

Managing and Avoiding Crises

By

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THE CRISIS

A senior executive at a company I worked for came to me and outlined something the organization had done at management's direction that was somewhere between unethical and illegal. He then complained that the media "somehow got the story." What he wanted me to do as his PR person was fix it -- make the bad coverage go away.

Something similar to this scenario also happened a few times when I worked at agencies. However, in these cases, client management was so circumspect in the way it told us what the situation was that it took a while to determine whether the charges the media were making were based on any foundation of truth. As it turned out, most of them were.

THE GUT RESPONSE

These were the times I really hated being in PR. I got that sick feeling inside, because I felt I was responsible for something I may not be able to manage, because the crisis was the result of a management policy issue rather than poor communications.

In a case like this, much depends on the CEO and the kind of relationship you have with her or him. But even if you have a good relationship with the CEO, it can be daunting to tell him or her that you need to determine the facts of the matter, share them with the media and explain what you are doing to address the situation. And you need to do all of this as quickly as possible.

WHY IT WOULD HAVE BEEN NICE TO HAVE BEEN AT THE TABLE

In the best of all worlds, I, as PR counsel, would have had input into the initial decision and dissuaded management from that course of action. But that was not the way it happened. (More about this later.)

REPUTATION, TRANSPARENCY AND AUTHENTICITY

I firmly believe that corporations better understand the importance of reputation, transparency and authenticity today than they did twenty-five years ago, when I first encountered these challenges. Nevertheless, organizations do make mistakes, sometimes unwittingly, and end up with a crisis on their hands.

ACTIONS AND WORDS

"In a crisis, verbal and nonverbal communication is critical," says Daniel Diermeier, the IBM Professor of Regulation and Competitive Practice and director of the Ford Motor Company Center of Global Citizenship at the Kellogg Graduate School of Management.

In "Actions Speak Louder than Words" by Amy Trang and published in the Spring, 2009, issue of *Kellogg* magazine, Dr. Diermeier cites the example of the heads of the big three Detroit automobile manufacturers flying to Washington, D.C., in private jets to tell Congress they needed money. In a normal economy this might not have drawn the public and media outrage this act generated. But as Professor Diermeier says: "People pay attention in a crisis. Things that would be under the radar are tremendously highlighted. Symbols are critical in communication by leaders, especially in critical times and when you have multiple constituencies."

REBUILDING TRUST

Dr. Diermeier says trust can be rebuilt after such miss-steps, but organizations must be careful not to make new mistakes. Dr. Diermeier also recommends executives express the following during crisis:

- **Transparency:** Be open and convey to your audience that you are not trying to hide anything. Even if you don't know the answers to all questions let stakeholders know that. And get back to them with the answers when you do know.
- **Empathy:** Demonstrate that you care about people, not just the bottom line. Bill Weldon, Johnson & Johnson CEO and board chairman said in a Kellogg CEO lecture "We put our patients first and employees second, and treat people with respect.... If you put the shareholder first, you compromise everything else."
- **Expertise:** Demonstrate that you have the knowledge and capability to solve the crisis. If you don't, bring in people who can.
- **Commitment:** "Crises require messages of strong commitment from senior management that they are taking initiative in solving the problems," says Diermeier. Once again actions may speak louder than words. Back during the Tylenol crisis, Johnson & Johnson immediately pulled the product from shelves rather than take a chance on any more customers being hurt.
- **Authenticity:** This is perhaps where the rubber really meets the road for organizations and PR. Authenticity is not something that can be manufactured in response to a crisis. Authenticity is having a set of values that are integral to the culture of the organization and doing what you say. In my mind, this is one of the reasons J&J tends to weather storms better than other organizations. It truly lives the idea that the customer comes first and that it respects people. Because it is authentic, J&J's stakeholders know and believe this. Consequently, it is the kind of

organization its stakeholders trust and will forgive, when forgiveness is necessary.

AVOIDING THE CRISIS IN THE FIRST PLACE

The best way to manage a crisis is to avoid it in the first place. I've discussed authenticity and transparency, but alignment with key stakeholders is just as important.

ALIGNMENT

The first thing an organization needs to do to align with its stakeholders is understand the exchange relationship between itself and its stakeholders -- what it provides its stakeholders and what its stakeholders want from it. It needs to make sure these two are the same. In addition, the organization needs to monitor the environment to understand trends and issues that affect it and its stakeholders. Then it can respond to them in a way that is consistent with the values of the stakeholders. This requires:

- Facilitation with management to understand what management intends the organization to provide
- Deep research with stakeholders to determine what they seek from the organization
- Environmental scanning to ensure the organization identifies issues and trends that will affect its stakeholders
- Responding to these issues and trends in a way that is consistent with stakeholder values

(First-hand, I have seen this kind of thing done well at only one organization in my entire career.)

If this is done properly organizations avoid most crises because:

- They are well attuned to their stakeholders and know how to act consistently with stakeholder values
- The monitoring enables them to identify issues that can become crises before they do and manage them so they do not

If you'd like to learn about measuring trust, check out the following link:
http://www.instituteforpr.org/research_single/guidelines_measuring_trust/.

If you'd like to learn more about authenticity in organizations, check out the following paper from the Arthur W. Page society:
<http://www.forrestwanderson.com/documents/2007AuthenticEnterprise.pdf>.

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I work with CEOs and communications leaders of organizations going through a change in strategic direction (merger, acquisition, building program, new product launch, change program, etc.). These executives are concerned about what will happen to their relationships with key stakeholders (customers, employees, investors) if they send out confusing or ineffective messages. After working with me, my clients have a clear understanding of what their messages should be. I also provide them recommendations on other actions they can take to enhance their relationships with stakeholders.

I also work as a PR and communications research director for hire for agencies and other organizations.

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