

CRISIS COMMUNICATIONS MANAGEMENT

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PRCA PRACTICE GUIDES

CRISIS COMMUNICATIONS MANAGEMENT

BY

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FOREWORD

PRCA Practice Guides are a series of uniquely practical and readable guides, providing PR and communications' professionals, new and experienced alike, with hands-on guidance to manage in the field. Written by experienced practitioners who have been there and done it, the books in the series offer powerful insights into the challenges of the modern industry and guidance on how to navigate your way through them.

This book aims to help PR and communications' practitioners prepare for potential crises, to develop a crisis communications strategy and policy for each client, to take steps to be ready and well-prepared, and to handle communication with media and other stakeholders in a calm and professional manner when a crisis occurs. The book is intended to be a practical guide, so there are numerous examples, checklists and 'what would we have done?' questions scattered throughout the text.

Adrian Wheeler started out as a local newspaper reporter before training at a financial PR firm in the City. He co-founded Sterling Public Relations, a general practice agency, in 1976. This firm became the UK office of GCI Europe. As CEO of GCI UK, Wheeler led the company into the UK Top Ten and in 2000, as chairman of GCI Europe, oversaw the development of a 28-office network with 53 multi-country clients. Since 2006 he has been a partner in Agincourt Communications and a non-executive director at Liquid,

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Francis Ingham
Director General, PRCA
Chief Executive, ICCO

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INTRODUCTION

This book is meant to help PR people advise their clients or employers on doing and saying the right thing in the heat of a crisis.

If your spokesperson comes across as a normal, likeable person who cares, seems to be in control, and speaks like a human being, your organisation or brand will usually survive a crisis unscathed.

If not, you will experience reputational damage. This means reduced sales, eroded margins, a wobbly share price, an impaired licence to operate, employee morale at a low ebb, an inability to attract the best recruits, stakeholder antipathy and aversion from business partners and suppliers.

A poorly handled crisis costs a company money.

Crisis communications management is not a ‘nice to have’ option. It’s about protecting reputational assets, which are an organisation’s most valuable possessions.

As PR people, our job is to persuade management that crisis preparation deserves time, money and effort. This can be difficult; managers often believe that ‘it will never happen’ or that ‘we can handle it – don’t worry’. This book offers some arguments which can help you to demonstrate reality.

Next, we have to put plans in place. This can be complicated; we may have numerous brands, many sites and a large number of contingencies to consider. What is a reasonable level of investment in crisis communications preparation? This book will help you decide.

Third, when a crisis strikes we need to act quickly and correctly. It can be nerve-wracking. The key decisions are ours and ours alone. This book will help you make the right judgments when everything seems to be spinning out of control.

The author and contributors hope that this book will help you anticipate crises with confidence and with the right systems and materials in place. It is a book, but – as with all PRCA Training products – you are invited to question the author at any time, on any subject connected with crisis communications. The author's Q&A address is given in the Appendix.

No one welcomes a crisis. On the other hand, a well-managed crisis can, paradoxically, enhance a company's reputation. It also proves to our clients and employers that professional public relations is key to what matters to them most: sales, margin, share price, productivity, stakeholder support and *favourability* in the eyes of the outside world.

CHAPTER 1

WHAT IS A CRISIS?

The Mail calls to ask about your CFO's private life. A snarky tweet appears saying that your advertising plagiarises a competitor's. The branch manager in Swansea rings to tell you that a customer has slipped on a wet floor and broken her pelvis. The FCA informs the media that your broker is being investigated. An MP puts down a question attacking your relationship with HMRC. The FSA condemns a key ingredient of your major brand.

How do we decide that an event is a *crisis*? Could it instead be an *issue* – which we need to monitor – or is it just a *problem*, the kind of thing managers deal with day in and day out?

It's a judgement call. And it's yours alone, because no one else in the organisation is either qualified or temperamentally suited to say: 'This is the real thing; put the crisis communications machinery into action'.

1.1. ONLY YOU CAN DECIDE

Managers typically downplay crises until it's too late. Then all we are left with is damage limitation. This is understandable: managers are paid to be optimistic and are assumed to be able to predict and control; a nasty surprise isn't part of their natural planning apparatus.

Reactions to crises are subjective. Organisations who are used to everything going like clockwork see any blip as a crisis. At the other end of the spectrum, super-confident managers will think that there is nothing they can't solve with native talent. Both attitudes are likely to be wrong.

That's why your role as an objective expert is crucial. Only you can weigh up the situation without panicking and without false optimism. Only you will appreciate the need for speed.

Unfortunately, in a crisis, we don't have time to be wrong.

Ivy Lee: Game-changer in Crisis Communications

In the late 1800s and the early twentieth century, US railroads were the 'dot.com boom' of the era. Huge fortunes were made by rail monopolists and their investors. The competition was fierce, and slightly mad: lines were built, at massive cost, a few miles away from each other.

Safety standards slipped and crashes were common.

The Pennsylvania Railroad experienced a terrible accident in the town of Gap. The directors invoked the usual SOPs: create an exclusion zone round the crash-site until public interest dwindled.

Ivy Lee, one of the founders of modern PR, was a consultant to the Pennsylvania Railroad. He said: 'No. We will *not* keep the press away. We will do the opposite: we will

invite them to inspect the site of the crash, tell them why it happened and explain how we will make sure it cannot ever happen again’.

He was a persuasive man. The directors followed his advice and got the best press coverage in the industry that year. They never looked back.

It was Ivy Lee who laid the foundations of present-day crisis communications in 1906. (Museum of Public Relations, 2015.)

1.2. STAKEHOLDERS’ OPINIONS MATTER

The idea of *accountability* only took root in the mid-1990s. John Elkington started it with his triad: ‘People, Profit, Planet’ (*The Economist*, 2009). Before then, most companies felt a duty to communicate with their investors but everything else was either marketing or, as GE called HR, ‘the picnic department’ (*Financial Post*, 2015).

Anyone reading this book will automatically think in terms of *stakeholders*, but many of our clients don’t and others don’t want to. It is stakeholder opinion – or, more exactly, sentiment – which controls an organisation’s ‘licence to operate’. If stakeholders know us and like us, we are well-placed to emerge from a crisis unscathed. If our ‘licence to operate’ is impaired, we will have trouble.

Business leaders like Lord Browne, Sir Richard Branson and Sir Paul Polman know this instinctively. Others need convincing that stakeholders really matter. We must persuade them that doing and saying the right thing in a crisis is not a choice – it’s the *only* way we can protect our reputation when our ‘licence to operate’ is under threat.

1.3. THE MOST VALUABLE ASSET

Fifty years ago a company's value (its market cap) was mainly measured by objects it owned: plant, inventory, patents, buildings, vehicles and so on – things that could be touched and counted. Today the typical Fortune 500 company's market cap is mostly *intangibles* – brands, popularity, credibility, the CEO's personal profile, goodwill and reputation.

Warren Buffett was the first to say that reputation takes 20 years to build and can vanish overnight. He also told managers at Salomon that he would forgive financial mistakes but would be ruthless if anyone's actions damaged the bank's reputation. Buffett is the ultimate hard-headed investor: what he meant is that *reputation* has a financial value far above anything that can be expressed in a profit & Loss (P&L) (*Forbes*, 2014).

This is why good crisis communications should matter to anyone at the helm of an organisation, whether it's a public company, a public body or a member of the third sector. It's about preserving (or losing) *financial* assets in the form of reputation.

Sir Martin Sorrell made the same point speaking about CSR: 'Some companies see CSR as the icing on the cake. It isn't: doing good is good business' (INSEAD, 2010).

1.4. THE CEO'S PERFORMANCE IS ALL-IMPORTANT

Most of us make snap judgements most of the time. We have to; the average Western European adult is deluged with 4,000 commercial and political messages every day. We rarely think hard or deeply about subjects which don't directly concern ourselves and our families.

As stakeholders, we form a view quickly on whether a company deserves our support and sympathy or whether it deserves to crash and burn. Most of us liked Lord Browne at Beyond Petroleum (BP). We may not have approved of extractive industries, but we liked what Browne said and how he said it. We may even have supported his idea of 'Beyond Petroleum'. But most of us didn't like the way Tony Hayward spoke and behaved in the aftermath of Deepwater Horizon. The consequences for BP's 'licence to operate' have been severe.

Many people (and media) look askance at Sir Richard Branson. Virgin's 'licence to operate' is mixed. But his behaviour and communications when the Virgin Galactic prototype crashed in the Mojave, killing a pilot, were beyond criticism. He got himself to the site as fast as he could. He used Twitter to tell people what he was doing. Once there, he faced the media in person and said the right things. Many people thought differently about Branson, and Virgin, afterwards.

How to Do It Perfectly: James Burke and Tylenol

In 1982 a disaster hit Johnson & Johnson (J&J), one of America's most successful pharmaceutical companies. Tylenol was the country's best-selling analgesic with a 30 per cent market share. It was a major contributor to J&J's P&L.

A maniac (never apprehended) injected Tylenol with cyanide in Chicago pharmacies. Seven people died before the authorities could figure out what was happening.

James Burke, J&J's CEO, was advised to wait and see how things panned out. He said: 'No. we are not going to do that. *We are J&J*. We are going to get back every single tablet of Tylenol from the North American continent.'

He was told this was impossible; no recall expects to recover more than 60 per cent of a faulty product. But Burke was implacable. He went on TV, in person, 24×7 and coast-to-coast. His message was simple: if you have Tylenol in your home, do not use it. Take it back to the pharmacy, where you will receive a full refund. DO NOT USE TYLENOL.

It worked. No one else died.

Market-watchers thought this would destroy J&J. They were wrong. The share price wobbled but then held steady for a whole year while Tylenol was off the market.

Investors had decided that Burke was on top of this nightmare. He would sort it out. They trusted him because of his honesty. They admired his bravery.

So did the government. Burke was awarded the Presidential Medal of Freedom in 2000 for putting the interests of the American public before those of his company.

(International Herald Tribune, 2002)

How to Do It Perfectly: Michael Bishop and the Kegworth Crash

Michael Bishop started work in airlines when he was 16. He eventually got the chance to set up his own: British Midland (BM), a short-haul carrier which became very popular with business travellers. BM went from strength to strength.

Then something terrible happened. A 737 came in to land at Kegworth (Peterborough) when an engine flamed out.