accuracy  
Precision  
Correct inaccuracies  
Organised  
Respectful  
Compassionate  
Sympathetic  
Pleasant  
Poised  
Articulate  
Concerned  
Follow through*

***Ineffective Communication  
Techniques***

*Exaggeration  
Overdramatise  
"No comment "  
Insensitive remarks  
Trivialise concerns  
Argue  
Attempt humour  
Sarcasm  
Irony  
Jargon  
Too technical  
Speculate  
Lie  
Alienate  
Evade*

A high degree of autonomy is an important factor in predicting crisis outcomes. Corporate culture usually dictates the amount of autonomy given to crisis team members. A greater amount of autonomy allows teams to act quickly once a crisis occurs because messages are filtered through fewer levels of the organisational hierarchy. The quicker an organisation can initiate a dialogue with the media, the more likely a successful outcome will occur because the team has more of a chance to control the message, thereby lessening the chance of misinformation.

The corporate communicator—as skilled as he or she might be—has entered a new era that requires dimensions of planning and support never before imagined. As competent as some of us in PR roles think we are in crisis communications management, there is now more to it than we had experienced in even the most severe crises of the past. The dimensions and the stakes are greater than ever. Today's demands prompt the need for careful examination of a company's readiness to deal with the unexpected and undetected.

New thinking must go far beyond traditional crisis communications planning. No company can feel secure following the paths of the past. Critical areas like security, human considerations and business continuity must be included in today's complete response plan.

*(Excerpted from the workbook of PR Pundit's workshop, held in Delhi on March 23, 2004)*