Crisis & Issue Management

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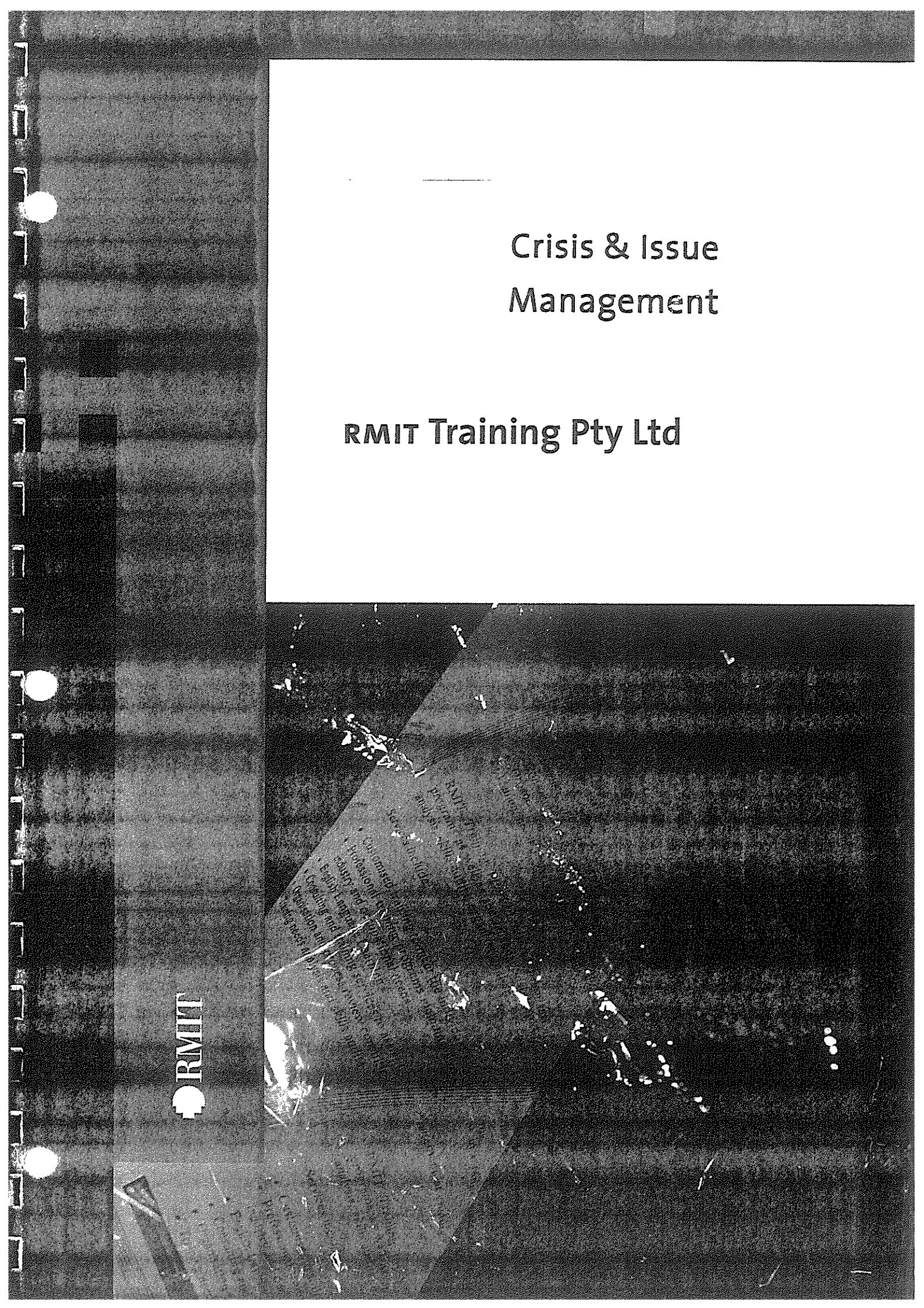

CPE – Issues and Crisis Management

Saturday May 30 and Sunday May 31, 1998

Participant List

Slavka Brdar	Anti-Cancer Council of Victoria
Lawrence Byatt	CSL Limited
Alex Keppell	Transfield-Obayashi J.V
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Crisis and Issue Management

Welcome to the Royal Melbourne Institute of Technology's Crisis and Issue Management workshop, held as part of the Public Relations Institute of Australia's Continuing Professional Education program.

This workshop aims at introducing public relations practitioners to crisis and issues management, using theory, case studies and scenario workshops. The first day will study emergency and crisis planning and management, how to prepare for these events. The second will be devoted to issues management, building on the theory already discussed, to investigate ways of identifying issues and handle them to your organisation's or client's benefit.

It is true that experience is useful when dealing with a sudden crisis or facing a future issue. This workshop, however, augments the experience of the practitioner, to encourage planning before the event appears and to learn from others' examples to adapt a successful activity for themselves.

This workbook includes some readings on these subjects, that will be useful to participants after the workshop. They should not be used as the only sources for further study, as there is a rich reference field to explore, if the participant is interested.

Suggested readings

Literature on issues and crisis management extensive and accessible as this area is of interest to management and business students, as well as communication professionals.

This reading guide is not exhaustive. Students should search in databases for reputation management, emergency communication, crisis handling and issues management. Current management and public relations/communications journals are also a useful reference source.

In addition there are a number of books included in the following list for those interested in further reading on public relations.

General

Agee W, Ault P and Emery E (1988) Introduction to Mass Communication, Harper and Row, New York.

Baskin, O and Aronoff C (1988) Public Relations: The Profession and The Practice, Wm C Brown Publishers, USA.

Black S (1972) The Role of Public Relations in Management, The Pitman Press, Bath, UK.

Cantor B and Berger C (1989) Experts in Action: Inside Public Relations, Longman, New York.

Center A and Jackson P (1990) Public Relations Practices: Managerial Case Studies and Problems, Prentice-Hall, New Jersey.

Cutlip S, Center A and Broom B (1995) Effective Public Relations (Seventh Edition), Prentice-Hall, New Jersey.

Grunig J (ed) (1992) Excellence in Public Relations and Communication Management, Lawrence Erlbaum Associates, New Jersey.

Grunig J and Hunt T (1984) Managing Public Relations, Holt, Rinehart and Winston, New York.

Hailstone R (1990) The Australian Media Handbook, The Business Library, Melbourne.

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Hiebert R E (1988) Precision Public Relations, Longman New York.

Jefkins F (1986) Planned Press and Public Relations, Blackie and Son, London.

Kendall R (1992) Public Relations Campaign Strategies: Planning for Implementation, Harper Collins, New York.

MacNamara J (1990) The Australian Marketing and Promotion Handbook, Australian Business Library, Melbourne.

Mathews W (current) How to Create a Media Relations Program, IABC, San Francisco.

Nolte L W (1979) Fundamentals of Public Relations: Professional Guidelines, Concepts and Integrations, Pergamon Press, USA.

Seitel F P (1989) The Practice of Public Relations, Merrill Publishing, Ohio.

Simon R and Wylie F (1993) Cases in Public Relations Management, NTC Business Books, Chicago.

Stone, N (1991) How to Manage Public Relations: Practical Guidelines for Effective PR Management, McGraw-Hill, Berkshire, UK.

Tymson C and Sherman B (1996) The New Australian and New Zealand Public Relations Manual, Millennium Books, Sydney.

White J and Mazur L (1995) Strategic Communications Management: Making Public Relations Work, Addison-Wesley, Wokingham, UK.

Wilcox D L, Ault P H and Agee W K (1992) Public Relations Strategies and Tactics, Harper Collins, New York.

Research and Evaluation

Brody, E W and Stone G W (1989) Public Relations Research, Praeger NY

Broom G M and Dozier D M (1990) Using Research in Public Relations: Applications to Program Management, Prentice-Hall, New Jersey.

Reinard J C (1994) Introduction to Communication Research, Wm C Brown Communications. IA.

Stewart G and Cash W (1991) Interviewing: Principles and Practices, Wm C Brown, USA.

Issues and Crisis Management

Dowling G (1994) Corporate reputations: Strategies for Developing the Corporate Brand, Longman, Melbourne.

Fearn-Banks K (1996) Crisis Communications: A Casebook Approach, LEA, NJ.

Gottschalk J A (1993) Crisis Response: Inside Stories on Managing Image Under Siege, Visible Ink Press, Detroit.

Green P S (1992) Reputation Risk Management, Pitman Publishing, London.

International Association of Business Communicators Communication Bank (current) Crisis Communication, IABC, San Francisco.

Lerbinger O (1997) The Crisis Manager, LEA, NJ

Susskind L and Field P (1996) Dealing With An Angry Public, The Free Press, NY

Walters, L M, Wilkins, L and Walters T (eds) (1989) Bad Tidings: Communication and Catastrophe, LEA, NJ

Readings

Emergency Communications:

E1: *"C&P Crisis Communications Plan"* in International Association of Business Communicators Communication Bank (current) Crisis Communication, IABC, San Francisco, pp 87-101

Crisis Communications:

C1 Fearn-Banks K (1996) Crisis Communications: A Casebook Approach, LEA, NJ, pp 1-17.

C2 *"Allergan Crisis Communication Policy"* in International Association of Business Communicators Communication Bank (current) Crisis Communication, IABC, San Francisco, pp 59-85.

C3 Lerbinger O (1997) The Crisis Manager, LEA, NJ, pp 31-54

C4 Gonzalez-Herrero, A and Pratt C B *"An Integrated Model for Crisis Communication Management"* in Journal of Public Relations Research, Vol 8, No 2, 1996.

Cases

C5 Foster L G *"The Tylenol Tragedy"* pp 611-613 in Moore H F and Kalupa F B (1985) Public Relations, Principles, Cases and Problems, Richard Irwin Inc, Illinois.

C6 Browning J B *"Union Carbide: Disaster at Bhopal"* pp 365-382 in Gottschalk J A (1993) Crisis Response: Inside Stories on Managing Image Under Siege, Visible Ink Press, Detroit.

Issues

I1 Lauzen M M *"Understanding The Relationship Between Public Relations and Issues Management"* in Journal of Public Relations Research, Vol 9, No 1, 1997.

I2 Susskind L and Field P (1996) Dealing With An Angry Public, The Free Press, NY, pp 37-59.

Case

I3 Newman LN *"Medical Society of the State of New York"* pp 75-78 in Moore H F and Kalupa F B (1985) Public Relations, Principles, Cases and Problems, Richard Irwin Inc, Illinois

Reading E1

IABC GOLD QUILL 1992 AWARDS

Entrant: Michel L. Daley
Manager-Media Relations & Corporate Communications, C&P Telephone Co.

Div. 3: Communication Management Processes

Entry: C&P's Crisis Communications Plan, Revised December 10, 1991

Statement of Objectives and Results

Need

C&P Telephone's customers in Washington, D.C. are arguably the most influential and powerful people in the world. For example, the company provides telecommunication services to the U.S. president, to U.S. Supreme Court justices and to U.S. Congress representatives. It also meets the telecommunications needs of over 606,000 D.C. residents, thousands of businesses, and hundreds of Federal and local government agencies. Decisions communicated to others in Washington have world-wide implications; therefore a phone outage, or other crises affecting telephone service in Washington, is always catastrophic.

When a crisis occurs it is important that C&P Telephone is perceived by its customers and regulators as competent, concerned and willing to devote all of its resources to resolve the crisis as quickly as possible. The Crisis Communications Plan addresses this need, and is designed to work with other more encompassing crisis plans for the company.

Goals and Objectives

My goal was to design a crisis communications plan to meet the communication needs of C&P in crises. The plan's objectives are for employees representing the company to:

1) be more proactive than reactive to media inquiries, to provide prompt, factual and detailed information, to provide access to company technicians and facilities when feasible, and to keep the public and employees informed;

2) avoid being defensive; admit the problem, and stress that C&P will use every available resource to resolve the crisis as quickly as possible, and find the problem's root cause; provide information to paint a story (i.e., C&P will devote dedicated, competent and concerned individuals to work around the clock to investigate the situation);

3) outline the steps taken to prevent the crisis from reoccurring, and

4) seek to maintain or restore confidence in the company.

My approach was to design a document that was easy to read and implement. To enhance its use and readability, I wrote the plan concisely and designed it in a check-list format with a flow-chart included. This allows the reader to implement the plan without advance reading if necessary.

Results Cont'd.

Using the plan was a logical choice since considerable thought had been given to the plan's procedures and the allocation of resources. It was written to highlight Corporate Communications responsibilities during crises, and to support C&P's company-wide crisis plan and committee.

After reviewing the news clips and radio/TV coverage, we reached the following conclusions: locally over 1,250 column inches were written (104 feet of copy), and over two hours of TV news coverage was devoted to the crisis. Additionally, there was massive national and international coverage. Telephony magazine wrote, "The impact was big enough for The Washington Post to give the story the biggest coverage of any since the Persian Gulf War [and a screaming banner headline]."

Yet, we consider four-out-of-five of the articles/newscasts (82%) to be fair and balanced. (Nearly all of the coverage in major papers such as The Washington Post, The New York Times, and USA Today communicated points we sought to make in our goals and objectives. C&P was presented as caring and responsive; we were often displayed as "working feverishly to fix the problem"; Bell Atlantic's stock price remained stable, and the Corporate Communications staff received praise from C&P's president and senior managers. Albeit we did face the challenge of maintaining customer confidence in our network.

Still, by following the crisis plan we were able to present detailed information to the media quickly. In the end most of the news coverage was accurate and factual, explaining the cause of the outage, our efforts to restore service and steps taken to prevent the crisis from happening again. This is what made the plan effective.

C&P TELEPHONE

CORPORATE COMMUNICATIONS CRISIS COMMUNICATIONS PLAN - 1991

Definition

For the purpose of this plan, a crisis is defined as any action or circumstance that causes unplanned visibility for C&P, or that has a major impact on C&P or its customers. A crisis will likely be unexpected, generate major media inquiries, and generate negative publicity about the Company unless it is managed effectively.

Purpose of Plan

The plan establishes procedures for lines of communications, interaction with the media and action for resolving a crisis of any conceivable nature. It also serves to identify tough key issues for which we must make specific preparations.

The media crisis communications plan is designed to work in conjunction with crisis or emergency preparedness plans already in place for the Company (such as NSEP).

Initial Action

I. Establish crisis communications team

( ) Assemble appropriate players: (Corporate Communications team and advisors. See Addendum 1).

NOTE: The team should meet quarterly to rehearse facets of a mock crisis. Identify the worse thing that could happen to the company, and establish a plan to combat it.

II. Identify the crisis

NOTE: It is likely that operations will receive the first indication of a crisis. The crisis plan is in effect once the crisis has been identified.

- Designated operations manager will contact Corporate Communications media relations manager immediately to explain the nature of the crisis. Updates should be provided to Corporate Communications promptly. (Corporate Communications 24-hour contact numbers are located in the Washington NSEP Binder.)

- Corporate Communications will gather additional background information as needed.

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- Corporate Communications will determine whether the crisis is local or regional in nature. (Regional issues should be coordinated with Bell Atlantic.)

- Recognize opportunities to clean up situations before they become crises (prevention).

III. Notification

- Corporate Communications shall assemble crisis communications team, and notify:

  ( ) company president,
  ( ) senior management,
  ( ) company hot line and appeals personnel,
  ( ) External Affairs NSEP representative,
  ( ) representatives in appropriate organizations (Legal, Security, Property Management, Medical, Labor Relations, Customer Service Centers, Operator Services, Marketing, FSD, etc.),
  ( ) company switchboard (392-9900) to advise operators they may experience an increased volume of calls,
  ( ) Bell Atlantic media relations group,
  ( ) Send Flash-Fax to employees,
  ( ) Human Resources (affected employees),
  ( ) N. Va. and subn. Md. P.R. counterparts,
  ( ) Property Management.

NOTE: Media relations manager will maintain updated copy of the Washington NSEP Binder with a list of 24-hour contact numbers for company personnel.

IV. Action Plans

( ) Establish assignments (who goes where, who is in charge).
( ) Develop back-up coverage for team representatives who will be involved with the crisis.
( ) Identify and establish close contact with Operations subject matter expert (SME).
( ) Verify electrical power source is maintained and available.
( ) Check faxes on a regular basis.
( ) Assign someone on site to stress that employees should not speak to reporters, or make negative comments about the company.
( ) Spokespeople should have access to a change in wardrobe.

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V. Media Response Statement

Silence breeds suspicion, therefore take a proactive position. Provide honest, accurate and approved information. NOTE: The news media is resourceful and may already be aware of the crisis.

( ) Draft a statement for the media. Make the statement as brief as possible, and try to predict the media questions, concerns and perceptions.

NOTE: The media tends to sensationalize crisis situations and seek out conflict and anger. It may maintain a dual role: public service and investigative. A rivalry exists between news sources so each organization will demand time and attention, and they will be hungry for detail explanations about causes and solutions.

The statement should answer who (was affected), what, where, how and when questions. It should include the cause of the problem and the solutions implemented. It is important to convey confidence that the crisis will not happen again.

When death or injury is involved, provide names only after next of kin is notified. Requests to interview those involved, or to take photographs at a location that was rendered unsafe by the crisis, should be denied.

Remember not to divulge proprietary information. Otherwise, cooperate with the media whenever possible. This is essential to obtain fair and balanced coverage.

( ) Forward release to proper channels for review (i.e. Legal, operations departments affected by the crisis).
( ) Release a statement as soon as possible after the crisis.
( ) Distribute C&P backgrounder, with numbers of access lines, employees, customers, etc.
( ) Develop visual aids to support media statement.

VI. Spokespeople

Spokespeople will be assigned based on the nature of the crisis. (See Addendum 2.) Several crises could develop at once; therefore it is important to have several designated spokespeople. All designated spokespeople must complete media training.

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( ) Identify designated spokesperson(people).
( ) Establish Bell Atlantic's role. Coordinate effort immediately.
( ) Maintain channel of communication with operations SME.

Designated spokespeople will swap information, coordinate messages, and keep abreast of all crises, including ones occurring simultaneously. Quick and up-to-date facts regarding the crisis must be provided to the spokespeople. If phones are inoperative, spokespeople must communicate face-to-face (get in a taxi if necessary).

NOTE: The sheer volume of media calls can impede internal communication. However, spokespeople must designate specific times to communicate with one another.

All media calls must be referred to the designated spokesperson (or advise the media that updates will be provided on a specific basis). EVERYONE ELSE SHOULD BE DIRECTED NOT TO ANSWER MEDIA QUESTIONS.

VII. Company Command Post

( ) Establish communications center for crisis team (conference room or other suitable location).
Primary location: 1710 H Street, N.W.
Back-up locations: 2055 L Street, N.W.
( ) Stock with paper, pencils, computer, telephone, refreshments, etc.
( ) Stock with emergency supplies (i.e. walkie talkies, flashlights, cellular telephones, etc.).

NOTE: Selected personnel must have cash advance privileges for quick purchases during the crisis.

VIII. Media Briefing Room

NOTE: Media briefing room and command post will be located in the Major Customer Center, 1710 H Street, N.W., first floor, Washington, D.C. unless otherwise notified.

( ) Obtain 24-hour contact numbers for building personnel.
( ) Establish communications center for the media (if crisis warrants it).

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( ) Install lines and jacks for the media.
( ) Install signs for press room, bathrooms, etc.
( ) Arrange media room for press briefings (background, lectern, logo for lectern, chairs, etc.).
( ) Assemble press kits.
( ) Provide paper, pencils, notebooks, coffee and refreshments.
( ) Provide ribbons or badges for quick access into the building.
( ) Establish frequent briefing schedule. Provide press advisories, fact sheets and backgrounders. Be honest, reasonable and cooperative.
( ) Monitor media coverage to assure it is fair and accurate.

IX. Public/Employee Notification

( ) Media relations manager will provide press advisories, response statement, and press clippings to other External Affairs departments (including NSEP representative).
( ) Regulatory Matters will notify the Public Service Commission and Bell Atlantic FCC relations immediately.
( ) Public Affairs will notify the D.C. Office of Emergency Preparedness immediately, and the City Council, the Mayor, and appropriate community leaders.
( ) Corporate Secretary will notify the C&P Board of Directors.
( ) Employee information group will provide prompt regular updates to employees and establish a 24-hour broadcast line if the situation warrants. Employees should be advised not to talk to the media.
( ) Provide updates for Bell Atlantic's broadcast line if appropriate.
( ) Counter false or misleading statements.

X. Notification After Crisis is Resolved.

( ) Write thank you letters to employees who helped during the crisis.
( ) Thank employees in company publications (i.e. Bell Atlantic Week).
( ) Consider special awards to employees like pins, plaques, paper weights, etc.
( ) Consider ads in community newspapers to thank C&P customers.

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XI. Evaluation

( ) Critique team's performance. (Review notes, communiques, internal and external coverage. Document what worked, and what didn't.)
( ) Document solutions to prevent crisis from happening again, and how the crisis team could perform more effectively.
( ) Media Relations manager will publicize the safeguards implemented if appropriate.
( ) Media relations manager will distribute news clippings and broadcast transcripts to senior management detailing the events, with recommendations for the future. A report will be prepared for other organizations as needed.
( ) Restock emergency supplies.

XII. Role Play

( ) Role play plan at least semi-annually. The role-play should be as realistic as possible and respond to "what if?" situations.

XIII. Updates

( ) Update the Crisis Communications Plan often.

CRISIS COMMUNICATIONS PLAN

Responsibilities

Team Leader: Ellen Fitzgerald (Back-up: Michel Daley)

Assigns personnel to specific locations and coordinates Corporate Communication's efforts.

Information Gathering: Kathy Scott (Back-up: Kathy Graves)

Prepares and updates C&P backgrounder, gathers additional information to support effort, and monitors media coverage.

Support Functions: Angelina Clark (Back-up: Libby Conrad)

Responsible for clerical duties and support (i.e. phone coverage, purchasing supplies)

Notification: Rich Ellis (Back-up: to be determined)

Media Relations: Michel Daley, Ellen Fitzgerald, Ed Stanley (Back-up: Rich, Ellis, Kathy Scott)

Responsible for issuing press releases, handling media inquiries, conducting press conferences and interviews.

QUESTIONS YOU CAN EXPECT...
WHAT THE MEDIA WILL ASK IN SPECIFIC EMERGENCY SITUATIONS*

A. When there are casualties, the media will ask you:

1. Number of people killed or injured?
2. Who escaped injury?
3. Nature of the injuries received?
4. Care given to the injured?
5. Disposition of the dead?
6. Prominence of anyone who was killed? Injured or uninjured?
7. What went wrong that people died or were injured?

B. When there is property damage, the media will ask:

1. Estimated value of the loss?
2. Description -- kind of building, etc.?
3. Importance of property, e.g., historic value, precious woodlands, etc.?
4. Other property threatened?
5. Insurance protection or coverage?
6. Previous emergencies in the same area?

C. The media will ask about causes:

1. Number of participants?
2. Testimony of witnesses?
3. Testimony of key responders, crisis management team, police, fire, etc.?
4. How the emergency was discovered?
5. Who sounded the alarm?
6. Who called for help?
7. Previous warning or indications of the danger?

D. Where there is rescue or relief effort involved, the media will want to know:

1. The number engaged in rescue or relief operations?
2. Any prominent persons in the relief crew?
3. Equipment needs?
4. Handicaps or barriers to rescue operation?
5. Care of the desolate and homeless?
6. How the emergency was prevented from spreading?
7. How property was saved?
8. Specific acts of heroism?

E. Reporters will want descriptions of the crisis or disaster:

1. Spread of the emergency?
2. Blasts or explosions?
3. Crimes or violence?
4. Rescues or attempts?
5. Duration?
6. Collapse of structures?
7. Color of flames?
8. Extent of spill?
9. Flames or disturbances?

F. Related information and story color are important to reporters as well. They will want information such as:

1. Number of spectators (spectator attitudes and crowd control)?
2. Unusual happenings?

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3. Anxiety, stress of families, survivors, etc.?
4. Further potential danger?
5. Difficulty in dealing with the problem (weather; crowds; toxic chemicals; toxic gas; lack of equipment; physical danger; etc.)?

G. Disasters bring legal ramifications, reporters will want to know about:

1. Inquests, coroner's report?
2. Police follow-up?
3. Insurance company actions?
4. Professional negligence or inaction?
5. Possible lawsuits stemming from the incident?

H. Logistical questions to serve both reporters' needs and yours:

1. Where is the nearest landing strip?
2. Where is the nearest sheriff's office?
3. Where is the nearest hospital?
4. Where is the nearest town?
5. Access to telephones?

I. Evacuation:

1. How large an area?
2. How many people?
3. For how long?
4. Where to?
5. Facilities involved?
6. Agencies involved?
7. When will it be over?

J. Data the media may request:

1. Statistics on the history of the site?
2. Was there an explosion or fire?
3. What pressures were involved?
4. Were outside fire fighters called?
5. What was lost?
6. Has the emergency affected production or other businesses in the area?
7. Is there an estimated cost of the disaster?
8. What is the approximate time before normal operations can be resumed?
9. Is it well-known in the area that a problem has occurred?

K. Questions reporters always ask:

1. What happened?
2. When did it happen?
3. Who did it happen to?
4. What was the cause?
5. Were there any injuries? How bad?
6. How much damage has been caused?
7. What's the potential for continued damage or danger?
8. Who's responsible?
9. What went wrong?
10. What do you plan to do about it?
11. When will more information be available?
12. Why did you take so long to call?

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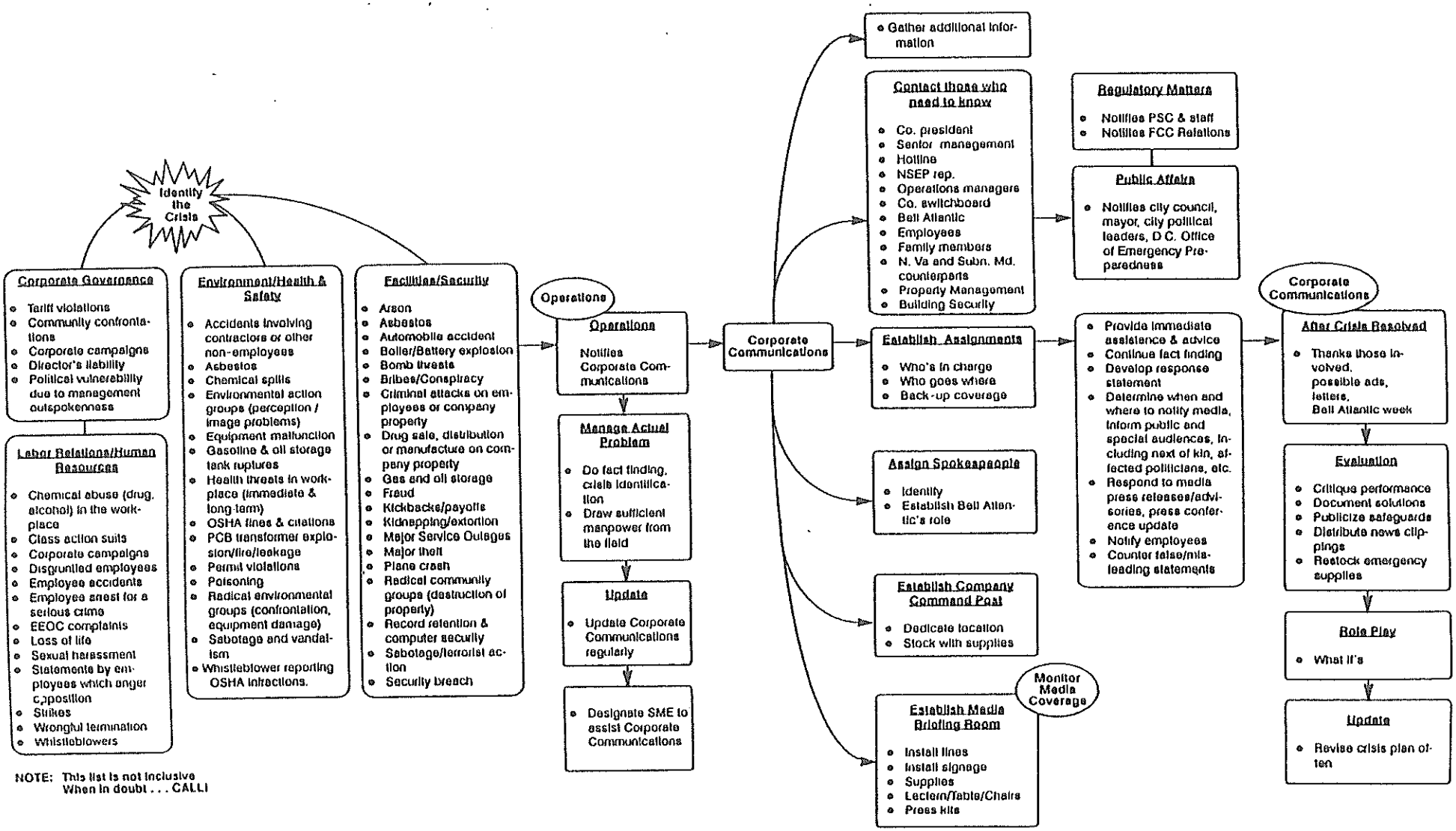
COMMUNICATION RESPONSE FLOW FOR CRISIS OR EMERGENCY



NOTE: This list is not inclusive
When in doubt . . . CALL!

Reading C1

The Nature of Crises

WHAT IS A CRISIS?

"If something can go wrong, it will."

This expression, popularly called Murphy's Law, takes on real meaning for crisis planners. In the mid-1990s, many large corporations still have no crisis management or crisis communications plans. Management and public relations personnel in these companies are likely to say they acknowledge the need for such a plan; they realize that Murphy's Law is right. However, they either lack the manpower or the expertise to develop a crisis plan, so they think positively and hope that the inevitable will never occur until the economy improves and they can hire someone with crisis planning expertise.

Many organizations and individuals go through life saying that they are thinking positively, that somehow if they never have a negative thought, nothing negative will happen. This is absolute balderdash! The slogan should be "Think Negatively."

A crisis can and will happen. "When?" is the question. Thinking negatively is more appropriate than positive thinking in crisis management. This book will show that if an organization's leaders think and plan for the worst-case scenario, they will come out of a crisis in better condition than they would otherwise.

A *crisis* is a major occurrence with a potentially negative outcome affecting an organization, company, or industry, as well as its publics, products, services, or good name. It interrupts normal business transactions and can sometimes threaten the existence of the organization. A crisis can be terrorism, fire, a boycott, product tampering, product failure, a strike, or numerous other events (see the list on page 19).

Public relations professionals often say, "I have a crisis every day." This is an exaggeration, of course. The term "crisis" denotes something more serious than a "problem." Public relations people deal with problems—solving them, avoiding them. By definition, however, a crisis interrupts the normal flow of business, so a crisis cannot be a *normal* part of this flow.

On the other hand, a crisis is not necessarily so catastrophic that the life of the organization is destroyed. Exxon suffered the crisis of crises after its oil spill in 1989. It still suffers from a bad image, but it thrives in business. According to the 1994 Fortune 500 list of the top corporations in the United States, Exxon was first in profit, third in sales (The Fortune 500, 1994).

In the 1995 Fortune 500 list, Exxon was again ranked third in sales, but second in profit. Ranked within the petroleum industry, it was ranked first in sales, nearly doubling its nearest competitor, Mobil Oil (Fortune 500, 1995, May 15).

In Fortune's list of most admired companies, Exxon was 70th out of the 395 companies ranked, a respectable position. Its corporate reputation was ranked fourth in the petroleum industry (Jacob, 1995, March 6).

Toying with definitions is actually unnecessary. This book advises you to plan for the worst that can happen, whether crises or problems. This brings us to another expression: "Be prepared."

Even if you have never been a Boy Scout, this is good advice. This book shows you how to prepare yourself and your organizations to cope with crises that may occur. It deals with preparations made far in advance, as well as with strategies and tactics to be used during a crisis. It examines the experiences of public relations professionals in crises, describing what they did, what they wished they had done, and what hampered their progress. We can learn from their successes and failures.

In a crisis, unlike in a problem, emotions are on edge, brains are not fully functioning, and events are occurring so rapidly that drafting a plan during a crisis is unthinkable. Simply following one is difficult.

Crisis management is a process of strategic planning for a crisis or negative turning point, a process that removes some of the risk and uncertainty from the negative occurrence and thereby allows the organization to be in greater control of its own destiny.

Crisis communications is the communication between the organization and its publics prior to, during, and after the negative occurrence. The communications are designed to minimize damage to the image of the organization.

Effective crisis management includes crisis communications that not only can alleviate or eliminate the crisis, but can sometimes bring the organization a more positive reputation than before the crisis.

Even in a crisis, sometimes the [illegible]

geted by programs. People frequently [illegible] public relations professionals usually are more specific in their targeting. Examples of corporation publics would be the following:

Employees
Customers
Stockholders
Community members
Board members
Unions
Retirees

There can be numerous others. An organization depends upon these publics for survival because they have some stake in the organization.

Public relations is concerned with reputation. It exists to avoid a negative image and to create or enhance a positive reputation. It is largely the fear of a negative image that causes organizations to develop public relations departments, hire public relations agencies, or both.

Too often, an organization does not consider utilizing public relations until it is in a crisis. Then it wants a speedy recovery.

Research shows (see Crisis Communications Theory, p. 10) that companies with ongoing two-way communications often avoid crises or endure crises of shorter duration or of lesser magnitude. Research also shows that companies with a crisis management plan come out of a crisis with a more positive image.

Whether an organization is a large multinational company or very small, a crisis communications plan is needed. A crisis communications plan is preferably a part of a company-wide crisis management plan that would include sections on evacuation, work sites, equipment, and so on. If a company does not have a crisis management plan, a crisis communications plan is still advisable, even urgent.

The media that you have tried to pitch ideas for news stories, the media that toss "perfect" news releases in the trash, the media that never return phone calls—THAT MEDIA will call on you in a crisis. They will probably not telephone in advance. They will show up on your premises—"in your face." The media, seeing themselves as advocates for the people, can be the principal adversaries in a crisis.

This is a time when public relations (PR) takes front and center—in a very crucial way. This is not to say that public relations will operate independently—that might be a greater disaster. It is a time, however, when the chief executive officer (CEO) may listen to the PR guy whose name he can never remember.

schools often teach CEOs to make their own decisions. There are many documented cases of disasters when CEOs acted independently.

The Exxon crisis, again, is an example. Exxon's CEO, Lawrence Rawl, did not respond as the media and environmentalists would have preferred. He did not accept responsibility as rapidly as critics felt he should. He did not fly to Valdez to express concern. All the moves that public relations experts would advise, Rawl ignored. Rawl is not alone in his response among corporate heads, but the number of bad responses is declining as business learns the effects of public opinion.

In a crisis when everyone else is in a state of panic, public relations practitioners must have a calming attitude of "This is not as bad as it seems," or "This could be worse. We cannot turn crises into catastrophes. This is what we do. . . ."

FIVE STAGES OF A CRISIS

A crisis has five stages:

1. Detection.
2. Prevention/Preparation.
3. Containment.
4. Recovery.
5. Learning.

Detection

The detection phase may begin with noting the warning signs, what Barton (1993) referred to as *prodromes* or the *prodromal stage*. Some crises have no noticeable prodromes, but many do.

When an organization in the same business as yours suffers a crisis, it is a warning to your organization. The 1982 Tylenol tampering case was a prodrome to other manufacturers of over-the-counter drugs. Most companies heeded that warning and now use tamper-proof containers. Imagine how many crises were avoided by noticing that what happened to Tylenol could happen to other companies.

On the other hand, Johnson & Johnson itself had little warning before it was hit with this crisis. No one had ever poisoned over-the-counter pain-killers; it was not a crisis Johnson & Johnson had anticipated.

The only warning the company had was a phone call from a journalist taken by a public relations staff member. The journalist asked questions about the company's holdings, the spelling of names, and so forth. The employee reported the call to supervisors who called the newspaper and found out that there were deaths attributed to Tylenol (see chap. 5, Johnson & Johnson and the Tylenol Murders).

The Exxon Valdez oil spill was a prodrome to other companies as well as to Exxon itself. Oil companies now know better how to prevent spills, how to clean up spills, and how to react to the public after spills.

There are other less obvious prodromes. Employee discontent over any issue is a sign of a brewing crisis. Perhaps there is an increase in complaints about work hours, work conditions, or unreasonable supervisors. Any one of these and many more issues can be an early sign of a work stoppage. The same prodromes can be early signs of workplace violence.

If you know that your chief executive's salary is especially exorbitant, you also know that this can be fuel for public concern, especially if you are a nonprofit organization.

This was a prodrome for the United Way of America when its chief executive, William Aramony, was criticized for his salary and perks (see chap. 4, United Way of America and the CEO).

An organization should watch for prodromes and make attempts to stop a crisis at that stage before it develops into a full-blown crisis.

To detect those early signs, organizations form employee committees that function like lighthouse keepers watching for vessels at sea, watchdogs, or whistle-blowers. These whistle-blowers report these signs to organization officials who can implement plans to avoid the impending crisis or at least have time to prepare to address the media or other publics.

Roy Betts, media representative for the U.S. Postal Service, speaking of the postal workers' violence prevention program, said, "You should be aware of your surroundings. There *are* warning signs if you look for them and consider them carefully." The U.S. Postal Service installed hotline telephones so workers can report odd or potentially violent behavior. Each call to the hotline is seriously considered.

Crisis detection also refers to a system within the organization in which key personnel are immediately notified of a crisis. An organization has a considerable advantage if it knows about a crisis before its publics do, especially before the news media gets the tip. It gives the organization time to draft a statement, make preparations for a news conference, notify the crisis team, and call spokespersons.

As mentioned earlier, the phone call from the *Chicago Tribune* gave Johnson & Johnson some lead time before the public knew about the Tylenol murders.

Crisis Prevention

Continuous, ongoing public relations programs and regular two-way communications build relationships with key publics and thereby prevent crises, lessen the blows of crises, or limit the duration of crises.

management in the strategic planning process (see Crisis Communications Theory, p. 10).

There are other specific tactics and actions that an organization may adopt to prevent crises. These tactics must be communicated to appropriate publics. A company must not only do what is right; it must tell its publics that it is doing so. Some of the tactics are the following:

1. Fostering the continued development of organizational policies allowing for updates and changes based on variances of publics and mission.
2. Reducing the use of hazardous material and processes.
3. Initiating safety training and rewards for employees with stellar safety records.
4. Allowing the free flow of information from employees to management with no punishment of employees or members who deliver bad news.
5. Following-up on past crises or problems.
6. Attending community meetings.
7. Developing a community board with key outside members who are public opinion leaders.
8. Circulating a newsletter to frequent consumers.
9. Offering scholarships for employees and their children as well as to other children in community.
10. Hosting community or employee picnics.
11. Sponsoring community activities, like Little League teams or community charities.

In communications, diligence can sometimes prevent crises. A public relations executive in the Midwest told of a telephone call from a West Coast journalist at 5 p.m., just as she was leaving for the weekend. She could easily have refused the call, but she decided to take it.

The reporter was preparing to write a story for a big-city newspaper about the failure of a product manufactured by the PR executive's company. The story was one that could have sparked a full-scale crisis. The PR person took the time to locate information that proved the information to be baseless. The reporter was satisfied and the crisis-that-could-have-been was averted.

If all members of the management staff are trained to be media savvy, numerous crises can be prevented. Using the same story, the PR executive could have consulted a respected expert on the issue to refute the charges them in emergencies. Prompt responses to media inquiries are also a plus.

Crisis Preparation

There are crises that cannot be prevented. Pepsi-Cola had no way of anticipating a scare in which hypodermic syringes were found in cans of Diet Pepsi. The presence of these syringes in the cans cried "AIDS," and fear of the illness and death far surpassed brand loyalty. Pepsi could not have prevented the crisis, but it was prepared for it (see chap. 5, Pepsi and the National Syringe-in-the-Can Scare).

The crisis communications plan is the primary tool of preparedness (see The Crisis Communications Plan, p. 18). This plan is a manual telling each key person on the crisis team what his or her role is, whom to notify, how to reach people, what to say, and so on. The crisis communications plan (CCP) provides a functioning collective brain for all persons involved in a crisis, persons who may not operate at normal capacity due to the shock or emotions of the crisis event.

Containment

Containment refers to the effort to limit the duration of the crisis or keep it from spreading to other areas affecting the organization.

Pepsi used an ad to end its own crisis. After several hoaxes had been exposed without the discovery of one documented case of a syringe in a can after the original incident, the company decided the crisis was over and told the world so. And it was.

Local United Way agencies managed to contain the effect of the headquarters crisis with the CEO by publicizing the local organizations as separate entities that are totally autonomous (see chap. 4, United Way of King County and the CEO).

Foodmaker, parent company of the Jack-in-the-Box fast-food chain, was charged by PR critics with delaying resolution of the *E. coli* crisis that killed several children and one adult because the company did not take responsibility for the tainted meat soon enough.

On the other hand, as long as people, especially children, were sick and dying, there was no way Foodmaker could curtail the crisis. It was contained to certain geographical areas and did not affect all outlets of the chain. Also, Jack-in-the-Box communicated to consumers that other food products in the restaurants were not tainted.

caused a fatal crash. The airlines' public relations personnel informed pas-

Re ery refers to efforts to return the company to business as usual. O ga. ations will want to leave the crisis behind and restore normalcy as soon as possible. It may mean restoring the confidence of key publics, which means communicating this return to normal business.

Snapps, a fast-food restaurant in Fort Pierce, Florida, suffered from a rumor that one of its managers had AIDS and had infected hamburgers. To implement recovery, health department officials participated in a news conference telling the public that all managers had been tested, that none had the AIDS virus, and that the virus could not be transmitted through hamburgers.

Exxon attempted to recover from the Valdez oil spill by efforts to persuade tourists that Alaska was still a beautiful place to visit. It is particularly interesting that Exxon looked beyond its own recovery to the way its crisis had affected the tourism industry.

Learning

The learning phase is a process of examining the crisis and determining what was lost, what was gained, and how the organization performed in the crisis. It is an evaluative procedure also designed to make the crisis a prodrome for the future.

One might think that this is like closing the barn door after the cows have escaped. Any farmer will tell you that once the cows are back in the barn, they will escape again. Just because a company has suffered one crisis is no indication that it will not happen again.

Johnson & Johnson, after its second tampering crisis, learned its lesson by selling over-the-counter medications in tamper-proof containers. Other companies followed suit. Public relations personnel set about the task of telling the public about the new safety containers.

Johnson & Johnson's neck was placed on the block again in late 1994 when data revealed that long-term use of Tylenol may cause kidney ailments. Although it is now facing a different kind of crisis, Johnson & Johnson—because of its stellar reputation during the tampering crises—will be expected to follow its own prodrome and maintain an open and honest policy with the media and its key publics in dealing with this latest crisis. (This volume was written prior to the resolution of that crisis.)

Another example of this learning process is illustrated by the case of U.S. airlines, which had been plagued with hijackings during the 1960s and 1970s. The airlines set up metal detectors at the airports for persons boarding planes. The procedure was extended to cover employees after an irate employee boarded a plane with a gun, shot a supervisor onboard, and caused a fatal crash. The airlines' public relations personnel informed passengers of the new safety procedures.

The learning phase brings about change that helps prevent future crises.

Public Opinion

In a crisis, the public perceives truth to be whatever public opinion says. An organization in a crisis must prove to its publics, and often to the general public, that the prevailing opinion is not factual. In the court of public opinion, a person or organization is guilty until proven innocent. This is the reverse of experience in a court of law where a person is innocent until proven guilty.

Public opinion is difficult to define, but it is based on attitudes of individuals toward specific issues. These attitudes are based on age, educational level, religion, country, state, city, neighborhood, family background and traditions, social class, or racial background. All of these help to form each individual's attitudes, and a predominance of similar attitudes make up public opinion.

On any given issue people find themselves in favor of it, against it, neutral, or so disinterested that they could not care less. Most people, unfortunately, fall into the last category. Public relations reinforces positive attitudes, attempts to change the negative attitudes, and tries to provide information—and provide it in a way that causes the unopinionated and neutral to form the opinion most conducive to the organization's function.

The last category of people is sometimes called the silent majority. In politics, it is called the "swing vote."

An organization has no choice in accepting a crisis. A crisis is forced upon it, and the organization must deal with it. Organizations can ignore a crisis and hope it will go away. Occasionally, it does. More often, it does not. A crisis ignored is an organization failing.

The essential role of crisis communications is to affect the public opinion process and to be instrumental in establishing and communicating proof that the prevailing "truth" is not factual or not wholly factual.

The news media is a prime tool for changing public opinion. It can reach the masses in a short period of time because most Americans utilize some form of news media, primarily television and radio during prime traffic hours. Public relations experts are trained in knowing how to reach the media, when and how to call a news conference, when and how to do one-on-one interviews, and when and how to disseminate written material.

Crisis communications, like public relations, is not merely the distribution of news releases. Neither is it only media relations. Frequently community relations, consumer relations, employee relations, investor relations, government relations, as well as many other kinds of public relations, are involved.

The next section explains theories of what characteristics cause organizations to fare well in crises.

CRISIS COMMUNICATIONS THEORY

Corporation "A" owns a chain of clothing stores in a major United States city with catalog sales to other cities out of state. Its sales total in the millions of dollars. All of its public relations activities are accomplished by one 15-person department, which has as its primary task the writing and distribution of news releases about new products, trends in fashion, and so forth. Each PR practitioner—with a degree in journalism or public relations and a minimum of five years of experience—spends 80% of his or her workday writing news releases. There are quotas each must meet in numbers of well-written news releases.

Corporation "B" also has a chain of clothing stories in the same city. Its sales total only about one third of the sales of Company "A," and it has no catalog sales out of town. The five people in the public relations department write news releases, but they also spend just as much time internally publicizing the "Employees Talk Back" closed-circuit television show shown in the cafeteria and writing brochures and letters for a program through which the best customers get 25% discounts on their birthdays.

Which corporation is likely to suffer most from a crisis? Crisis communications theories tell us the answer (see the end of the chapter).

Public relations professionals, prior to a crisis or during a crisis, need to know why they perform various strategies and tactics as well as the benefits from research revealing what strategies and basic organizational practices are successful. Public relations theories explain this.

Unfortunately, few public relations professionals realize which theories they actually follow or should follow. As the profession matures, there will be more theorists as well as an increased knowledge of existing theories and how they fit into the framework of public relations programs.

For many years, practitioners entered the field with a knowledge of journalistic or communications theories if they had academic backgrounds in journalism. Frequently, however, in the past, and to a certain degree today, public relations professionals could be drafted from any position in a company and be anybody from a capable secretary to a frustrated executive. In volunteer organizations, public relations is often the task of the person who says loudest, "That sounds interesting."

As more university students study public relations and enter the field, a knowledge of public relations theory will slowly pervade the profession.

Theories on crisis communication basically explain why various techniques and tactics are successful or not, whether the same techniques would

altered to produce the desired success.

Grunig and Grunig

Most of the crisis communications theories build on the public relations excellence theory developed by J. Grunig and Hunt and later expanded by J. Grunig and L. Grunig (1992). The *excellence theory* is based on types of public relations practices called "models." The four models defined by J. Grunig and Hunt (1984) provide a way of classifying the types of public relations that individuals and organizations may practice.

In a spectrum of *excellence* of public relations programs, Model 1 would be the least desirable. Model 4 would be the most desirable, or could be said to be the most *excellent*. Models 2 and 3 are between the two extremes.

Model 1—Press Agentry/Publicity Model. In this model, the public relations practitioner is interested in making his organization or product known. He may or may not use truthful statements. Falsehoods, half-truths, and incomplete facts are all permissible. The practitioner's abiding slogan is "All publicity is good publicity." It is a one-way transfer of information from the organization to the publics. Little or no research is required. There is no feedback.

Grunig and Hunt (1984) revealed that this model was used by 15 percent of public relations practice. Later, Grunig and Grunig (1992) found the earlier data to be inaccurate and reported that most public relations practice, unfortunately, still falls into this category.

As practitioners become more knowledgeable, and the profession of public relations grows in respect, the number of practitioners using this model should decrease.

Model 2—Public Information Model. This model is characterized by the desire to report information journalistically. It is different from Model 1 in that truth is essential. Most public relations practice in government agencies today falls into this category. Companies that simply distribute news releases are examples of this model.

This model also involves a one-way transfer of information from the organization to the publics. Little or no research is required. There may be some type of evaluation, such as readership surveys or the counting of news clips. This model is most common in corporations.

Model 3—Two-Way Asymmetric Model. In this model, also called the scientific persuasion model, the public relations practitioner uses social science theory and research, such as surveys and polls, to help persuade publics to accept the organization's point of view. There is some feedback, but the

organization does not change as a result of communications management. In asymmetric public relations programs of this type, the organization rules. It always knows best. Its attitude is that publics should adhere to the organization's viewpoints. Examples of asymmetric actions are a letter informing a public of a new policy or a recorded telephone message with no technology available for returning messages.

Model 4—Two-Way Symmetric Model. The public relations practitioner in this model, the mutual understanding model, is an intermediary between the organizations and its publics. The practitioner tries to achieve a dialogue, not a monologue as in the other models. Either management or the publics may make changes in behavior as a result of the communications program.

Research and social science theory are used, not to persuade, but to communicate. Effective public relations programs based on this model are said to be *excellent* programs.

Symmetrical public relations programs negotiate, compromise, bargain, listen, and engage in dialogue. As a result, the organization knows what the publics want and need, and the publics understand the organization's needs and desires. An example is talking to consumers by telephone or at a public meeting in which the consumers can talk back.

In crises, organizations are frequently forced, by circumstances, to practice symmetrical communications with adversarial publics. Although most organizations practice Models 1 and 2, research by Grunig and Grunig (1992) revealed that PR practitioners would prefer to practice Model 4 if they had the expertise to do so and if the organizations were receptive to that practice.

The classifications are not precise. An organization, for example, may practice Model 2 and Model 4. If the organization practices Model 2 more than Model 4, it is considered a Model 2 public relations operation.

Before an in-depth discussion of theories, there are a few terms that require definition:

strategy—an approach, how one handles a problem.

stakeholders—people who are linked to an organization or who have an interest in an organization and are affected by the decisions made by that organization. Examples of company stakeholders are employees, stockholders, communities, and government officials.

strategic publics—stakeholders who are crucial to an organization. The organization cannot function without them. Examples are boards of directors, investors, and unions.

strategically managed public relations—communications programs designed to build relationships with strategic publics, the crucial stakeholders of an organization.

segmentation—the division of a market, population, or a large public into groups whose members are bound by mutual interests, concerns, and characteristics.

risk communications—an ongoing program of informing and educating various publics (usually external publics) about issues that can affect, negatively or positively, an organization's success. It builds solid relationships between an organization and its key publics, the publics on which its survival depends. These relationships must be established prior to a crisis. It is too late after a crisis erupts.

organizational ideology—an organization's philosophy, its working climate, its corporate culture. Each person's experience with organizations—no matter how small or large—puts him in contact with that organization's ideology, its corporate culture. There are norms of dress, formal rules, informal codes of conduct, taboos, jokes, language, and more.

These are the elements of organizational culture. They make up an invisible, internalized whip that cracks and tells us what we can do, what we cannot do, what we can say, and what we cannot say in our dealings with the organization.

Researchers disagree on whether organizational culture is harmonious or conflicting, consistent or inconsistent. Nevertheless, it is inescapable that the culture determines to some degree how people within the organization behave.

Popular examples of organizational ideology are, "Look busy whether you are or not," and "The boss is always right."

Johnson & Johnson (see chap. 5) relied on its organizational ideology in 1982 when, without a crisis management or communications plan, it followed its credo after several people died from poisoned Tylenol capsules.

The company's executives credit the credo with getting it through the crisis. Unlike most organizational ideologies, it was written—although very brief. More importantly, it was felt and practiced by employees and executives alike. The basic message was this. The company has responsibilities to four groups: 1) consumers, 2) employees, 3) communities served by the company, and 4) stockholders.

communications ideology—the organization's philosophy and attitudes of behavior in communicating with publics.

Again, Johnson & Johnson's public relations program during the tampering case is an example. The company's basic rule in dealing with the media, and thereby with the consuming public, was "open and honest information." It is difficult for a public relations department of a major corporation to have a communications ideology different from the organizational ideology. A productive public relations operation necessarily

6.)

Grunig and Repper

J. Grunig and F. Repper (1992) identified theories on strategic management, publics, and issues as having two primary propositions. Both are conducive to a study of crisis communications programs:

1. Public relations is most likely to be excellent—will contribute to organizational effectiveness—when it is an integral part of an organization's strategic management process and when public relations is managed strategically.
2. Public relations is managed strategically when it identifies stakeholders—separates active publics from stakeholder categories—and resolves issues created by the interaction of organization and publics through symmetrical communications programs early in the development of issues.

These propositions mean that *excellent* public relations programs, as well as *excellent* crisis communications programs, have the following characteristics:

1. The public relations' head is an important part of the top management of the organization.

2. Programs are designed to build relationships with all key stakeholders of an organization or company.

3. Public relations, through research, identifies who the organization's key stakeholders are and ranks them in order of importance. They may be customers, media, employees, competitors, unions, special interest groups, vendors, suppliers, environmental groups, consumer advocates, and critics, to name a few.

4. An ongoing public relations plan is developed for each key stakeholder. This necessarily goes beyond media relations into a Model 4 program (two-way symmetrical program). These programs can sometimes prevent crises. At other times, they lessen the severity of crises.

5. In *segmentation*, public relations breaks down large publics into smaller subpublics with which it can communicate more effectively about issues or problems. These publics are usually, but not always, active rather than passive. Active publics seek out information and are more likely than to the National Education Association or the American Federation of Teachers, organizations consisting of members, educators, who can r[illegible]h all school children. Organizations that do not segment their stakeholde[illegible] might send a news release to metropolitan newspapers *hoping* that teachers will read the subsequent article and communicate with children.

6. *Issues Management* is part of a two-way symmetrical program handled by the public relations department. A public makes an issue when it perceives that a problem is brewing or has happened. In issues management, the public relations department anticipates the issues that are potential crises and ranks them in order of possible damage to the organization. Then strategies and tactics are developed and implemented to lessen the likelihood of crises. The crucial element here is early identification of potential crises, like treating a sniffle before it comes the flu. The treatment might involve making allies of potential adversaries or meeting with a community activist to explain a procedure that might be construed as damaging to consumers. Consequently, the odds are enhanced that an issue can benefit the organization rather than hamper it.

Many times, issues management is handled by public affairs or corporate communications departments, which are separate and apart from public relations departments that only handle media relations. Grunig and Repper's theory does not advise this separation.

Marra

Marra (1992), in an attempt to build and validate a model of excellent crisis public relations, suggested that organizations develop a theoretically based crisis public relations model that would allow practitioners to identify which variables can be adjusted to make a crisis communications plan work and which variables, if not adjusted, make it fail. He says this knowledge will allow the public relations practitioners to know before a crisis what will or will not work. Marra identifies strategies and techniques common to *excellent* responses to crises with the following hypotheses:

1. An organization having strong and well-developed relationships with its key publics prior to a crisis will suffer less financial, emotional, or perceptive damage than organizations with weak and poorly developed relationships with its key publics prior to a crisis. Key publics would not only be media, but employees, customers, community, and so forth.

2. Marra believes, as the Grunigs and Repper do, that organizations with weak precrisis relationships are those with asymmetrical practices, Models

1, 2, and 3. Therefore, an organizations that uses two way symmetrical crisis communications procedures will suffer less financial, emotional, or perceptual damage than the Model 1, 2, or 3 organizations or those who use silence as a response to crises.

3. An organization that establishes and puts into effect continuing risk communications activities and prepares crisis communications plans prior to crises will have stronger relationships with key publics, use two-way symmetrical crisis public relations practices and, as a result, will suffer less financial, emotional, and perceptual damage than the organization that does not.

4. An organization with communication ideologies that encourage, support, and champion crisis management preparations, crisis communications plans and actions, and two-way symmetrical communications practices will suffer less financial, emotional, and perceptual damage than the organization that does not.

SUMMARY

Various public relations and crisis communciations theories suggest attributes and characteristics of programs that are likely either to prevent crises or enable organizations to recover from crises more swiftly than organizations without those characteries.

Among these characteristics are strong relationhips with publics (including media), prominence of public relations within the organization, sound organizational culture, and preplanning for crises.

Persons with public relations savvy are likely to say, "This is obvious. People who are prepared should withstand a crisis better." Neverthless, the likelihood of a crisis is not seen as obvious by many organizational heads. Most companies still do not plan for crises and take the attitude, "It hasn't happened, so it won't happen."

* * *

Answer to question on page 10: Crisis communications theories, so far, do not relate total sales, numbers of employees, education and experience of PR practitioners, and quantity or quality of news releases to the probability of successful and swift conclusion of a crisis. Company "B" has ongoing two-way relationships with employees, customers who are key stakeholders. Considering that the PR department of Company "A" spends 80 percent of its time on news releases, it is unlikely that there is a two-way symmetrical relationship with strategic publics. Therefore, Company "A," according to theorists studied in this chapter, is more likely to suffer a

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Reading C2

ALLERGAN, INC.

CRISIS COMMUNICATION POLICY

SEPTEMBER 21, 1992

This policy has been prepared to help the decision-making process during a crisis. It includes a series of concrete values designed to guide the organization should it face a crisis for which it could not prepare. The policy meets the following objectives:

- Establish a broad set of guiding principles to guide Allergan in any crisis.
- Provide guidelines for company spokespersons.
- Outline a plan for facing crises.

The policy is organized as follows:

I. *Fundamentals of Crises and Crisis Communication*
An overview of the kinds of crises and their nature, including the objectives that should be achieved during a crisis.

II. *Procedures – Phase One, Crisis Prevention*
Covers a proposed process for issues management.

III. *Procedures – Phase Two, Crisis Communication*
Includes priorities during a crisis, the values Allergan should seek to reinforce during a crisis, and the consequences of reinforcing those values.

IV. *Allergan Crisis Guidelines*
Specific "dos" and "don'ts" for crisis communication at Allergan.

V. *Guidelines for Spokespersons*
A section for spokespersons, including the role of the CEO during a crisis.

FUNDAMENTALS OF CRISIS COMMUNICATION

An organization needs to be prepared to address the various crises circumstances may force it to face. Many potential crises can be identified and prevented or planned for through ongoing issues identification and contingency planning; others can catch a company by surprise.

"When conflict occurs, publics 'make an issue' out of the problem. Organizations use the process of issues management *to anticipate issues and resolve conflict before the public makes it an issue. Organizations that wait for issues to occur before managing their communication with strategic publics usually have crises on their hands and have to resort to short-term* crisis communication."

– James Grunig, PhD
Excellence in Public Relations and Communications Management

During a crisis, companies and their executives must make critical decisions under circumstances characterized by:

- Intense pressure,
- High stress,
- Heightened external scrutiny,
- Dramatically compressed time frames, and
- Confusion about information.

KINDS OF CRISES

There are two kinds of crises. These might be defined as the "meteor" crisis and the "predator" crisis.

Meteor Crisis – Something terrible, unanticipated, random and/or senseless occurs. The organization is almost always the victim in this type of crisis. The confidence of the customer and other publics is at risk, and the organization's ability to respond well determines its guilt or innocence in the publics' eyes and can reaffirm the organization's identity.

Predator Crisis -- The organization is *not* a victim; however, the organization stands to suffer loss of reputation, credibility, or other tangible and intangible assets as a result of the crisis. These occur when, for example, an ex-employee airs his or her dirty laundry in public; when a simmering dispute between the organization and another constituency goes public; when an organization is guilty of something; or when new regulations catch an

organization unaware. An effective response to a predator crisis can stop further damage, but the organization will never be vindicated through traditional communication practices.

CRISIS COMMUNICATION OBJECTIVES

Either kind of crisis will test Allergan's strengths and expose its weaknesses. Ultimately, the reputation of the company -- with its shareholders, its employees, its customers and suppliers, the media, the communities in which it operates and the agencies with which it deals -- is at stake.

A company's objectives during a crisis should be no different than its ongoing, day-to-day objectives. However, without a plan -- and faced with pressure, stress, external scrutiny and short time frames -- companies often lose sight of those objectives. Thus, it is important to institutionalize those objectives as paramount during a crisis:

- Present and maintain a positive and accurate perception of the company.
- Present timely, accurate, up-to-date information.
- Remain accessible to the media and other channels of communication.
- Gather and monitor information disseminated through media channels related to the crisis in order to catch and correct misinformation early.
- Maintain investor, employee, customer, governmental, and community support.

WHY CRISES ESCALATE

Burson-Marstellar, the leading crisis communication experts, has identified seven stages through which executive management goes during a crisis. They are:

1. Surprise
2. Insufficient or incorrect information
3. Escalating flow of events (loss of control)
4. Intense scrutiny of the organization from outside
5. Beginning of a siege mentality
6. Panic
7. Short-term focus (instead of keeping organizational objectives in sight)

The most critical times during these stages are the first hours of the crisis, and the first seven days.

Because so many companies have gone through these stages, a perception already exists with many constituencies that it is impossible for a company to win a public debate once a crisis has erupted. It is the nature of crises that a rational approach may be ineffective.

Following are some of the issues companies face in a crisis that keep a rational approach from being effective, and how Allergan will work to counteract them in an actual crisis (details on these actions are contained in subsequent sections of this document):

- *Publics attach little credibility to business advocates during a crisis* -- Issues management should create substantial credibility among key publics. Additionally, working to convey compassion, concern and control over the crisis situation will lend credibility where a rational debate will not.
- *The public is risk averse* -- That is, the public-at-large will almost always take the side in a crisis that represents the least risk. Again, conveying control -- or showing that Allergan is *eliminating* or *reducing* any risk, will help win over publics.
- *The media does not always provide a level playing field* -- In particular, the press is often likely to have a bias toward conflict, which sells newspapers. Establishing solid, mutually-beneficial relationships with reporters and editors *before* any crises erupt will help maintain level communications *during* a crisis. Maintaining control over the *symbols* relevant to each particular crisis instead of engaging in rational debate -- which perpetuates the conflict -- also will enhance Allergan's image with the media.
- *Advocacy groups will exploit a brewing conflict for their own purposes* -- Identifying these groups and their issues, and engaging in two-way symmetrical communication with them to arrive at mutually-beneficial resolutions *before* a crisis erupts will prevent advocacy groups from exploiting any conflicts. Should a crisis erupt despite efforts to communicate proactively, symbols again are fundamental tools. Showing compassion, concern and control helps defuse otherwise explosive crisis situations.
- *Once a situation has escalated to a crisis stage, bias, not logic, is at issue* -- Thus, logical responses to emotional issues have little impact. Again, our response should be to the perceived emotional concerns (that is, appropriate concern, compassion, and control over the situation should be employed instead of argumentative, rational debate).
- *A company engaging in debate during a crisis -- even if its point of view in the debate is logical or rational -- is viewed as defensive and guilty; this generally makes things worse* -- Allergan will not engage in debate; instead, we will address the perceptions of our publics using the fundamentals and guidelines presented in this plan.

SYMBOLS IN A CRISIS

Symbols are a company's most powerful tool during a crisis. Usually, a crisis is characterized by symbols anyway: Bhopal had corpses littering streets; the Exxon *Valdez* had dead, oil-slicked birds; the *Challenger* explosion had that one haunting image of the shuttle exploding at the end of its trail. The Los Angeles Police Department is tainted with the symbol of Rodney King on videotape. Even the Tylenol tampering case left us with a tainted capsule as the symbol of that particular crisis. Thus, how a company *acts* during a crisis is more important than what it *says*. ***In fact, a company cannot "manage a crisis;" it can, however, manage the perceptions it creates.*** Thus, a company's values count

during a crisis. A crisis offers an organization the opportunity to reaffirm its values and reinforce a positive public perception.

The following procedures are intended to enable the company to deal with crises. These range from the values Allergan will reinforce during a crisis to the organizational structure that will be activated when a crisis erupts.

PROCEDURES:

PHASE ONE -- CRISIS PREVENTION

In order to increase management perception of those crises that can happen and to be adequately prepared to prevent those crises before they occur, the multi-functional Allergan Issues Management Team should meet quarterly. This team can be composed of existing teams (e.g., OpCom), but should include

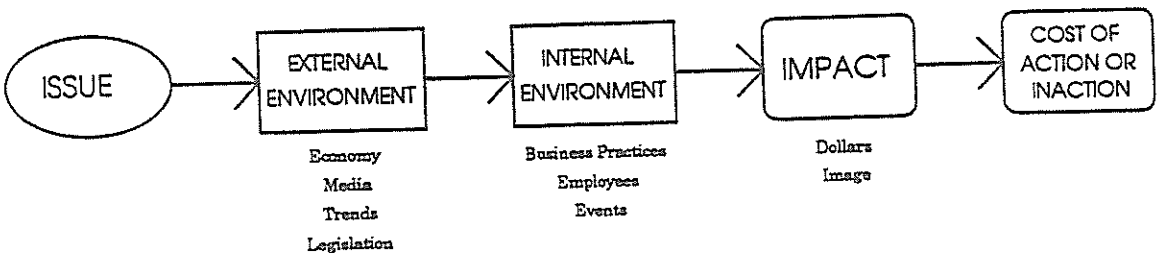
- Individuals whose "fingers are on the pulse" of real-world issues facing each of Allergan's businesses (business unit issues, government issues, environmental issues, advocacy group issues, etc.).
- Key communications managers (e.g., Jeff D'Eliscu, Shel Holtz)
- Key legal representation (e.g., Susan Glass)
- Representation from HR, R&D, Finance, and (possibly) outside PR counsel

The role of this team would be to:

- Identify emerging issues that could have a deleterious effect on our business. This requires a specific program of issues scanning (including publications review, contact with industry sources, legislative monitoring, etc.) with specific assigned responsibilities for conducting this review.
- "Scenario-plan" the potential impact of these issues.
- Chart action by department and audience. (What do we do? To whom do we talk?)
- Track the issue in order to maintain an updated plan.

The recommendations of the Issues Management Team (OpCom *plus* appropriate internal resources) would be forwarded to ECOM for final approval, and would be considered as part of the business planning process. Allergan's communications functions would then develop communications plans for addressing the strategic publics identified as posing a threat to Allergan, thus preparing for and possibly preventing a crisis before it occurs.

The following diagram charts the process for addressing each issue identified by the Issues Management Team:



PROCEDURES:
PHASE TWO --
CRISIS COMMUNICATION

THE DECISION-MAKING PROCESS

Four teams will be active during a crisis:

Policy

The Executive Committee will be the final decision-making body during a crisis in terms of specific actions.

Guidance/Execution

The Allergan Crisis Communication Team (ACCT) (Jeff D'Eliscu, Susan Glass, Shel Holtz, an appropriate technical expert as an ad-hoc member depending on the nature of the crisis, and appropriate outside PR counsel) is a subgroup working on the crisis at the direction of ECOM. ACCT will manage all crisis communication activities based on approved procedures outlined in this plan.

Allergan Issues Management Team will offer appropriate and relevant insight based on work it has done to identify potential crises prior to escalation into the current existing crisis.

Execution

On-Site Crisis Teams (OSCTs), including designated spokespersons (when crisis occurs at or involves a specific location other than corporate headquarters in Irvine). OSCTs also would be able to act without approval from ECOM based on approved procedures outlined in this proposal and supported by on-site crisis training. Specifically, OSCTs will be provided as much flexibility as possible to communicate with the media in order to eliminate time delays, based on training geared to specific scenarios that reflects approved responses. Any decisions outside the scope of approved procedures would require contact with the ACCT and, where appropriate, approval by ECOM. OSCTs will be defined as Allergan's crisis plan is implemented, but will generally include the site manager, key human resources officer, and key technical experts.

COMMUNICATION FLOW

Upon identification of a crisis or potential crisis:

- *Contact the ACCT first.* This should be done by the site manager or other member of the OSCT; however, all site employees should be made aware of the policy so that contact can be made in the event that the OSCT cannot immediately be convened. The CEO will determine whether it is appropriate to convene ECOM and -- with input from ACCT -- whether a Communications representative and/or the chief executive officer and/or chief operating officer should go to the scene of the crisis. Generally, on-site communication representation from corporate headquarters eliminates a layer of communication and facilitates quicker response times and faster decision-making.

- *Adopt crisis organizational priorities.* One fundamental of a crisis reporting structure is the need for senior management to put the existing hierarchy aside so that local management can deal directly with the ACCT or ECOM during a crisis.

ON-SITE INFORMATION MANAGEMENT

- ***If you cannot reach the ACCT (e.g., during a major blackout that might result from a hurricane, earthquake, or other disaster), take limited control of crisis management on site.*** If the ACCT is not available and it is necessary to issue a statement provide reassurance as much as possible and release only *accurate* information:

  - -- Designate the appropriate *trained* individual as spokesperson and advise the media that there is *one* authorized source for information.
  - -- It is the spokesperson's top priority to reassure that everything in our power is being done to resolve the problem and to establish the perception that Allergan has control of the situation while the OSCT deals with appropriate agencies (e.g., FBI, local authorities, etc.)
  - -- Release the time and location of incident and other confirmed facts, and attribute the source of this information.
  - -- Note that the situation is too tenuous to address other information until facts are confirmed.
  - -- Note that additional information will be provided as soon as it is available.

  An example of this statement is: *"We have confirmed that two employees have died in an explosion in our research laboratory in Grand Rapids. The explosion occurred at about 3:45 p.m. An undetermined number of employees were injured in the explosion, and have been transported to three local hospitals for emergency treatment. Emergency teams are on site, and the cause of the explosion is being investigated. We have been advised that there is no threat of additional*

explosions. We have gone to the assistance of the family of those who were killed."

Take questions, but answer *only* those of a factual nature for which a confirmed answer has been determined. For example, answer a question about what kind of research lab this is, but not about actions we'll take to prevent future accidents (since those decisions have not yet been made). Once again, without specific direction from ECOM, the OSCT is empowered to take control and *maintain* the situation.

The OSCT should *not* be empowered to resolve the long-term impacts of the situation if they have not been given specific direction and/or orders from ECOM. (This refers to the *communication* of the crisis -- not the crisis itself. Clearly, on-site management will address emergency procedures consistent with established Allergan procedures.) With ECOM direction, the OSCT will manage and resolve the communication aspects of the crisis. When there is no ECOM direction, the OSCT will take control of the situation and maintain it, but *not* resolve it. Hasty local actions often preempt other possible actions based on the work of ECOM, the Issues Management Team, or the ACCT.

Communication training and ongoing crisis exercises for the OSCT will ensure appropriate responses to most situations that might arise.

PRIORITIES

Reinforcing the company's values is one of the most powerful symbolic results of effective crisis communication. In order to ensure that the company's values remain consistent with actions during a crisis, a series of priorities has been established that will drive all decision-making activities.

In a crisis, our priorities are:

- The affected party or parties
- The customer/consumer
- Our employees
- The local communities in which we operate
- The shareholders

These priorities are effective in any crisis situation -- including those where one or more of the audiences identified are not a factor. For example, in the event of a toxic spill, the customer/consumer is not a factor, but employees and the local communities are. In this instance, the ACCT would acknowledge the limited impact to the customer/consumer and move to the second priority and ensure that constituency's concerns and needs are addressed first. In this way, we avoid turning pages to find the right priority list for different crises, saving precious time.

Maintaining these priorities in a crisis reinforces the message we have been communicating about the focus on the customer. It also portrays the company as compassionate, concerned, with values that extend beyond the bottom line.

RESPONSE GUIDELINES

While the guidelines for spokespersons will be more detailed and specific, Allergan has 'opted some general guidelines about how to respond during a crisis. Following are the approved guidelines:

- Ensure that the situation is under control (where appropriate) and that steps are being taken to ensure there is no repeat of the situation.
- Ensure that appropriate communication links are established with the following audiences (when appropriate):
  - Customers/consumers
  - Employees
  - Communities
  - Shareholders
  - Suppliers
  - Government officials/agencies
  - Securities analysts
  - Media
- Respond quickly, accurately, professionally, and with care.
- Treat perceptions as fact. That is, acknowledge the perceptions held by the audiences to which we are communicating, and respond to those perceptions.
- Acknowledge any mistakes the company may have made (based on input and approval from Corporate Legal and only after fault has been clearly established by a full investigation or other conclusive source). Or, acknowledge that we are looking at any way we might have erred.
- Identify just who *is* the angry party and tailor communications to address that party's concerns. In other words, encourage partnership between Allergan and the "angry party" to address the problem. A displayed willingness to work *with*, not *against*, the company's harshest critics will result in a quicker resolution of the crisis (just as a proactive effort to work with critics will *prevent* crises).
- Acknowledge the concerns of the other side
- Make no public confrontations (corporations lose 90 percent of these face-offs).
- Emphasize building long-term relationships to address the problem. Long-term relationships reflect the organization's values *and* public expectations.

In addition to these guidelines, it should be remembered that, in a severe crisis that tests the company's commitment to its stated values, an immediate and total commitment to change is a very symbol, as is a sense of urgency. It should be noted that tame responses will not resolve a crisis that has grown out of exaggerated claims. Displays of honesty and integrity -- integrity and a willingness to admit errors and mistakes -- lead to gains in public trust, confidence and loyalty -- and generally results in public permission to continue or resume operations.

COMMUNICATION VEHICLES

Prepared Statements

All statements presented to strategic publics should be prepared, although in a crisis these statements need the quickest possible turnaround time -- sometimes only minutes. By making statements prepared either by the ACCT or the OSCT, we ensure only appropriate information conforming to approved policy is being distributed via proper procedures, with trained spokespersons able to limit answers to follow-up questions.

Interview Requests

As a rule, the company has nothing to gain by going public on "info-tainment" programs. In general, during a crisis, information should be communicated uniformly and concurrently to *all* media outlets. On the other hand, it may not always be possible to ignore interview requests during a crisis. When possible, the response to interview requests will be determined by ECOM -- with input from the ACCT -- based on each situation.

Bulletins/Releases

During a crisis, Allergan should be accessible to its strategic publics, even if there is no new information to impart. Allergan should provide new information as it becomes available and has been verified, and will continue to provide the same information to employees at the same time it is being communicated to outside audiences.

When employees are affected by a crisis, Employee Assistance Plan availability will be broadened to promote a positive effect on employees' psychological well being.

Depending on the nature of the crisis, the ACCT will recommend if separate communications vehicles should be instituted to address the issues with employees. In some cases, a daily or weekly bulletin may be desirable to keep Allergan employees around the world apprised of news related to the crisis.

ALLERGAN CRISIS GUIDELINES

SYMBOLS

There are several steps Allergan can take to build the symbols required to emerge from a crisis as a healthy organization. These include the following:

- Maintain control.
- Maintain and reaffirm the company's identity and values as caring and "top-quality" -- although not error-free (e.g., "We do not condone this action if it is, indeed, happening within our company; we are vigorously investigating. the allegations.")
- Maintain the company's position as concerned and responsible.
- Be forthcoming with information.

OTHER THINGS TO DO

Administrative

- Dedicate the necessary resources (including personnel) to respond to the situation. People responding to a crisis should not be distracted by day-to-day job requirements.
- Maintain media records of the crisis -- who called, who helped, etc. This will help separate news writers from feature writers (and prioritize response lists), help determine who needs to be called back, and identify for follow-up purposes who helped cover your story.
- Telephones should be covered 24 hours a day until the crisis is resolved -- never let an answering machine or voice mail answer an inquiry during a crisis.
- Use written statements during initial media contact -- even if it is only a sentence or two long. This will avoid inconsistencies.

Proactive

- Address the key issues as you know them to be -- both negative *and* positive -- up front, before somebody else does. However, *never* speculate.
- Get involved with the interest groups who could create the conditions for a crisis before *they* get involved with *you*. (See "Policies and Procedures Phase One -- Crisis Prevention")

Reactive

- Stick to your basic message or you will end up responding to theirs.
- Expend resources on the *cause* of the issue, not the symptom.

- Don't speculate; wait for the facts. The media will forgive delays, but not inaccuracies.
- Poll the public.
- Detail the company's humanitarian efforts as a highlight of the story.

GUIDELINES FOR SPOKESPERSONS

WHO SHOULD BE SELECTED?

The spokespersons at each site should be trained in the same fashion as the spokespersons at corporate headquarters. Spokespersons should be selected to represent the following functions:

- *Scientific* -- The scientific spokesperson should address scientific and technical issues.
- *Environmental Health & Safety and Human Resources* -- These spokespersons should address issues that arise in their domain.
- *Executive management* -- The local top manager should be used to elevate the company's message -- and should be used *only* when it is appropriate to elevate the situation to that level of significance (remember -- use of top management automatically conveys the gravity of the situation).

ROLE OF THE CEO/COO

The CEO should be used as the company's principal symbol. It is his role to position the company as responsible and compassionate; he represents the corporation's public face.

The CEO should be used as a spokesperson *only* when it is appropriate to elevate the company's response to the crisis and give that response a high profile. A next level of elevated response would involve using the COO as spokesperson -- keeping in mind that this *still* conveys a desire on the part of the company to heighten the importance or significance of the crisis beyond a "local" response. The work of the Issues Management Team and the recommendation of the ACCT to ECOM will help determine the CEO and/or COO's involvement.

The CEO should be prepared to travel to the site of a crisis during the critical stage (first 6 to 24 hours).

SENIOR RANKING ON-SITE MANAGER

The senior on-site manager -- who will be responsible for managing crises -- will be the primary crisis management representative until ECOM and the ACCT can be contacted. He or she will initiate the crisis response protocol and identify the appropriate on-site spokesperson. The first priority is to manage events and get control of the situation. The second priority is to manage communication and inquiries until direction can be provided by ECOM or the ACCT. Once ECOM or the ACCT has been contacted, the senior on-site manager becomes the vital link between the OSCT and the ACCT.

RULES FOR ALL SPOKESPERSONS

The best and most appropriate people will be identified, trained and used as spokespersons.

Designated on-site spokespersons should check with a member of the ACCT at the first opportunity, if feasible, before facing the media or issuing any statements and review and rehearse what is to be said.

Following is a list of guidelines spokespersons should follow:

Speaking Style

- Project confidence and control.
- Be clear and concise. Do not use jargon.

Dos

- Use exact wording of any written statements that have been prepared.
- Provide copies of any prepared statements.
- Assure reporters/officials that you will be on hand to answer questions, and will be back out with more information as soon as it is available.
- Be prepared immediately to give the time and location of the incident.
- Readily admit it if you don't have an answer.
- Promptly clarify misinformation and clear up inaccuracies.
- Understand the needs of reporters/officials. They will resent anything that doesn't help them do their job and appreciate anything that *does* help. One of the jobs of the spokesperson is to facilitate the reporter's work.

Don'ts

- Do not deviate from prepared statements. Do not elaborate.
- Avoid speculation. Provide only information that is known.
- Do not offer personal opinions.
- Do not give the names of dead or injured until the next of kin has been notified, and do not give the nature of injuries until authorized by the ACCT.
- Do not respond to statements made by an "expert witness."
- Do not provide company communications or records.
- Do not repeat inflammatory or negative remarks.
- Do not blame an individual or individuals within the organization -- or, in fact, anyone at all -- for the incident.
- Do not offer a compromise or solution to the problem.
- Do not insert your person view or opinion of the crisis.

ALLERGAN, INC.

ISSUES IDENTIFICATION TASK FORCE

OPERATIONS GUIDE

FACILITATOR'S VERSION

November 28, 1992

OBJECTIVES

The Issues Identification Task Force was established as part of Allergan's Crisis Communication Policy, which was adopted by the Executive Committee at its October 1992 meeting.

The Task Force brings together those employees representing each of Allergan's areas of key activities and interest to assess the potential risks posed by issues that have not yet assumed significant proportion. By identifying these issues proactively and developing communication strategies to address them, Allergan may be able to prevent the more severe consequences of those issues that grow to become obstructions to the achievement of the company's strategies. These consequences include:

- Boycotts
- Consumer dissatisfaction
- Litigation
- Regulation
- Legislation
- Protests
- Militant activity (animal rights, etc.)

By establishing a communications strategy for a dialogue with the strategic audiences identified with each potentially singificant issue, Allergan can avoid the cost and time associated with addressing such crises, and continue to use those resources to better meet the requirements of our customers and the health care needs of people around the world.

TASK FORCE STRUCTURE

The Issues Identification Task Force will operate at two levels:

- Identification Units

  -- Operations Issues
  -- Product Pipeline Issues
  -- Sales/Marketing Issues
  -- International Issues

- Assessment Unit

ISSUES IDENTIFICATION UNIT MEETINGS

This section provides a guideline for conduct the meets of the Operations, Product Pipeline, and Sales/Marketing issues identification unit meetings.

Pre-Meeting

Attendance of each participant should be confirmed.

Four flipcharts are prepared in the front of the meeting room. The first page of each flip chart should be prepared to read, "Welcome!" "Help Yourself to Coffee and Rolls" "Don't Sit Down!" and "Mingle Until We Start at 8:30."

Page 2 of the first flip chart should read, "OBJECTIVES"

Page 2 of the second flip chart should read, "Identify issues that could result in obstacles."

Page 2 of the third flip chart, a bullet list, should read:

- Boycotts
- Regulation
- Litigation
- Legislation
- Consumer Rejection
- Activism

Page 2 of the fourth flip chart should read, "Which issues could affect the bottom line?"

Page 3 of the first flip chart should read, "Review of Previous Issues"

Page 3 of the second, third and fourth flip charts should list all of the issues identified by the group at its last meeting.

Notepads and pens should be provided at each space.

8 a.m. to 8:30 a.m.

Participants convene. Task force facilitator should make sure each participant has a copy of the agenda and, while people are having coffee and talking, should confirm that each participant has brought appropriate materials and information.

8:30 a.m. to 8:45 a.m.

Task force facilitator convenes meeting, opening with a brief overview of the objectives, using the second page of each of the four flip charts:

Flip Chart #1 Everybody has seen the agenda and is familiar with the Issues Identification Task Force Operations Guide and Allergan's Crisis Communication Policy. Before we get started, though, let's take just a minute to review the objectives.

Flip Chart #2 The first objective is to identify those issues that are brewing out there that could, if left unaddressed, get out of control and become crises or obstacles to that keep us from executing our strategy. The idea is, if we address these issues now, we can develop strategies for entering into a dialogue with the strategic audiences behind the issues.

Flip Chart #3 But if we don't deal with these issues now, they can get out of control and result in actions like boycotts, customer rejection, negative press coverage, regulation, litigation, legislation, consumer activism -- all of which are a real drain on company time and money. . .time and money that we *could* be spending on our core activities.

Flip Chart #4 Once we've identified these issues, we'll spend some time developing scenarios to try to guess the outcome of leaving each issue unaddressed. If the worst that could happen has no impact on us, we'll discard it. Those we determine *could* have an impact on us will be passed on to the Assessment Group, which is made up of the members of ECOM. If there are no questions, let's get started.

8:45 a.m. to 10:15 a.m.

For all meetings after the inaugural task force meeting: Facilitator reviews issues identified at the last meeting, using page 3 of each flip chart.

Unit participants should determine:

- Which of the issues has disappeared since the last meeting and should be stricken from the list.
- The evolution of the remaining issues, particularly those that are nearing the crisis stage.

10:15 a.m. to 10:30 a.m.

Break

10:30 a.m. to 11:00 a.m.

Facilitator leads the group in brainstorming issues that have arisen *since* the last meeting. This begins with the appropriate issues previously identified by the Corporate Communications Department (e.g., an environmental issue would be included in the Operations Issues Unit meeting; consumer anger over pricing policies would be presented at the Sales/Marketing Unit meeting). Each of these should be listed on new pages of the flip chart. There should be no judging or discussion of these issues at this point, although descriptions are acceptable.

11:00 a.m. to 12:30 p.m.

The group should begin at the first issue, carrying it through to its worst-case conclusion. It is up to the facilitator to ensure that the discussion of each issue remains on track in order to conclude the meeting by 12:30 p.m. A time limit should be established for each issue, based on the number of issues that have been identified. If the unit identified three issues, for instance, the unit could spend half an hour discussing each; six issues would limit the discussion time for each issue to 15 minutes.

Those issues that, even in their worst case, do not create obstacles to the achievement of Allergan's objectives should be dismissed. However, notes should be kept about the scenarios developed for each of the issues that are not eliminated from the list.

After The Meeting

Consolidate flip chart notes so that each issue remaining on the list is given one typed page, including:

- The Issues Unit that identified the issue (Operations, Product Pipeline, or Sales/Marketing).
- A brief description of the issue.
- A review of the scenario that can lead to a significant obstacle that would require Allergan to expend time and money.
- An assessment of where the issue now stands.
- A list of strategic audiences with an interest in the issue.

The collection of four sets of issues (one from the face-to-face meetings held for each Irvine-based unit and one from the conference call or videoteleconference with the International unit) will comprise the briefing paper to be submitted to the Assessment Unit (ECOM).

The International Unit Conference Call or Videoteleconference

Prior to the call, distribute by mail typed copies of all materials presented in flip chart format for the face-to-face meetings.

Conference call should follow the same outline detailed above for face-to-face meetings, although the smaller group and electronic format should serve to keep the meeting shorter by an hour or two.

ASSESSMENT UNIT MEETINGS

The Assessment Unit name for this committee indicates that these meetings should be held separate from regular ECOM meetings in order to ensure that issues are discussed in a timely manner, and not deferred to later (and possibly *too* late) in favor of other ECOM obligations.

Before the Meeting

Distribute a complete packet of all issues to all Assessment Unit participants.

Conducting the Meeting

Begin by reviewing the single objective: Determining if the organization should undertake the development of a communication strategy to address each issue, based on the information provided by the assessment units..

Each issue should be addressed by the Assessment Unit. It is the facilitator's job to ensure that the discussion remains on track, that no issue gets too much time, and that a "go" or "no-go" decision is attached to each issue.

THE FINAL STEP

A final package containing those issues receiving a "Go" decision from the Assessment Unit will be forwarded to Corporate Communications. Corporate Communications will develop proposed communication strategies and action plans for addressing each strategic audience for presentation to the Vice President, Corporate Communications.

Read & C3

COMMUNICATING DURING AND AFTER A CRISIS

During every major crisis, an organization must endure a trial by media. The news media are society's watchdog and, whether liked or not, judge the behavior of organizations. Because they serve as society's unofficial designators of a crisis, their judgment of a particular event affects how an organization and its management are perceived by the public. A major part of damage control, therefore, is to temper the media's criticism of management so that the organization's reputation is kept intact. Because this is the task of public relations, it plays a major role in crisis management.

Because every crisis creates an information gap, an organization has a better chance of affecting news coverage when it speedily fills the void. Silence by an affected organization works against it because the media and the public believe it has something to hide. Moreover, the first hours—or, in quick-moving crises, minutes—after a crisis event are of critical importance if an organization is to gain control over the reporting of the event—not only in describing what happened but in defining the event and framing the context in which it is judged.

A 1993 survey of 1,000 U.S. adults conducted by National Family Opinion for Porter/Novelli, a public relations firm, shows why accurate and honest reporting during a crisis is important to preserve an organization's credibility.[1] Of the respondents, 95% said they are more offended by a company's lying about a crisis than they are about the crisis itself—and 57% of Americans believe companies withhold damaging information or lie in times of crisis. Only 19% feel companies are totally truthful in a crisis situation. A "no comment" from a company almost always implies guilt, said 65% of the respondents. Not surprisingly, company spokespeople are seen as the least believable source—only 46% say they are very or even somewhat believable.

8. This c. ,cation is based on Exxon Chemical's *Emergency Response External Communications Guidelines*, 1990.
9. Adolf A. Berle, Jr. and Gardner C. Means, *The Modern Corporation and Private Property* (New York: Macmillan, 1932), p. 46.
10. A point made by Thierry C. Pauchant and Ian I. Mitroff in Chapter 2, "When People and Systems Fail: Lessons from Bhopal," op. cit., p. 34.
11. Barry Meier and Terence Roth, "Union Carbide Says Site Lacked New Safety Gear," *Wall Street Journal*, August 13, 1985, p. 3.
12. Charles Perrow, *Normal Accidents: Living with High Risk Technology* (New York: Basic Books, 1984), p. 20.
13. For a list of who is represented on a crisis management team and percentage of respondents who mention each position, see Pauchant and Mitroff, op. cit., p. 110.
14. Julie Schmit and Del Jones, "The First 24 Hours; How USAir Coped with the Crash," *USA Today*, September 12, 1994, p. 1B.
15. Michael Schofield, "Exercises in Diplomacy," *The Futurist, 23*, March–April 1989, p. 10.
16. Suggestion by Chris Mundy, "Crisis Simulation—Coping with the Unexpected," *Petroleum Economist, 60*, October, 1993, p. 66.
17. See Art Kent, "Continental Announces Chapter 11," in Gottschalk, op. cit., p. 51.
18. See an insider's story: Angela Z. Dalley, "The Fall of Drexel Burnham Lambert," in Gottschalk, ibid., pp. 3–16.
19. Om P. Kharbanda and Ernest A. Stallworthy, "Planning for Emergencies—Lessons from the Chemical Industry," *Long Range Planning, 22*, February 1989, p. 88.
20. Stacy Shapiro, "Spotlight Report: International Risk and Benefit Management; Many Multinationals Are Failing to Plan for All Contingencies; All Too Often, Planning for Crisis Takes Backseat to Other Priorities," *Business Insurance*, November 6, 1995, p. 3.
21. Lecture to a Boston University public relations class on January 27, 1994 by Elmore White of the New England Dairy Food Council. Also see Betsy A. Lehman, "Putting Milk Warning in Perspective," *Boston Globe*, October 5, 1992, pp. 39, 44.
22. Peter Hannaford, *Talking Back to the Media* (New York: Facts on File Publications, 1986), pp. 46–47.
23. Stuart Z. Goldstein, "Information Preparedness: Harnessing Technology," in Lloyd B. Dennis, ed. *Practical Public Affairs in an Era of Change* (Lanham, New York: University Press of America, Inc., 1995), pp. 329–346.

As many case studies presented in this book demonstrate, crisis communication is based on the basic rules of media relations developed by public relations professionals. Chester Burger's article on "How to Meet the Press" has become a classic in describing these "rules of the game."[2] Some rules pertain to a general attitude by spokespersons that reflects concern for the public. His first rule, "Talk from the viewpoint of the public's interest, not the company's," is a reminder that the press and the public want to know how a crisis event affects them and, if relevant, what they can do about it. His second rule, "Speak in personal terms whenever possible," should be extended to include statements of compassion for injured people or animals.

Several other rules pertain to the handling of interviews with reporters: "If you do not want some statement quoted, do not make it," and "If a question contains offensive language or simply words you do not like, do not repeat them, even to deny them." Burger also advises, "Do not argue with the reporter or lose your cool." In dealing with the message itself, Burger says, "State the most important fact at the beginning," "Do not exaggerate the facts," and "If the reporter asks a direct question, he is entitled to an equally direct answer." But do not go beyond the question, as Cincinnati Microwave, Inc. did. After being visited by a *Business Week* reporter who asked some sensitive questions, company officials shared some of their responses in a national news release. In painstaking detail, the company listed a number of rumors and allegations that were not even raised by the reporters (e.g., that the company did not pay taxes and inflated sales projections to boost its stock).[3]

Burger's last two rules are the most important in crisis communication: "If an executive does not know the answer to a question, he should simply say, 'I don't know, but I'll find out for you,' " and "Tell the truth, even if it hurts." Stonewalling and otherwise holding back on information about a crisis is the most common mistake made by executives.

HOW THE MEDIA REPORT CRISES

The media do more than report crises that occur. Through their selection of certain events, they designate which ones are to be treated as crises and, through investigative reporting, they also originate new crises for organizations. Their powerful role is evidenced in how they report three kinds of events: accidents, random events, and exposés.

Accidents

Airlines know that accidents routinely attract rapid media attention. The degree of attention depends on the number of casualties or the bizarre nature of the accident. After 10 years of operating without a fatal accident, United Airlines had two accidents in 1989 that received widespread attention. One involved Flight 811, bound from Honolulu, Hawaii, to Sydney, Australia, in which the forward cargo door suddenly ripped open and swept nine passengers out of their seats into the Pacific Ocean. Another was the crash landing of Flight 232 at the Sioux City, Iowa, airport in which 112 people perished and 184 survived.[4] Here, all three of the aircraft's hydraulic systems were damaged by a rotating fin of the failed center rear engine, making the aircraft's normal controls inoperative. Yet the skill of the captain and his crew made a crash landing possible. When it barrelled to a grinding halt, CNN cameras were there and, within minutes, not hours, CNN was ready to broadcast "live images of smoldering wreckage." United Airlines and Pratt & Whitney, the engine manufacturers, had previously learned that the power and influence of CNN in gathering and disseminating information must be reckoned with.

In another case, the media immediately flocked to the scene when 13,000 gallons of gasoline from an underground pipeline owned by Calnev Pipeline Company ignited and killed two residents of a neighborhood in San Bernardino, California, and injured 31 others.[5] National, regional, and local television and radio crews were there as well as reporters from the Associated Press and United Press International. Making matters worse, the accident occurred at the site where, 13 days earlier, a runaway Southern Pacific freight train resulted in derailing six engines and 69 rail cars, killing four people and destroying six homes. When one accident closely follows others, the media tend to exhibit heightened interest and sharpen their coverage of the latest one.

Random Events

Random events, with their aura of spontaneity, are often the grist that attract media attention. Some may trigger a crisis, as happened when a man shot 40 people at McDonald's in San Ysidro, California, on July 18, 1984.[6] With 21 people killed and 19 wounded, this was obviously a "massacre" that would attract widespread media attention. This rivaled the killing of 23 people by a gunman at a busy Luby's Cafeteria in Killeen, Texas. The killer crashed his truck into the restaurant window and fired two semiautomatic guns into the lunchtime crowd, killing himself afterwards.[7]

In the McDonald's case, its media relations team handled 1,400 interviews over 5 days. Although McDonald's was clearly the innocent victim and blameless for the killings, top management recognized that its response to this tragedy would be reported to the entire nation. It had to show concern for the victims and "do what was right"; company values were on display. As the death toll mounted, Richard G. Starmann, senior vice-president of McDonald's, immediately went to his Chicago office and prepared a statement indicating what McDonald's felt—shock, sympathy, disbelief. After the

statement was approved by Mike Quinlan, president of McDonald's worldwide, it was sent to wire services and then used when calls were returned to journalists who had inquired earlier.

The next day, Starmann conducted more than 70 phone interviews with local, network, national, and international news outlets, including CNN, ABC, CBS, NBC, BBC, *USA Today*, and Dow Jones. To reinforce McDonald's sense of compassion, Mike Quinlan and Ed Rensi, president of McDonald's U.S., joined Starmann in attending the funerals of the victims. Such top management involvement was especially appropriate because the media were calling this possibly the largest single "massacre" in American history.

The same pattern of response was followed by Blockbuster Entertainment Corporation when in April 1994, two Dallas video store employees were slain during a robbery.[8] Although Blockbuster has 3,500 video stores worldwide, including 89 in the Dallas–Fort Worth area, this was the first case of a killing. Corporate headquarters provided counseling for its Dallas-area employees and their families, offered a $50,000 reward for information leading to the arrest and conviction of the killer, and paid for the funerals of the two slain employees. Blockbuster further placated people by showing that the company had taken responsible security measures by installing a video camera in the store and keeping little cash in the register.

Media Exposés

By deciding on topics and illustrations for investigative reporting, the media essentially initiate crises. When CBS's *60 Minutes* featured "One Out of Three" on March 29, 1987, a crisis was started for the entire chicken industry.[9] Statistics for 1986 showed $12 billion of chicken sales at the wholesale level. Thanks to health consciousness, the average American family consumed 55.4 pounds of chicken a year. That sanguine situation changed after CBS's *60 Minutes* reported that 30% of chicken sold in the U.S. was "contaminated with harmful salmonella bacteria." Chicken was blamed for the "dramatic" increase in reported cases of food-borne illness. The industry's trade association, the National Broiler Council, faced a media crisis initiated by the news media.

CASES OF SUCCESS AND FAILURE IN DEALING WITH THE MEDIA

National Dairy Milk Council Overcomes Attack on Milk[10]

At a September 28, 1992, press conference held at the Park Plaza Hotel in Boston, the Physicians Committee for Responsible Medicine (PCRM) announced that cow's milk is not healthy for young children because milk

contributes to a variety of juvenile diseases. This Washington, D.C. public interest organization describes its mission as follows: to "promote preventative medicine and to deal with issues in human and animal research and medical care."[11] The event immediately attracted nationwide media attention that continued for several weeks. The presence of Dr. Benjamin Spock, the well-known child pediatrician and author of the best seller book, *The Common Sense Book of Baby and Childhood Care*, added to the newsworthiness of the event. He said, "I'm not a nutrition researcher; but I'm a parent advisor, and I want to pass the word to parents that cow's milk from the carton has definite faults for some babies. It causes intestinal blood loss, allergies, indigestion, and contributes to some cases of childhood diabetes. Human milk is the right one for babies."[12]

One person who was not surprised by this media attention was Betty Ann Limpert, executive director of the New England Dairy and Food Council, who commented, "And when we heard Spock was going to attend, we knew it would attract media attention." The PCRM actually misrepresented itself, for as Limpert pointed out, its membership barely included any physicians—only .05%. An explanation for PCRM's attack on the dairy industry may be its professed goal of converting Americans to a pure vegetarian diet. It made headlines in 1991 when it proposed the "New Four Food Groups" based on fruits, vegetables, grains, and legumes. Later it revised the list to include meats and dairy products.

After the National Milk Producers Federation (NMPF) received a call about the impending press conference, it alerted the United Dairy Industry Association and the National Dairy Council. The latter received cooperation from the New England Dairy and Food Council (NEDFC), which immediately put its contingency plan into effect by placing its entire New England office on alert and establishing a "hotline" to handle calls from concerned consumers. Making use of its relationship with prominent local physicians and health officials, the New England office asked them to "stand by" to answer the media's questions about the issues involving the NEDFC. Limbert and her staff briefed the pediatricians about issues and provided the media with their names. The NEDFC issued its own rebuttal statement, saying that, "based on data from 46 regulatory agencies, 0.08% of raw milk and 0.02% of pasteurized milk samples showed drug residues."[13] Limbert and a contingent from NEDFC attended the press conference ready and available to present the opposing view.

Perrier's Mishandling of the Benzene Scare[14]

When the success of a company's product depends almost entirely on its reputation, the mishandling of crisis communications can seriously undermine its profitability and survivability. Purity and the mystique surrounding

Perrier's "source" accounted for the distinction of this bottled water. Consumers bel[illegible]d that Perrier was "naturally carbonated natural water." This image mad[illegible]errier a vivid symbol of the status-minded and health-conscious lifestyle of the baby boom generation.

The unmasking of Perrier's image occurred accidentally. Seeking purified water to dilute substances for testing hazardous chemicals, laboratory workers at the Mecklenburg County Environmental Protection Department in Charlotte, North Carolina, bought several bottles of Perrier, believing in its reputation. When experiments went awry, their investigation revealed minute quantities of benzene—an industrial solvent and carcinogen—in bottles of Perrier. They dutifully reported their findings to the state agriculture and health departments who, although finding the concentrations of benzene too low to justify a product recall, did issue a health advisory, warning that Perrier should not be consumed until further tests were made.[15]

Upon hearing about this action, the president of Perrier Group of America, Ronald V. Davis, on February 9, 1990, ordered a nationwide recall in the United States, totaling over 72 million bottles.[16] But then, communication mistakes were made at headquarters in France, which, following routine crisis rules, served as the single voice. Explaining the recall 2 days after it happened, a Perrier spokesperson said that the source of benzene was a cleaning fluid mistakenly used by an employee on the bottling line that served the North American market.[17] Human error, therefore, not the natural source of Perrier water, at Vergeze in the south of France, was blamed. The advantage of this explanation, were it true, is that the mystique of Perrier's natural source could be maintained and damage limited to the North American market.

But when 3 days later, on February 14, contaminated bottles were found in Europe, Perrier called a press conference at which Gustave Leven, the firm's chairman, announced a global recall.[18] While still maintaining that the source of the mineral water remained pure and that the problem was "human error," he gave a new explanation: The charcoal filters used to screen out impurities in the natural gas present in the Perrier spring were not changed as they should have been. This statement obviously destroyed Perrier's image of purity and mystique. The plain fact, according to Attorney General Robert Abrams of New York City, was: "Perrier has not bubbled up to the ground surface to be collected and bottled without processing since at least 1945, but rather is pumped from the ground through a pipe and then combined with the processed gas. A significant portion of the water in Perrier is recent rainwater, and not of ancient origin. Perrier sometimes contains over 5 milligrams of sodium per 8-ounce serving." Abrams went on to say, "They honored their word in their advertising, but they continued their deceptive labeling. These claims seriously misled consumers into thinking that they were getting a totally natural and healthful product in Perrier."[19]

rity, Perrier failed to disclose that it knew about the benzene infiltration a year earlier. At that time chairman Leven rejected his aides' re[illegible]mendation of a recall because French health officials told him the ben[illegible]e traces were not a high health risk.[20] Frederik Zimmer, the Dutch-born managing director who had built Perrier's international sales reportedly blew up at Leven's unwillingness to announce a product recall and threatened to resign. But he did not, and all he was willing to say later was that the scandal reflected a weakness in Perrier's quality control.

Internet and Media Pressure Force Intel to Recognize Crisis

Intel's much touted Pentium chip, promoted by a $80 million ad campaign, contained a product flaw that the company discovered in June 1994. Considering the flaw minor, Intel decided not to recall the defective chip nor to announce the flaw to anyone. Intel planned to quietly fix the product, following its normal schedule of product updates.[21] Intel defended its decision by maintaining that the chances of a Pentium error were 1 in 9 billion calculations—or once in 27,000 years of spreadsheet crunching for a single computer.[22]

Its strategy of deliberate nondisclosure—some would call it deception—worked until reports of the flaw appeared in the new medium of the Internet. Reports appeared early in November 1994 when a mathematician disclosed that the Pentium chip had a flaw that could lead to errors in some complex mathematical calculations.[23] CEO Andrew S. Grove responded on the Internet by posting an apology on November 27, more than a week after many customers began logging complaints on the Internet.

Despite the apology, Grove miffed some customers by trivializing their concerns, saying "no chip is ever perfect," and offering to replace only those chips used for intensive scientific mathematical calculations. Some Pentium users found his response "very arbitrary and highhanded," and one asked, "Are you guys in some kind of denial or what?"[24]

The media further forced Intel's hand when competitor IBM issued a statement on December 12, saying that the error cropped up much more frequently, "affecting calculations involving a hugely popular piece of accounting software known as a spreadsheet."[25] IBM announced it would "stop all shipments of its top-of-the-line personal computers, charging that tests indicated Intel had seriously underrepresented the potential errors caused by the chip's flaw." Said an IBM executive who was involved in negotiations with Intel: "We think Intel has handled this exceedingly poorly. First, they hid the problem and then they tried to trivialize it."[26]

Even in the face of a torrent of negative publicity, CEO Andrew S. Grove still refused to replace Pentium chips with no questions asked. Grove ex-

plaine position by saying: "I don't think it is part of our open and honest culture to make a commitment that we don't believe in, and that we could not deliver. . . . I think that would be an irresponsible thing to do."[27] But he took the next step by backing into a de facto policy of replacing Pentium chips on demand to consumers that insisted on them. Customers were closely questioned. One of them, Eric Jansen, an analyst with Alex, Brown, said it took him a lot of persistence and 50 minutes on the phone to get approval for a new chip. "To put somebody through 50 minutes of intimidating, evasive discussion in my mind is an undue qualification process," he said.[28]

More negative publicity ensued and jokes began circulating about Pentium chips. One was that its new chip would be called the Repentium. These stories affected the price of Intel's stocks. They slid 6.5% and trading was temporarily halted.[29] That same day, Grove attempted damage control by participating in a conference call with analysts in which he said that Intel had shipped "thousands" of replacement chips to date. He then expressed exasperation at the difficulty of explaining the company's highly technical defense of the chip to a nontechnical audience. He added: "I think this problem and the publicity it has gotten will have a lasting effect on the design, validation and testing of microprocessors—everybody's microprocessors."[30]

Faced with economic realities, Grove finally capitulated. On December 21 Intel placed an ad in the *Wall Street Journal* and other papers addressed "To owners of Pentium processor-based computers and the PC community." It said, in part: "We at Intel wish to sincerely apologize for our handling of the recently publicized Pentium processor flaw. . . . Intel will exchange the current version of the Pentium processor for an updated version, in which this floating-point divide flaw is corrected, for any owner who requests it, free of charge anytime during the life of their computer. Just call 1-800-628-8686." The ad was signed, "Sincerely, Andrew S. Grove, President and Chief Executive Officer, Craig R. Barrett, Executive Vice President and Chief Operating Officer, and Gordon E. Moore, Chairman of the Board."[31]

Consumer power, initially generated with the help of the Internet and later the news media, pushed up the dial on the crisis meter until even the most stubborn of CEOs, Grove, had to face up to facts—even though he deprecated them by calling them perceptions. By apologizing in an ad and being willing to exchange a current version of the Pentium chip with an updated version—note, however, the carefully crafted words "exchange" (not replace), and "current version" (not flawed version)—Intel avoided a worsening crisis. Its reputation was marred but sales and stock prices rebounded. In April 1995, Intel reported a 44% rise in first-period profit, due largely to a surge of demand for its Pentium chip.[32]

MANAGING COMMUNICATIONS DURING THE CRISIS EVENT

Strategic thinking is an important part of crisis communication. Although the objective of crisis communications is to control damage to an organization's reputation, a supplementary objective is to use the occasion of media attention as an opportunity to publicize itself, that is, to tell the public about the organization's mission, values, and operations. Management has to consider what basic goals and values are at stake. In the case of Calnev's pipeline explosion, management recognized that the government could withdraw the company's pipeline rights, which would put it out of business, or require it to relocate the pipeline, which would be costly. It was necessary to remind the public of the pipeline's importance to the local economies.

When a crisis strikes, the excellence and shortcomings of the contingency plan are tested. As always, the plan must now be applied to the particulars of the situation and additional judgments made. The occurrence of a crisis must be confirmed, the crisis management team must be mobilized, and damage control efforts undertaken. The objective is to ameliorate the harm caused by the crisis event itself and the secondary effects of the media's coverage of the event. Public relations activities focus on media relations and relationships with the organization's stakeholders.

Many decisions involving communications have to be made when a crisis occurs, despite the hope that most of them have been anticipated in the contingency plan. When an Amtrak train rammed into the rear of a Massachusetts Bay Transit Authority's (MBTA) commuter train in Boston's Back Bay station on December 12, 1990, MBTA general manager Thomas Glynn was faced with many decisions: Should he take the advice of company lawyers and avoid going to the scene of the accident out of fear that the press might be looking for answers? Was it, after all, not an MBTA but an Amtrak problem? The accident did occur inside an MBTA station but the train was owned by Amtrak and the commuter rail train was operated under contract by Amtrak. Should the MBTA provide the public with whatever pieces of information it had or wait until all the facts were gathered? Who should convey the information—the general manager or his spokesperson? Should the crisis be managed through a task force or MBTA's organizational chain of command?[33]

To answer questions such as these and others that arise during a crisis, the following guidelines should be followed:

Ascertain and Face Up to the Reality of a Crisis

Crises do not always declare themselves as such. As discussed under contingency planning, spontaneous events like earthquakes, a power outage or breakdown of the telephone system, and industrial accidents causing many

deaths require no judgment to be ascertained as crises. But many slowly evolving c[illegible]s are either overlooked or disregarded, as the Johns-Manville asbestos c[illegible] best demonstrates. Even when a situation gains momentum and signals become clearer, some managements still fail to recognize that a crisis actually exists, as illustrated by the Dow Corning silicone breast implant case. Just how many product liability cases it takes before management decides that the crisis threshold has been reached is a difficult judgment to make, however.

Preliminary fact-finding is almost always necessary to ascertain the existence of a crisis situation. When a journalist's inquiry or call from a hospital alerts management to a possible crisis, the information must be verified by talking to any outsiders who are in a knowledgeable position as well as relevant executives and technical people within the organization. Union Carbide, for example, heard of the Bhopal accident when a CBS News reporter called its Danbury, Connecticut, headquarters at 4:30 a.m. saying that a wire service report out of India said there was a gas leak and some 30 to 35 people were killed.[34] This alert started the fact-finding process.

Activate Crisis Management Team and Alert Top Management

Whoever detects an accident or problem and judges it to have the potential of reaching a crisis threshold must begin the crisis activation process. For this purpose a 24-hour switchboard should be set up, using a single telephone number to receive warning calls. The person initiating the warning may be an operations executive if the situation is internal or, as in the Bhopal case, a media relations manager. Phone numbers contained in a crisis manual or wallet-sized card must be called according to the prearranged procedure of the contingency plan. This need to refer to elements of the contingency plan is a reminder that at least one copy of a plan should always be kept outside of the organization, for example, in the home of a crisis manager. To speed up the notification process, an automated warning system[35] or telephone tree technique—whereby each successive person calls several others—may be used. Depending on the severity and scope of the crisis, the individuals initially alerted will be the local crisis management team or, with a serious crisis, the headquarters crisis management team. In short, implementation of the contingency plan begins.

Designate Crisis Media Center

Because reporters and television and radio crews will immediately descend on an organization, a crisis media center must be established. The day after the Challenger explosion, for example, between 1,400 and 1,500 members of the press were on hand.[36] When the Tylenol tragedy occurred, [illegible] individuals, the event received heavier coverage than any news event since Vietnam. Within the first week of the crisis, more than 90% o[illegible]ericans knew about the Chicago deaths. There were more than 80,000 separate news stories in U.S. newspapers, hundreds of hours of national and local television and radio coverage, and more than 2,000 phone calls to Johnson & Johnson from media representatives. The first task of the public relations department, therefore, is to designate a central crisis media center and, if called for, an additional field media center. The contingency plan lists the equipment, supplies, and telecommunications connections required as well as members of the predesignated public relations team and supplementary personnel.

A field crisis communication center (sometimes called a field press room) is established at the site of a crisis event, and the media informed of its location. It must, however, be reasonably accessible. According to many media critics, this was not the case when Exxon initially chose Valdez, Alaska, as its sole media center. Valdez was geographically remote and had inadequate communications facilities for a crisis that would predictably draw widespread media attention. If restricted areas are involved, the field press room may have to be isolated from these areas and, in the case of an accident, away from the immediate scene. Communication lines must be maintained between the field and headquarters communications centers.

When a crisis occurs, the news media should be notified of the location of the crisis communication center(s), and if necessary, transportation and sleeping quarters should be arranged for them. The details of the contingency plan arrangements for the communication center can then be implemented (e.g., press kits prepared and distributed). Arrangements should also be made for providing journalists with refreshments.

Conduct Necessary Fact-Finding

Collect all pertinent information necessary to cope with the crisis and to prepare for the media when they arrive. Be ready to answer the five W's—Who? What? When? Where? Why?—and How? Expect the news media to ask questions about:

- What happened and, if possible, what caused the crisis?
- How many casualties were incurred (both injured and dead)?
- What damage was caused to property and the surrounding environment?
- Do any public health or environmental dangers exist?
- How are rescue and relief operations proceeding?
- What consequences—legal, financial, and so on—stem from the crisis?

- Who were the heroes and culprits?
- What witnesses, experts, victims and others might be interviewed?[37]

Do not overlook some seemingly minor facts. For example, Johnson & Johnson suffered a temporary credibility setback after claiming that the Tylenol capsules could not have been contaminated at its plant, when it was later discovered that cyanide was kept in the laboratory for testing raw materials.

Fact-finding must not, however, become a fetish. When a NASA official referred to the explosion of the Challenger that millions of on-site and television viewers observed as a "major malfunction" and "apparent explosion," that not only sounded like doublespeak but jeopardized NASA's reputation for openness. The perception of blatently attempting to control the news was further put at risk when NASA broke its own contingency plan guideline of responding to media requests within 20 minutes. NASA waited almost 5 hours before holding a news conference. An hour after the Challenger blew up at 11:40 a.m., NASA announced it would hold a press conference at 3 p.m. After twice rescheduling it, Jesse Moore appeared at 4:40 p.m. only to confirm what millions of people had already seen.[38]

Speak With a Single Voice

Many crisis plans state the desirability of designating a single spokesperson to act as the information source for public officials, the press, and the public. The main requirement, however, is that management speak with a single voice, even though more than one spokesperson is made available.

The choice of spokespersons depends on the severity of the crisis and its nature. A high level officer, preferably the chief executive officer, should serve as chief spokesperson in major crises, provided he or she is media-savvy and comfortable in dealing with the media. James Burke, chairman of Johnson & Johnson, met that qualification; Lawrence G. Rawl, chairman and CEO of Exxon, did not. Nevertheless, even if the CEO does not serve as the chief spokesperson, his or her presence at an initial news conference is increasingly mandatory because the CEO personifies the organization. Both the public and media expect the top person of an organization to say something (which is especially true of oil industry executives since the oil emergencies of 1973 and 1978). Often what they say is to express concern for the victims of an accident or product defect, and to promise corrective action. Rawl was generally criticized for not making a statement during the initial news conference and not visiting the site of the oil spill until 3 weeks after the event. His greater involvement and visibility were important because of the magnitude of the environmental damage and because of the photojournalism dimensions of the disaster.

Other individuals should also be considered for spokesperson roles. When technical complexities exist, as in the aerospace or biotechnology industries, a technical expert may be appropriate, but the individual must be well briefed on the overall situation and reasonably articulate. Backup persons must also be available to support the primary spokesperson. The key consideration is that an authoritative source of information must be available at the central media center at all times during the crisis. If there is also a field crisis communications center, communications personnel, briefed about the "single voice" message, should similarly be on duty. All employees should be reminded that all media inquiries must be referred to the crisis media center.

Speaking with a single voice is necessary to maintain control over the accuracy and authenticity of information and to prevent a blunder that could ruin the reputation of the organization.

Three Mile Island. Ambiguities, rumors, and confusion will result when a single voice is not heard, as was illustrated in the first days of the Three Mile Island accident in 1979. This was obviously a situation that aroused an extremely high levels of anxiety among potential victims. An information gap causes them to jump to conclusions or fill in scant impressions with what they hear or imagine. Metropolitan Edison, the owners of TMI, had no crisis plan and was unprepared to handle media inquiries about the accident—which some reporters called a "meltdown."[39] It was not Metropolitan Edison that alerted the public to the accident. A traffic reporter of WKBO, a Harrisburg Top 40 radio station, while monitoring CB transmissions, overheard that police and firefighters were being mobilized in Middletown, Pennsylvania, for an emergency at Three Mile Island. When the reporter called TMI and asked for the public relations office, no one was there to help; instead, he was connected to the control room where he was told by someone that he couldn't talk now because "we've got a problem."[40] Later the reporter was referred to the manager of communications services at Metropolitan Edison's office in Reading, Pennsylvania, where he was told that the public was in no danger. WKBO broke the story on its 8:25 a.m., Wednesday, March 28, newscast.

Because Metropolitan Edison failed to recognize the importance of explaining what did and did not actually happen, local, state, and federal officials became spokespersons. When the Associated Press (AP) filed its first wire story shortly after 9:00 a.m., it quoted the Pennsylvania State Police, which said that a general emergency had been declared but there had been no radiation leak. In his summary of the TMI case, Richard Hyde, Hill & Knowlton's crisis communications and issues manager, points out that the AP story was inaccurate; actually there had been releases of small amounts of radiation.[41]

Two days later, on Friday, March 30, when it was widely reported that a burst of radia was "uncontrolled," Governor Thornburgh made a public announcement. He advised individuals within a 10-mile radius of the plant to stay indoors and asked for the evacuation of pregnant women and preschool children living within 5 miles of TMI. That same day, the U.S. Nuclear Regulatory Commission (NRC) appeared, having been called into action by President Jimmy Carter. As concern about the potential of a hydrogen explosion grew on March 31, NRC chairman Joseph Hendrie announced in Bethesda, Maryland that evacuation 10 to 20 miles around the plant would be necessary if engineers decided to force the hydrogen bubble out of the reactor. As a result, reports of an imminent "meltdown" became rampant.

In Harrisburg in the evening of the same day, Harold Denton of the NRC tried to control talk of the meltdown by disagreeing with Hendrie's assessment. And adding to the multiple voices and confusion, John Herbein, vice-president of Metropolitan Edison and its chief technical spokesperson, "disagreed with NRC staff on the seriousness of the accident, the size of the hydrogen bubble, and the extent of the damage." Hyde comments: "The absence of a single qualified spokesperson at the site during the initial stages of the accident, armed with a comprehensive crisis communications plan, severely hindered any attempt to get consistently valid information to the public."[42] Sharon Friedman confirmed this communications delay and confusion, saying that Metropolitan Edison and the NRC, who were the prime information sources for the media about what was happening during the accident, provided very little useful information during the first few days. "Because neither had emergency public information plans, their responses to media queries were confusing, conflicting, and disorganized. On the first day of the accident, no one even knew who was in charge of informing the public. Metropolitan Edison issued statements from three different places, all saying something different about off-site radiation."[43]

Quickly Hold News Conference and Make Disclosures to the Media Openly, Honestly, and Accurately

When the essential facts have been verified, a corporate statement and news release must be prepared in consultation with senior management and legal counsel. A news conference should be held as soon as possible. A media advisory should be issued notifying the media of the field location, listing the people staffing the location and their phone numbers. PR Newswire and Business Wire are helpful services to disseminate the advisory quickly, as done by United Airlines in handling the two accidents.[44]

It may be necessary to counter the ingrained caution of legal advisors who are primarily concerned with the possibility of future litigation. A former manager of external communication at United Airlines explained that, although he worked closely with the legal department, "We r nized that the court of public opinion is an immediate process, while the court of law is slower and more deliberative." He argued, therefore, that "crisis management must not be ruled by how the lawyers were going to argue lawsuits years after the accident."[45]

Openness and honesty are essential to the organization's reputation, which is always at serious risk in a crisis. For this reason, United decided not to cover its logo on the fuselage of the accident aircraft in Sioux City, Iowa, even though the National Transportation Safety Board (NTSB) allows this to be done. To do so would contradict its communication philosophy of openness.[46]

Willingness to take bad news to the media is another way of demonstrating openness. When the AT&T network broke down in the afternoon of January 15, 1990, corporate information director Walter G. Murphy and media relations director, A. J. "Herb" Linnen had to decide when to notify the news media and what to say. Within 2 hours, after it was clear that the problem was not going to be fixed quickly, they decided to tell the reporters four things: that the network had failed, that they didn't know what was wrong, that they were working as fast as they could to fix it, and that they would keep them posted.[47]

The consequences of withholding bad news from the media were told by John Budd, former senior vice president of Emhart Corp in Farmington, Connecticut. After acquiring Black & Decker, a company with divisions worldwide, Emhart discovered that $8 million was missing from one of the new divisions. Although Budd prepared a news release, the company chose to say nothing. But as might be expected, the news media found out anyway and the AP wrote a story with a headline that read, "Emhart reports kickback." A "nonevent" story that should have been a 1-day story now ran for 10 days. Budd's crisp crisis PR advice: "Just tell it."[48]

Give out as much information as you can. Do not interfere with the legitimate activities of journalists, but always escort them and camera crews everywhere on the emergency site. These virtues will usually be rewarded by more balanced treatment in media reports. If unreasonable requests are made, explain why they have to be turned down. AT&T, for example, rejected reporters' request to visit the site of the breakdown, saying that their presence would impede restoration of service.

Although control over the movements of journalists and camera crew members is essential, positive efforts should be made by the public relations staff to provide assistance to the media. Phillips Petroleum did this in its handling of the North Sea oil rig blowout by persuading operational people to allow a company contract photographer and motion picture cameraman

on boar helicopter to get pictures and footage of the blowout for the media.[49]

Accuracy is equally important because critical safety decisions must be made during an emergency. Despite the need for open communication, unconfirmed or speculative information should never be released. Obviously, too, the organization has a right to privacy and to safeguard confidential information. By tradition, certain other types of information should be withheld (e.g., the names of victims until next-of-kin have been informed). Airlines make it a practice to release the passenger list following an accident. But in the case of the Sioux City forced-landing of United Flight 232, United refused. Journalists were told about the complexity of the passenger manifest—that there are actually three: one by the reservations office, one at check-in, and the third from the "ticket lift" at the gate.[50]

After USAir's Flight 427 crashed near Pittsburgh, Pennsylvania, on September 8, 1994, airline employees carefully followed prescribed rules in referring to the passenger manifest. Showing extreme sensitivity to the family and friends, employees were told not to say to callers, "Yes, sir. She was on the plane." Instead, they said, "Yes, sir. Her name is on the list." The rationale is: Why falsely alarm someone if perchance a passenger didn't make the flight or someone else used the ticket?[51]

Communication must be prompt, because events move rapidly in an emergency and critical decisions must be made quickly. The news media are also likely to become impatient if information is slow in coming; they will attempt to find other sources and, sometimes, cast suspicion on the noncooperative source. At Three Mile Island, reporters tracked down plant employees by taking their automobile registration numbers and finding the addresses from the State Motor Vehicle Department files. When the president of Warrior and Gulf Navigation Company refused to be interviewed about the investigation of the 1993 Amtrak accident near Mobile, Alabama, *The New York Times* reported that fact and headlined the article, "Accident Puts Barge Owner in Spotlight."[52] In that accident, which occurred at 3 a.m., 47 people died as their cars sank into the 30-foot-deep waters of Big Bayou Canot along the Mobile River. It was the deadliest accident in Amtrak's 22 years.[53]

During the crisis, the media should be monitored. If errors or inaccuracies are found in media statements, prompt action should be taken to correct them. For example, United Airlines picked up a potentially devastating and disruptive news report about the Sioux City crash on one of the major national networks. The lead-in was that "there is shocking new evidence that a mechanic's failure to close an engine cowling in Philadelphia the night before may have led to the crash of Flight 232." United reported the news to the NTSB public relations staff and they jointly approached network management. The network retreated from their story.[54]

Communicate Directly With Government, Employees, Customers, Stockholders, and Other Key Publics

Information must also be disseminated as quickly as possible to various involved government agencies and the organization's employees, stockholders, dealers, suppliers, and customers. The airline industry, for example, would notify the NTSB and the Federal Aviation Administration (FAA). It is important to demonstrate cooperation with all local, state, and federal safety authorities investigating the cause of an accident or other crisis event.

Employees are another prime public for several reasons. First, they might have been directly involved in the crisis, such as an accident, or affected by it because of implications about their personal safety or the safety of company products used by consumers. Second, their morale and pride in the organization may be undermined if they feel their employer is responsible for the crisis. Third, they are likely to be asked questions by their neighbors and the media about what happened and what they think about their employer. For these and other reasons, an organization should not only use its existing channels of communications to inform employees but, when necessary, special bulletins, videotapes, and meetings. They should also be notified of what was said at news conferences.

Especially in cases of product flaws or product tampering, customers and dealers—or patients and doctors—need to be kept informed. In a classic example of rapid response, Johnson & Johnson had sent out half a million warning mailgrams to distributors, doctors, and health care practitioners by mid-afternoon of the day on which the first deaths were announced. Its domestic employees received two letters to keep them updated and to thank them for their support. The company established a toll-free consumer hotline that received more than 30,000 calls through November. All letters from consumers regarding Tylenol were answered; 3,000 had been answered between the crisis event in September and late November 1982.

An outstanding example of keeping customers informed and maintaining a reputation as a reliable supplier is Milliken & Co.'s customer communications in the aftermath of a blaze that wiped out its Live Oak/Milstar complex in La Grange, Georgia.[55] A fire, which started at 2 p.m. on January 31, 1995, engulfed the plant in an hour and totally destroyed it and 5 weeks of inventory. Eight other factories in town were dependent on the plant for finishing their carpets. Seth Milliken, the 79-year-old grandson of founder Seth Milliken, told his sales representatives that the company had a terrible problem but added, "It's also a tremendous opportunity"—to show customers just how good a supplier Milliken could be. The objective was also to preempt competitors who would spread the word that Milliken was out of business.

Over 4 days the salespeople contacted all 2,000 customers who might be affected by the fire. To reduce delays, Milliken flew some production em-

ployees and unfinished carpeting from the defunct La Grange property to its twin plant in Wigan, England. Milliken promised that if it couldn't meet delivery deadlines for critical customer needs, it would refer customers to other suppliers. Other aspects of crisis management were also handled. DuPont Co. environmental specialists were hired and 30 teams of Milliken employees were organized to cover every concern, from personnel to reconstruction.

Meeting with community residents was part of Calnev Pipeline Company's way of showing concern for the destruction caused by the pipeline fire. Company representatives met with the families and participated in community meetings where safety concerns were vented. Calnev also agreed to match funds donated by the local newspaper, *San Bernardino Sun*. Calnev placed an ad in this paper, headlined "Our Deepest Sympathy to the People of San Bernardino."[56]

Take Appropriate Remedial Action

Aside from crisis communications, management must take actions to bring the crisis under control and to safeguard lives and property. If an evacuation of employees and neighbors is called for, that action must be given top priority. When more than 200 families were evacuated from their homes as a result of the Calnev pipeline fire, the company and Southern Pacific immediately housed and fed them in nearby hotels at the companies' expense.[57]

If customers have been killed or injured by using a company product or service or being on company premises, product advertising should be suspended; that has been standard practice for some airlines after a crash. McDonald's decided to pull $22 million of scheduled weekend advertising after the shooting of people in the San Ysidro, California restaurant. As stated by Richard B. Starmann, senior vice-president of communications at McDonald's, "The thought of upbeat 'McDonald's and you' commercials airing following a news segment showing casualties and talking 'body count' was just too much."[58]

In the Tylenol tragedy, Johnson & Johnson acted quickly not only to suspend advertising of Tylenol but in the other following ways: The company started to trace the lot numbers of the poisoned packages; it did not resist warnings by public officials advising the public not to take any Tylenol capsules; it shut down the capsule production line; it withdrew all capsules from sale; at first, it withdrew the 93,000-bottle lot of Tylenol containing the 2 bottles that killed the initial victims; after more victims were reported, it recalled 30 million bottles—valued at over $100 million—from across the country. McNeil Consumer Products, the Johnson & Johnson subsidiary that produced Tylenol, offered a $100,000 reward for the person who contaminated the capsules. The company cooperated fully with government investigators.

Keep a Log

To keep track of the crisis situation and to improve future performance, a log must be kept of all information received, procedures undertaken, and steps decided upon. Everyone involved in crisis management should write down what he or she does and thinks. This discipline forces a manager to become more objective about events and even facilities the formulation of responses. Those handling communications should keep a log of all media contacts—both inquiries and initiatives—by simply recording the date and time of the contact, the name of the publication, radio or TV station, the name and phone number of the reporter or other contact, and the subject of the inquiry and response given.

Log information can be shared among individuals and teams and allow the smooth transfer of responsibility among them during different shifts. It is ultimately helpful in evaluating how well the crisis was handled and finding oversights and deficiencies. This post-crisis analysis helps improve future crisis performance and suggest post-crisis rebuilding efforts. Some companies debrief their employees after a crisis event for the purpose of reevaluating their procedures and asking how they could be improved. The aim is to make the contingency plan more comprehensive and realistic. Consider whether more training and drills are necessary. Fine tune the plans and procedures. These reviews are a reminder that a crisis contingency plan is never completed; it must constantly be updated and renewed. All plans should show the date of last revision.

AFTERMATH COMMUNICATIONS AND POST-CRISIS REBUILDING

Damage of several kinds is usually caused by a crisis, no matter how well handled. Johnson & Johnson lost market share during its Tylenol crisis, Exxon suffered a blow to its reputation as a progressively managed and socially responsible corporation, and NASA had its entire space mission questioned. After a sober assessment, management must engage in aftermath communications to repair the damage.

Tylenol Strategy

Right after its Tylenol crisis, Johnson & Johnson gave priority to rebuilding its market share. Fortunately, it could preserve its Tylenol brand because the deaths caused from tampered capsules were not the result of management carelessness but of outside malevolence. Its campaign included these elements: An offer was made to replace already purchased capsules for

tablets, wi were not involved in the scare; the company announced a special "800" number and offered a free coupon for any Tylenol product to all callers. Over 136,000 calls were received.

McNeil Consumer Products, Johnson & Johnson's subsidiary, held a sales conference less than 6 weeks after the crisis to unveil a plan for the revival of the brand, which included the reintroduction of the product in a triple-sealed, tamper-resistant package and discount coupons good toward the purchase of any Tylenol product. Its 2,250 salespeople were mobilized to persuade doctors and pharmacists to recommend Tylenol to patients and customers.

A commercial featuring Dr. Thomas Gates, medical director for McNeil, alerting consumers to the impending return of Tylenol in tamper-resistant packaging, was broadcast in October and November, reaching an estimated 85% of all television households. A 4-minute videotape mini-documentary on tamper-resistant packaging was also distributed. McNeil executives went on ABC's "Nightline," "The Phil Donahue Show," and other television and radio talk shows. When Tylenol capsules were reintroduced, a nationwide news conference was held via satellite from New York to 29 other cities. Over 500 journalists attended this event with the result that every network and virtually every local television and radio station, as well as most newspapers in the United States, carried the story.

Through its campaign, Johnson & Johnson not only preserved but reinforced its reputation as a company that placed first priority on the welfare of its customers into practice. This credo helped Johnson & Johnson achieve a favorable press during and after the crisis.

USAir

Three months after the fatal crash of Flight 427 near Pittsburgh, USAir Group, Inc. decided it was urgent to rebuild its corporate image, which was no wonder, since the crash was the fifth in 5 years and *The New York Times* ran a front-page story, followed by two full pages, titled "Troubles at USAIR: Coincidence or More?"[59] The *Times* found that in nine instances, USAir planes left the gate without enough fuel because the airline had eliminated two preflight refueling checks 16 months previously. Disputing USAir's insistence that the five fatal accidents since 1989 were not connected, the *Times* also found that the airline had the highest number and rate of "deviations"—actions taken in flight that might violate F.A.A. regulations—than any other airline; also, a national team of F.A.A. inspectors had found more than 40 deficiencies in 1988 in USAir's flight operations and training programs for its 5,000 pilots.[60]

Its recovery plan included a $2 million series of full-page newspaper ads discussing safety.[61] The series began on November 21, 1994, in 47 newspapers across the country, with an open letter to travelers from Seth E. Schofield, chairman of USAir. In it he announced the appointment of retired Air Force General Robert C. Oaks, "a highly decorated command pilot and the former commander-in-chief of U.S. Air Forces in Europe" and said, he "has agreed to oversee USAir's safety operations in the air and on the ground. He will report directly to me." Also announced was the hiring of the consulting firm of PRC Aviation of Tucson to audit all of USAir's flight operations and safety policies. Schofield ended the ad by saying, "In closing let me say that we will not rest until each and every member of the flying public shares in the certainty of our commitment to be the safest of airlines."[62]

Next was an ad signed by leaders of the airline's unionized pilots, flight attendants, and mechanics. They testified as to the good faith of the employer with whom they were facing intense contract negotiations and asserted, "Mechanics have the authority to ground any plane, and we never hesitate to use it where safety is concerned. USAir expects this of us, and so do you." Stephen A. Greyser, professor of consumer marketing at the Harvard Business School, called these ads "a combination of advertising and crisis communication all in one."[63]

LOOKING TOWARD THE FUTURE

Comprehensive crisis management looks beyond the immediate crisis event and preceding contingency planning with the aim of reducing the incidence of future crises and strengthening an organization's ability to cope with those that do occur. Many of these efforts involve improved communications during a crisis; others involve the post-crisis phase of rebuilding.

Crises prepare an organization for change. The Chinese symbol for crisis is taken earnestly, for it signifies opportunity as well as danger. A crisis can provide the stimulus and motivation for rebuilding, improving, and even transforming the organization. The trauma of a crisis prepares members of an organization for change. Resistance is reduced because change is legitimized. For this reason many a leader has maneuvered an organization into a crisis state even when there was no real crisis. By such devices as rearranging and reinterpreting statistics, license is obtained to undertake draconian measures. Certainly when a crisis occurs spontaneously, top management should seize the opportunity to restructure company thinking. Management must determine what organizational changes are needed, for example, strengthening corporate governance, setting up new units, revising managerial roles, improving control systems, and instilling a new organizational culture. These have been among the renewal strategies discussed in conjunction with the various crisis types. These and other strategies are summarized in chapter 14.

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II

MANAGING SEVEN TYPES OF CRISES

Reading C4

An Integrated Symmetrical Model for Crisis-Communications Management

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This article presents an integrated four-step symmetrical model for the effective management of crises. Although the model is also applicable to the management of accidental and operational crises, it is formulated primarily for those crises whose occurrence is more likely a consequence of the inherent fallibility of management—that is, mismanagement. It is based on Grunig's situational theory and on the emerging theoretical framework of issues management—that is, on an early identification, redirection, or influence of issues. A biological analogy is used to suggest an early crisis intervention that averts further development of a potentially troublesome issue. The model incorporates both proactivity and symmetry and has three overarching principles: issues management, planning-prevention, and implementation. Two widely known corporate crises—Intel's Pentium flaw and McDonald's hot coffee spill—are used to illustrate the model.

The importance of crisis-communications management to U.S. businesses in particular is underscored by three emergent factors: (a) the increasing mass media reporting of hazards and their attendant risks (e.g., Lichtenberg & MacLean, 1991; Singer & Endreny, 1993); (b) the phenomenal growth in the number of product-liability lawsuits, particularly since 1975 (Mergenhagen, 1995; Settle & Spigelmyer,

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1984); and (c) the pervasive, enormous impact of business crises on more than the reputation and the financial and social status of businesses. The coalescence of all these factors has created environments in which a number of businesses have been compelled to respond strategically to crises. The adopted strategies are partly a sequela of perceiving themselves as more vulnerable now to crises than they were in the past (Pauchant & Mitroff, 1988).

This article presents an integrated four-step symmetrical model that describes how managements can respond effectively to crises. Although the model is also applicable to the management of accidental and operational crises such as explosions, chemical spills, or natural disasters—that is, fast-breaking crises—it is formulated primarily for those crises whose occurrence is more likely a consequence of the inherent fallibility of management—that is, mismanagement. It focuses on two widely known corporate crises: Intel's Pentium flaw and McDonald's hot coffee spill.

Previous research on managing or responding to crises is characterized by at least one of four elements. First, the analyses of the crisis manager's responsibilities were presented as if they were primarily different from those of the issues manager (Barton, 1993; Gottschalk, 1993; Johnson, 1993; Mindszenthy, Watson, & Koch, 1990; Pauchant & Mitroff, 1992).

Second, the presentation of a checklist for crisis management did not provide an overall framework for integrating fully the items described on the checklist or for preventing crises (Berge, 1990; Carney & Jorden, 1993; Coombs, 1995; Lagadec, 1993; Maynard, 1993; Symonds, Javetski, Therrien, Byrne, & Hamilton, 1985).

Third, the focus was on situation-specific diagnoses that were exclusive of a pragmatic, across-crises model for managing crises (Brewton, 1987; Hearit, 1994; Hobbs, 1995; Jackson, 1993; Sen & Egelhoff, 1991).

Fourth, the earlier attempts to develop crisis-response strategies were, for the most part, not theory based (cf. Coombs, 1995).

However, the model proposed in this article integrates issues management, a strategically planned activity, with crisis management, which is usually not interpreted by communication managers as a traditional function of issues management. This means that the practice of crisis communications should be viewed as a long-term process rather than as a series of response patterns that follow some disaster.

In addition, this article brings to the fore the relevance of theories to practitioners who, as Terry (1989) observed, "seldom use theories consciously, but unconsciously use them most of the time or extensively" (p. 289). However, theories are a legitimate concern of public relations because they can contribute to the work of practitioners (Botan, 1989).

German philosopher Immanuel Kant (1724–1804; 1793/1971) examined the relation between theory and practice, noting that (a) the soundness of any theory, grounded in experience, depends on its applicability; (b) the importance of any theory is its guide to action in fruitful ways, and (c) the practical test [illegible] is that it is a set of principles that specifies procedures for achieving certain ends.

Similarly, Hamilton (1992) endorsed the "now familiar ad that 'there is nothing more practical than a good theory'" (p. 132). He argued that nowhere is the need for demonstrating the validity of that statement more critical than in public relations and that the most critical issue facing the field is the link between theory and practice (Hamilton, 1990, 1992). He, therefore, suggested that more work be done to demonstrate how theories can be used in practical situations.

More recently, Culbertson, Jeffers, Stone, and Terrell (1993) noted that public relations practitioners appreciate theory for academic reasons but see little use for it outside the classroom. The authors observed, however, that marketing experts' reliance on theoretical concepts has resulted in their success in identifying target market segments and in positioning products or organizations. The authors concluded that that success should spur public relations practitioners to adopt theoretical approaches.

Three overarching principles guide the model: issues management, planning-prevention, and implementation. Inherent in each principle are two assumptions: (a) that every crisis has a life cycle, which can be influenced; and (b) that the best strategy for avoiding a negative media coverage—or its recurrence—is to engage in symmetrical, reputation-enhancing, socially responsible activities. Identifying key issues before they become issues is a necessary prerequisite for averting reputation-threatening crises. Identifying key issues and potentially troublesome scenarios before they become reality is also necessary for minimizing the fallout from accidentally produced crises. Both the outcomes of organizationally induced and accidentally produced crises can be influenced strategically.

Businesses, particularly those in industrialized countries, abound with crises. In the United States, the Intel Pentium snafu, the McDonald's hot coffee spill, the Pepsi-Cola syringe hoax, the Jack-In-The-Box contaminated beef, the General Motors side-impact truck issue, and the USAir crashes are constant reminders of organizational vulnerability to crises. Beyond the United States, Japan's Showa Denko K.K., the country's seventh-largest chemical company, has had to contend with hundreds of product-liability lawsuits since 1989. And South Korea's Samyang Foods Co., Ltd., the country's largest manufacturer of instant noodles, saw its total product sales plummet in 1990, following unfounded rumors about the company's unhealthful ramen-production methods. When the Greek tanker *Aegean Sea* crashed off the northwestern coast of Spain in December 1992, the Spanish government faced a damage that environmentalists reported was more widespread than that caused by the *Exxon Valdez* accident in the United States in March 1989. Corporate responses to such crises will become more of a litmus test of corporate social responsibility during the next millennium than is the case today.

Business crises put corporate reputations and survival to the test (e.g., Cooper, 1981; Patterson, 1993). But, even though corporations are now more vulnerable to

crises today than they were in the past, a majority of them are reluctant to adopt integrated crisis-management plans (Fink, 1986; Pauchant & Mitroff, 1988).

In fact, in a study by Fink (1986), 89% of the chief executive officers of Fortune 500 companies reported that a business crisis was almost inevitable; however, 50% admitted that they did not have a crisis-management plan. Yet, 97% felt either very confident or somewhat confident that they could respond adequately to a crisis. Findings of the Fink study were corroborated by a more recent study, which found that fewer than 60% of the *Fortune* 1,000 industrial and 500 service companies had operational crisis-management plans (Tiller, 1994). This management nonchalance, vis-à-vis extant or impending crises, is played out in the boardrooms of U.S. businesses, as borne out by Intel Corporation's and McDonald's Corporation's recent fight for their reputations.

A brief on what happened. In February 1992, Stella Liebeck, an 81-year-old woman, suffered third-degree burns when a cup of McDonald's scalding coffee, placed between her legs, spilled on her groin area. In August 1994, a New Mexico state court jury awarded her $2.9 million in punitive and compensatory damages. The award produced banner headlines nationwide. The judge later reduced that award to $640,000. The woman and McDonald's settled the case for an undisclosed figure.

In early December 1994, following a serendipitous discovery that Intel's flagship Pentium chip ("Intel inside") was error-prone during certain complex mathematical procedures, International Business Machines Corporation (IBM) halted shipments of its Pentium-based computers. (Intel is the world's largest manufacturer of computer chips.)

Could both of these crises have been avoided? By definition, a crisis is unwelcome and sudden; however, scanning and paying attention to what happens internally and externally can help management respond effectively to crises. Most crises have early signals that indicate potential problems; sensing potential problems is the first step toward avoiding or resolving them or minimizing their impact.

For example, in the McDonald's case, company documents revealed that, in the past decade, the company had received at least 700 complaints of coffee burns, ranging from mild to third degree, and that it had settled claims from scalding injuries for more than $500,000 (Gerlin, 1994).

Similarly, Intel discovered the Pentium flaw in the summer of 1994 but declined to issue a recall or to notify its customers and the general public promptly. The company kept marketing its defective chips until "the leak" caught up with it. It was too late for Intel to avoid a public relations nightmare.

THEORETICAL FRAMEWORK

Much of the crisis manager's work is based on both interpersonal and mediated communication. His or her activities are intrinsically organizational and focus on the organization's relations with its strategic publics. Consequently, the theoretical foundation for a model of crisis-communications management should be cognizant of both communication and organizational perspectives.

The crisis-communications model integrates three theoretical perspectives: (a) a situational theory of publics (Grunig, 1982, 1989a, 1992; Grunig & Hunt, 1984); (b) an issues-management approach to crises; and (c) a two-way symmetrical communication.

A Situational Theory of Publics

Grunig and Hunt (1984), Grunig (1982, 1989a, 1992), and Grunig and Repper (1992) formulated a situational theory that segments publics according to the extent to which they are aware of, and act on, an issue. According to this theory, the categorization of publics is based on the presence of three independent variables (problem recognition, constraint recognition, and level of involvement) and of two dependent variables (information processing and information seeking). These variables are described as follows:

1. Problem recognition—the perception that action is needed to improve or resolve a situation.
2. Constraint recognition—the extent to which people perceive that there are situational constraints or obstacles that limit their own actions or behavior to solve a problem.
3. Level of involvement—the degree of importance or concern that an issue or problem generates. This level helps an organization to determine whether a person will be active or latent on an issue.
4. Information seeking, also labeled *active communication behavior,* requires that active publics seek information and attempt to understand an issue in order to plan their responses to it.
5. Information processing, also labeled *passive communication behavior,* holds that passive publics will not look for information but will process information that comes to them without any effort on their part.

All these five variables affect, at once, the form or pattern in which crises evolve and suggest the urgency with which the latter should be addressed.

Because of differences among publics, therefore, the situational theory distinguishes three types of publics: latent, which share a similar problem, but do not recognize that the problem exists; aware, which recognize the existence of a problem, but do not organize to solve it; and active, which organize to act on a problem.

Because active publics, as opposed to latent or aware publics, are high in problem recognition and involvement and low in constraint recognition, they are more likely

than others to seek and retain information about, and respond to, a business crisis. Grunig and Repper (1992) wrote, "Members of active publics, affect organizations more than passive ones because they engage in individual behaviors to do something about the consequence of organizational actions" (p. 137). However, communication programs are more likely to be effective with aware publics than with active publics because the latter tend to be less easily persuaded than the former.

Additionally, because latent and aware audiences can become active publics, organizations must pay attention to factors that can increase the number of individuals seeking an organized response to an issue that can evolve into a crisis. Thus, the situational theory is relevant to crisis-communications management in that it is useful in understanding organizational behavior, in planning its response, and in anticipating public responses to business wrongdoing.

According to Grunig (1992), "when conflict occurs, publics 'make an issue' out of the problem" (p. 13). If the organization waits for these issues to occur before it manages its communications with its publics, the organization will confront a crisis and will be forced to invoke short-term crisis communications. However, if the organization uses issues management to identify and anticipate potential issues well before they reach a threatening stage, then, long-term symmetrical communications can be planned and crises probably avoided.

To achieve the latter outcome, Grunig (1992) identified four steps:

1. The identification of potential problems in the relationship with the organization's stakeholders.
2. The segmentation of publics that respond differentially to those problems.
3. The identification of objectives for communications planning.
4. The evaluation of the effects of those communication programs.

The situational theory of publics is especially useful in the second and fourth steps of the preceding list. In accordance with this theory, and based on the work of social scientists Dewey (1927) and Blumer (1966), Grunig and Hunt (1984) defined a *public* as a group of people who face a common issue. An example could be corporate disregard for customer safety (McDonald's) or the use of a defective microchip (Intel). Publics, however, differ in the degree to which they are aware of the existence of a problem and how they respond to it.

Issues-Management Approach to Crises

Issues management undergirds each of Grunig's (1992) four steps. As defined by Ewing (1987), issues management requires that organizations look 12 to 36 months into the future. We think, however, that issues management must go further than analyze the traditionally defined sociopolitical and economic environments of an organization. The issues-management process, within our crisis-management approach, should be concerned with any issue that may have any impact on the organization's well-being, regardless of whether it is a part of the public-policy process. In essence, and as Ansoff (1980) notes, issues management does not only prevent strategic surprises and improve the ability of an enterprise to meet its objectives; it also responds to a welcome issue, an opportunity, a strength, a threat that might imperil its survival and success, or to a discontinuity in its environment.

Because issues-management tools that enable organizations to identify and respond to issues require further identification and explication, the theoretical development of issues management remains stunted (Coombs, 1992). Therefore, to the extent that theory development in issues management is still largely in the transitional or metaphysical state, a theoretical approach of this article is one that views issues management as primarily evolutionary, particularly in its integration into the organizational mix.

The crisis-communications manager should be au courant about trends in an organization's environment and about the state of its publics and should interpret attitudes and trends within the contexts of different issues. Regarding public attitudes, Grunig and Repper (1992) indicated that organizations communicate more easily with active publics. Active publics, however, can also be more difficult to persuade because they seek information from sources outside the target organization.

Largely because passive (or latent) publics can eventually become active, organizations cannot afford to ignore them. The purpose of a well-planned crisis-communications strategy is to build and nurture positive relationships with all publics before an issue erupts. Based on this principle, passive publics will no longer need to become active and those that are already active will more likely participate in symmetrical, conflict-resolution dialogues with the organization. Both the organization and the publics will benefit from such dialogues, and a crisis can probably be averted.

Two-Way Symmetrical Communication

Grunig and Grunig (1992) described *two-way symmetrical communication* as that which represents a break from the predominant world view, which holds that public relations can be used to manipulate publics for the benefit of the organization. This concept is pivotal to managing crises. As our proposed crisis-communications model will show, a proactive, ethical approach to crisis communications suggests openness to, and cooperation with, the publics before an issue matures into a crisis phase. When a company is clearly viewed as proactive and as engaging in two-way symmetrical communication with its constituencies, it can minimize the risk of getting involved in a crisis and of being perceived as guilty, if a crisis eventually

occurs. As Burger (1984) put it, the organization must talk from the viewpoint of the public interest, not of the company's. The reverse occurred in both the McDonald's and Intel cases.

Grunig and Hunt's (1984) two-way symmetrical communication model, therefore, provides us with the strategy for incorporating "symmetry" into the crisis-communications process of an organization. Grunig's (1989b) two-way symmetrical model is consistent with Cutlip, Center, and Broom's (1985) open-systems model of communication. Both models suggest that the communication process must ensure that both the organization and its publics have appropriate perceptions of each other. The desired effect is one that is in the mutual interest of the organization and the public.

Proactive action may be the most valuable element of the open-systems model of public relations. Steps are taken to reduce both the amount of effort required and the trauma associated with crisis-oriented reactive public relations (Cutlip, Center, & Broom, 1985).

Grunig and Hunt's (1984) earlier conclusions have, however, been expanded to include several additional variables. As Grunig and White (1992) noted, two-way symmetrical model presupposes that an organization has an interest in reciprocity, dialogue, and negotiation. When these do not occur and corporations demonstrate little regard for the public interest (as in the McDonald's and Intel cases), two-way symmetrical communication is given short shrift. In such a situation, as we will show, the crisis life cycle will continue its course and reach, almost inevitably, a crisis point.

THE CRISIS LIFE CYCLE

An analysis of crises suggests some correspondence with a biological model, by which an organism passes sequentially through phases of birth, growth, maturity and decline or death (Figure 1). The crisis life cycle can be used to anticipate expected outcomes in each stage of the cycle.

Under timely management intervention, however, a crisis might not reach its growth and maturity stages. In fact, it may even be unborn. Management can avoid crises even before they are born. We label this possibility *crisis killing*.

Other times, management can limit the extent and intensity of an issue's growth. Appropriate organizational intervention can restrict the maximum level of development that a crisis can reach, provoking a premature decline of the issue, shortening its life cycle, and, therefore, minimizing its damage. This activity is labeled *crisis control*.

Consequently, the paradigmatic development of a crisis—its birth, its growth, its maturity, and its decline—may correspond to the *laissez-faire* attitude of a

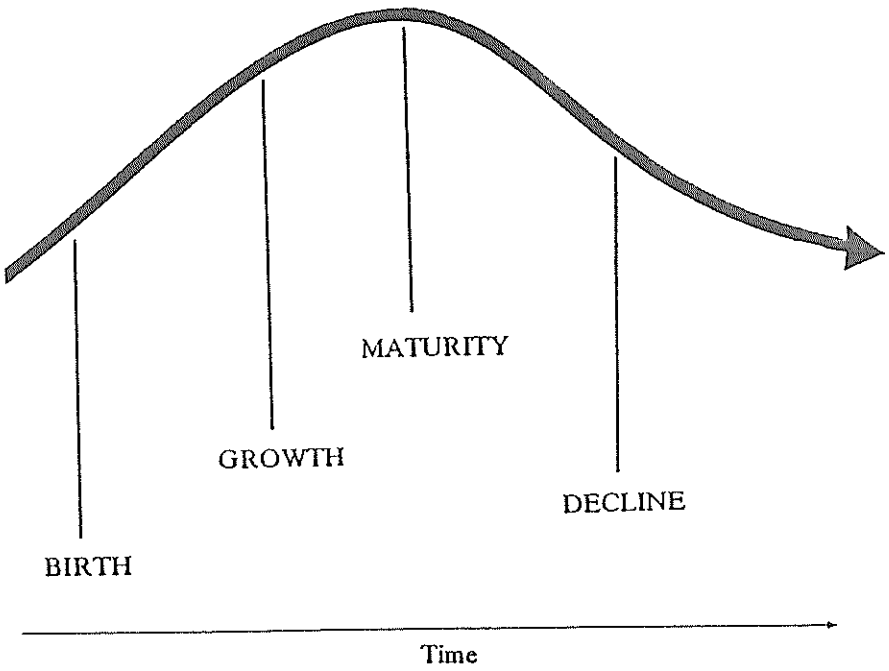

FIGURE 1 The crisis life cycle.

management that does not respond to a crisis until its interests are seriously threatened. This, obviously, was the case with both McDonald's and Intel.

McDonald's knew that its coffee was among the hottest—if not the hottest—in the industry. It seemed the fast-food chain also knew its coffee sometimes caused serious burns; however, it did not consult experts about the issue. Both these issues were seemingly overlooked.

Intel also overlooked every early warning it received and dismissed its Pentium flaw as a small problem, even as its customers filed complaints. Intel possibly forgot two key principles of modern corporate communications: (a) image is perceptual reality, and (b) passiveness is a transitory state that can change when publics feel outraged.

Both organizations missed the early signals of their respective crisis, rejected the opportunity to engage in a symmetrical dialogue with their stakeholders, and pitted themselves as running afoul of their responsibilities to their key publics. As noted earlier, latent individuals, as defined by Grunig (1989a, 1992) and by Grunig and Hunt (1984), can become active. McDonald's patron, Stella Liebeck, and the thousands of Intel customers who owned Pentium-based computers were compelled to respond actively to what they perceived as corporate disregard of their interests.

CORPORATE SOCIAL RESPONSIBILITY

As previously stated, corporate response to crises will become more of a litmus test to corporate social responsibility, particularly in the next millennium, than is the case today. Sethi (1979) noted that corporate social responsibility, as a concept, combines two dimensions: *social responsibility* and *social responsiveness*. Social responsibility describes the extent to which organizational outcomes are consistent with social expectations, and social responsiveness is the extent to which corporate processes anticipate and adjust in ways that are consistent with societal expectations (Miles, 1987). Both are different from legal responsibilities, as enunciated by Loevinger (1973):

> The operational difference between legal obligation and social responsibility is that business determines its legal obligations by asking lawyers what the law requires, whereas business determines its social responsibility by asking experts what society needs and then consulting its conscience as to how it can best help to meet the need of society. (p. 386)

Thus, corporate social responsibility can be defined as the ability of business to respond effectively to challenges (Salbu, 1993), for example, crises. Some researchers prefer the term *responsiveness* to *responsibility*, arguing that "responsiveness" requires proactive efforts that go beyond avoiding conflicts with consumers (e.g., Buchholz, Evans, & Wagley, 1985).

Lerner and Fryxell (1988) argued that corporate social responsibility indicates a firm's openness to its publics, its ability to adapt to them, and its choices regarding decision making. In 1983, for example, Anheuser–Busch, the world's largest brewing company, began its "Know-When-to-Say-When" educational campaign. A Roper Poll found that 81% of adult respondents said that the campaign was effective in addressing drunken driving and that they would like to see more of such advertising from brewers (Roper Organization, 1989).

Opponents of these corporate actions claim that conscientious social responsibilities do not have direct effects on corporate profits (e.g., Aupperle, Carroll, & Hatfield, 1985). However, not only does commitment to the public good result in favorable public image, but a stronger, more stable community can be a potential resource for business in the long run (Abratt & Sacks, 1988; Lydenberg, Marlin, & Strub, 1986; Stevens, 1979). An organization, therefore, must learn to give up some of what it wants during the precrisis stage so that it is not compelled, during the crisis stage, to give up all that it wants. It has the responsibility "to ensure that, at the very least, its activities do not diminish the health and welfare of those it affects. Its failure to do so sets up a social dynamic in which everyone loses" (Schacht & Powers, 1981, pp. 27–28).

Should Intel have proactively withdrawn its flawed chip from the market? If it had responded satisfactorily to the Pentium flaw before IBM h shipments in early December 1994, the issue would not have reached the national media; it would probably have been limited to a scientific discussion on the Internet.

Public opinion was on McDonald's side: U.S. consumers like their coffee hot. Really hot. However, the fast-food giant misunderstood the real issue on trial in Albuquerque. The trial was not about coffee temperature; it was about corporate concern and responsibility for customers' safety. The multinational giant acted arrogantly and seemed to disregard patrons' safety. McDonald's had no option other than to implement a short-term, reactive crisis-communications plan.

Short-term crisis communications should, if possible, be avoided; long-term crisis communications should be in their place. Short-term crisis communications deal almost exclusively with publics that are vigorously active on, or involved in, a specific issue. Long-term crisis-communications strategies deal with publics in a less hostile or volatile environment and attract little or no negative media coverage.

Obviously, not every crisis can be avoided. Some accidents or natural disasters are impossible to avert, and the media will cover them in depth. Nonetheless, data indicate how operational crises (e.g., chemical spill and product tampering) are down 4% since 1989, whereas mismanagement-related crises (e.g., sexual harassment or government investigations) are up 55% during the same period (Institute for Crisis Management, 1994). In an event, the model presented in this article applies also to accidental or operational crises.

AN INTEGRATED FOUR-STEP SYMMETRICAL MODEL

A proactive, symmetrical crisis-management process characterizes the model's four main steps: (a) issues management, (b) planning-prevention, (c) crisis, and (d) posterisis (Figure 2).

Issues Management

The first task a crisis-communications manager must undertake is the one that falls under issues management. The activities that should be accomplished at this point represent the highest level of proactivity that an organization can offer. Issues management theory enables the practitioner and the organization to lead the environment in search for troublesome issues—before they are obligated to look for them. This lead action provides management with the time needed to analyze issues and determine strategies to influence them. At this stage, as detailed in Figures 3 and 4, the company (a) scans the environment and looks for public trends

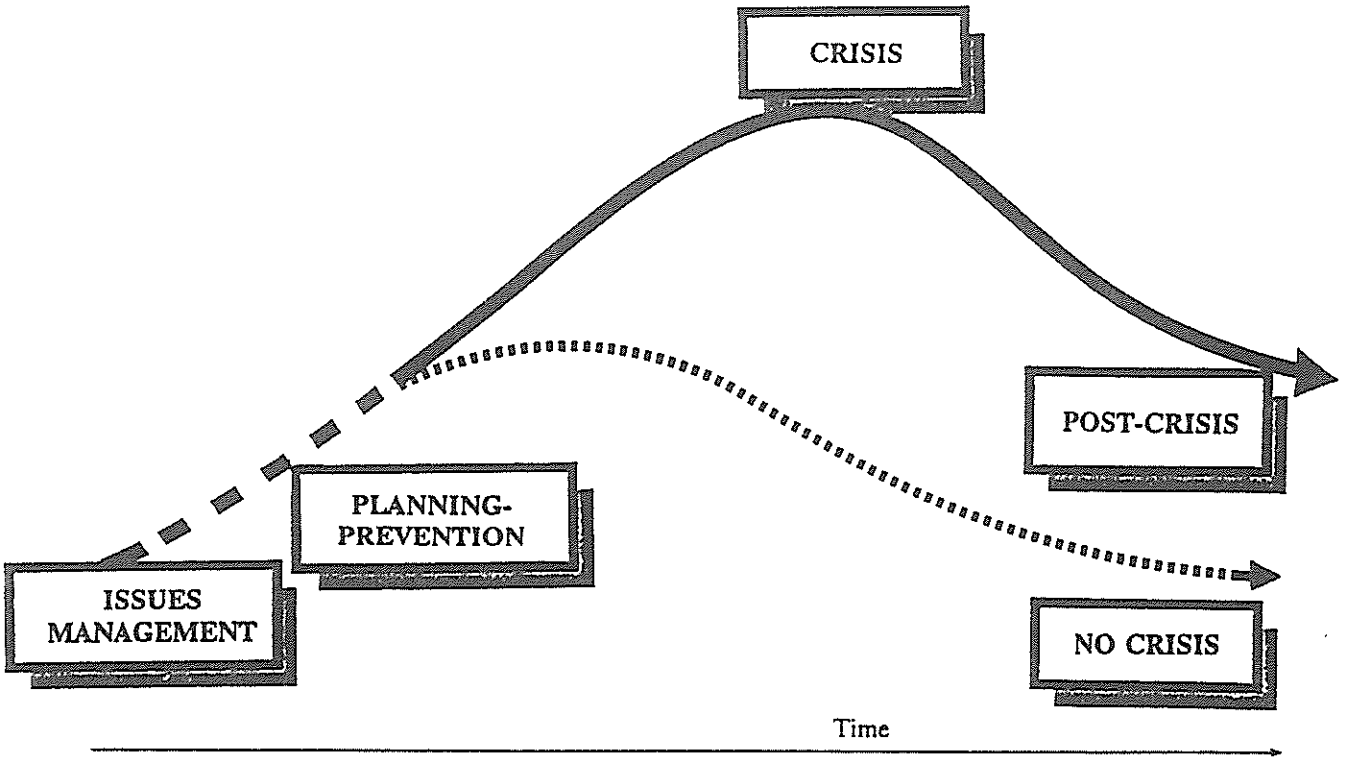

FIGURE 2 Development of issues with or without management intervention.

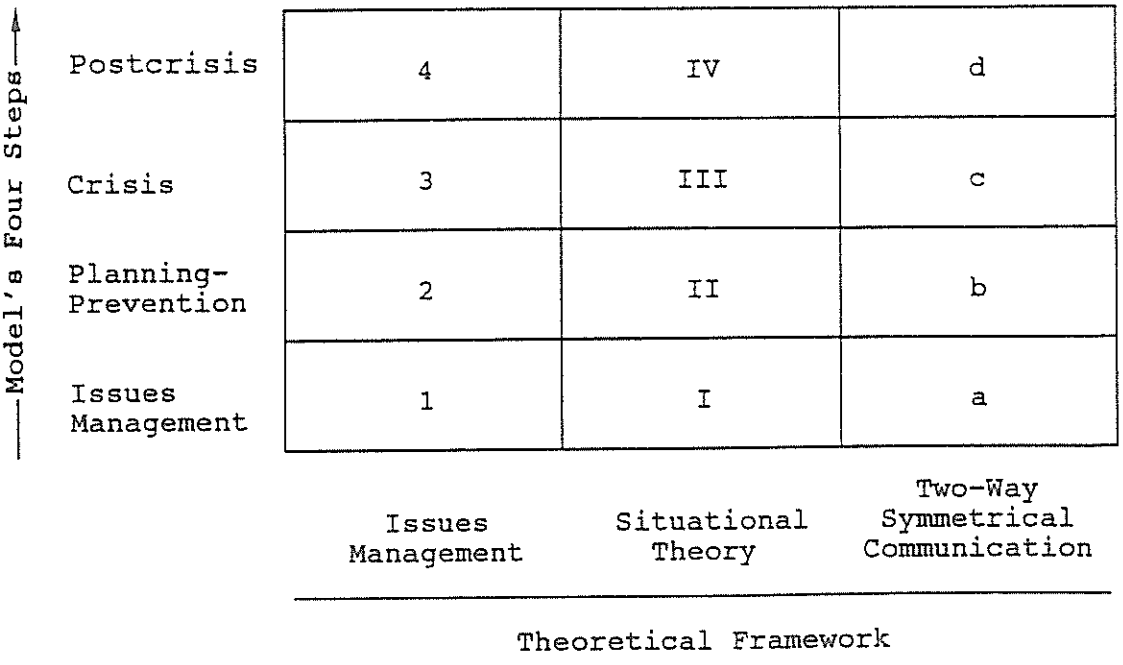

FIGURE 3 A matrix for integrating theortical framework into actions of the four-step model.

ISSUES MANAGEMENT	SITUATIONAL THEORY	TWO-WAY SYMMETRICAL COMMUNICATION
1 • Anticipate changes in environments. • Monitor internal and external environments. • Establish system to sense early signals of crisis. • Assess resources of special-interest groups. • Identify key issues and potentially troublesome scenarios before they become reality. • Analyze issues. • Determine communication strategies to influence or redirect an otherwise troublesome issue.	I • Define publics. • Identify potential problems in relationships with stakeholders. • Segment publics by differences in response to crisis and by linkages to organization. • Assess levels of problem recognition, constraint recognition, involvement, information seeking, information processing among strategic publics. • Assess impact of latent, aware, and active publics. • Estimate pattern in which issue may evolve, based on preceding assessment. • Identify objectives for communications planning.	a • Search, proactively, for potential problem areas. • Engage in long-term mutually beneficial, dialogic, socially responsible activities. • Conduct symmetrical communications to avert development of issue. • Re-emphasize balanced relationships with publics.
2 • Monitor environment for further warnings. • Expand internal communications and information systems. • Develop contingency plan in case issue cannot be influenced or redirected. • Develop crisis-communications plan in accordance with identified characteristics of publics.	II • Conduct research to ensure plan demonstrates cognizance of public attitudes. • Segment publics according to their characteristics vis-à-vis issue. • Develop communications strategies based on characteristics of publics. • Identify actions for improving or resolving situation.	b • Use negotiation, dialogue, and bargaining to establish relationships with publics. • Use dialogue, negotiation, conflict management, and shared meanings to develop crisis-communications plan. • Inform internal publics about symmetrical communications with external audiences.

FIGURE 3 (Continued)

3 • Implement contingency plan that is consistent with strategy developed in the issues-management stage.	III • Target publics according to their characteristics vis-à-vis the issue. • Direct communication programs to all stakeholders. • Cultivate and maintain relationships with passive publics.	c • Implement crisis plan that is based on symmetrical communications to minimize impact on publics and organization. • Communicate constantly and vigorously with constituencies about actions being taken to respond to crisis.
4 • Continue to monitor issue until its intensity is reduced. • Use feedback to improve the issues-management process. • Reactivate crisis-management system to avert further crises.	IV • Continue to pay attention to state of different publics. • Evaluate effects of communication programs on publics.	d • Continue to demonstrate concern about, and interest in, solving problem in its entirety. • Continue to bring the media and other publics up to date on organizational actions. • Develop long-term symmetrical communication programs to address fallout from crisis.

FIGURE 3 (Continued)

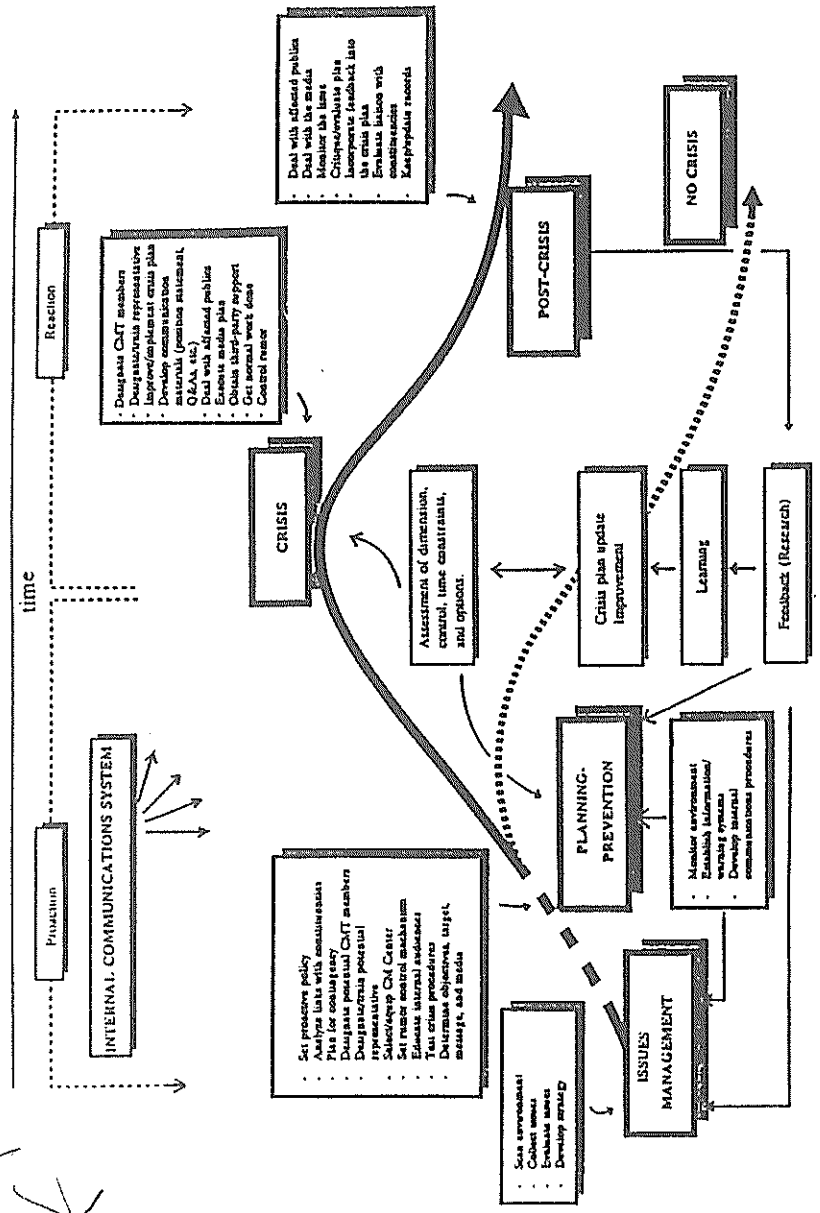

FIGURE 4 An integrated symmetrical model for crisis-communications management.

(or single issues) that may affect it in the future, (b) collects data on potentially troublesome issues and evaluates them, and (c) develops a communications strategy and concentrates its efforts on preventing an occurrence of a crisis or redirecting the course of an otherwise potentially troublesome issue.

Should a crisis occur and move to a postcrisis stage, issues management theory requires a reactivation of the crisis-management process in an attempt to prevent further crises.

In the Pentium case, Intel failed to detect or recognize the importance of the message posted on a CompuServe forum by Lynchburg College professor of mathematics, Thomas Nicely, the first person to make the bug public.

On the positive side, the Specialty Coffee Association of America put coffee safety on its agenda for its quarterly board meeting; it now monitors the coffee "environment" on the heels of the McDonald's verdict. Companies such as Starbucks Coffee Company and Dunkin' Donuts reported publicly that they were evaluating how they served their coffee and announced that they would provide warnings on their cups for customers' safety. Noting that the McDonald's case had been a wake-up call for the entire industry, some companies, like Wendy's, even suspended temporarily the sale of hot chocolate. These actions by McDonald's' competitors are intended obviously to enable them to avoid similar crises or, even in the long run, to offset the possibility of government investigation of, and regulation on, the matter. Learning from others' mistakes is an effective principle of crisis management.

Effective issues management allows organizations to avoid the crisis stage identified in Figures 3 and 4. At this point, it is unnecessary to implement any specific contingency plan because of the high odds for reaching a "no-crisis" situation.

Planning-Prevention

To search for further warning, the box labeled planning-prevention shares environment monitoring with the issues management stage. It also uses information, warning, and internal communications systems.

In the issues management stage, the company's resources are aimed at identifying any threatening issue and influencing its course. In the planning-prevention stage, a third element—prevention—is added.

In the previous phase, the issue had been detected and actions taken to influence its development. In the current stage, a contingency plan should be developed at the same time that the organization continues its attempts to influence the course of the issue. For example, Intel and IBM experts had technical discussions on the Pentium controversy and tried to solve the conflict. IBM and Intel, however, had major disagreements over the methods used to test the chip, resulting in IBM's

decision to halt the sale of Pentium-based personal computers (PCs). This occurred almost [illegible]eeks after Professor Nicely announced that a flaw existed. Intel not only failed [illegible] event the development of the issue; it failed to implement an effective crisis plan. On the Internet, which reaches more than 30 million users in 92 countries, the company either downplayed or trivialized the concerns of its customers instead of offering a balanced, two-way symmetrical, mutually beneficial solution. Intel noted, "no chip is ever perfect" (in Ziegler & Clark, 1994, p. A10).

Planning is the bedrock of crisis management. The idea at this stage is to show that, when an issue is perceived to have passed the limits of issues management, when it is recognized that a crisis is imminent (e.g., McDonald's), or when it is projected that its intensity might change quickly (e.g., Intel), the organization should use its information-gathering and early warning systems to monitor it carefully. At the same time, the company should brace itself for an imminent crisis, just in case one occurs. In practice, many of the activities conducted during the planning-prevention stage occur simultaneously with those initiated in the issues-management stage.

In addition, the planning-prevention stage is the starting point of the crisis-management process in those situations (e.g., fires, explosions, tornadoes, floods) where surprises are inevitable. Again, the model formulated in this article is also applicable to accidental and operational crises. In this phase, the company (a) sets a proactive policy on the issue; (b) reanalyzes its links with its multiple constituencies; (c) prepares general or specific contingency plans; (d) designates the potential members of the crisis-management team; (e) identifies the likely company representative who will handle media relations; (f) selects the room that will serve as the crisis-operations center and equips it accordingly; (g) educates its internal audiences on the crisis procedures that will be followed and tests those procedures through simulations and crisis exercises; and (h) determines the message, target, and media outlets that will be used in implementing the crisis-communication plan.

It is also at this stage that management must assess the (a) dimensions of the problem to ascertain the damage that it could cause to the organization; and respond accordingly, (b) degree of control the organization has over the situation; and (c) options the company can choose from in developing a specific crisis plan or responding to the situation.

Research is important in every facet of crisis management. As Grunig and Hunt's (1984) situational theory suggests, an organization must ensure that its plans demonstrate cognizance of public attitudes. Subsequently, this feedback will allow the company to acquire new knowledge about its constituencies and about itself. Such knowledge will, in turn, serve to improve the quality of the crisis plan or bring it up to date in accordance with the expectations of the different constituencies. Besides, research evaluates the situation because an assessment of the characteristics of a potential crisis must be done repeatedly.

running into a full-blown crisis and to reach a noncrisis point. At the very least, effective issues management and planning-prevention activi[illegible]an minimize the impact of negative consequences.

Crisis

At this point, a company might have lost all proactive initiatives. Should a crisis-response plan not exist or should the situation have been mishandled, the organization's response will have to be limited to reacting to the events and to using contingency measures that may reduce any damage caused by its now-active publics.

It was at this point that McDonald's publicly reacted and declared, "Safety is always our first concern" (Howard, 1994, p. 1). But it was too late. Its publics had already moved from a latent to an active status. Dozier and Ehling (1992) noted the limitation of reactive corporate communications at this point:

> Communication with active publics is extremely difficult. Active publics may well discount any communication from organizations, for they often use alternative information sources to reinforce attitudes already constructed. When an active public circles corporate headquarters with picket lines or boycotts an organization's products, practitioners often only can react. (p. 171)

Public opinion had already been formed on how the company knew about the potential hazards of its hot coffee, but declared that there were more serious hazards in a restaurant. Further, public opinion had already been formed regarding experts' testimonies in behalf of McDonald's: that the number of burn cases from hot coffee was statistically insignificant in comparison with the billion cups of coffee the company sold annually (Gerlin, 1994). Public reaction suggests that McDonald's had rejected a symmetrical solution.

IBM's decision not to use Pentium-based PCs resulted in a fall in the value of Intel shares. Thereon, Intel sought the advice of technical and scientific users, other major companies, and computer retailers. It issued press releases and held telephone conferences with Wall Street analysts (Mossberg, 1994). It judged selectively who deserved to obtain a replacement, thereby establishing an obvious asymmetrical relationship with its constituencies. Furthermore, the company did not seem to make any great efforts to address the problem by, for example, publicizing extensively the toll-free number it set up for its customers. Obviously, it was this demonstration of questionable commitment to social responsibility that outraged many Intel customers and encouraged some to become anti-Intel activists.

According to our model, the organization, at the third stage, (a) designates the definite crisis management team members from among those preselected in the

previous phase; (b) designates a company representative and trains her or him to handle media relations; (c) improves the crisis plan and integrates new data now available to management; (d) develops communication materials (e.g., the position statement, questions and answers), which must be the basis for the rest of the crisis documents and materials (e.g., video news releases), as well as for all public communications; (e) preempts negative publicity and communicates with its constituencies the actions being taken to solve the problem; (f) targets its message to the appropriate audiences, obtains third-party support from an expert, and implements an internal communications program; (g) controls rumormongering by providing the media with prompt, accurate updates; and (h) gets normal work done by assigning backups for individuals assigned to the crisis team.

Postcrisis

In every crisis there is a postcrisis phase, where a company yearns for bygone glory days. At this point, the crisis-communications phase is not yet over. The organization must still follow the issue and pay attention to its multiple constituencies and to the media.

In the McDonald's coffee-spill case, the issue is still in the news, even though its zenith of negative media publicity may be history. The fallout from the case appeared as Congressional debates that called for legislative reform and as radio ads and newspaper analyses that were critical of a legal system that awarded preposterous punitive damages.

McDonald's and some of its competitors are relearning how to respond to the upsurge in copycats. In December 1994, a woman who fell in the bathroom of a McDonald's franchise sued the company. A California woman sued Starbucks Coffee Company in January 1995, claiming she was seriously injured by hot coffee. In that same month, a British man sued McDonald's in London for "severe burns" caused by a hot apple pie. More recently, in May 1995, a Delaware man sued the company for $2 million for burns he allegedly suffered from a coffee spill at a drive-up window. And recently, a Wisconsin man sued Burger King, claiming that its hot coffee caused his burns.

Crises can evolve into one of three forms that portray atypical patterns of the product life cycle (e.g., Kotler & Bloom, 1984; Urban & Star, 1991). Based on research by Kotler and Bloom (1984), who suggested three anomalous product life patterns, we conclude that typical crises can evolve into three atypical forms: scalable, fad, and cyclical (Figure 5).

When subsequent developments prompt an issue to break into a new growing stage or stages, the scalable form occurs. The *Exxon Valdez* environmental disaster of March 1989 is one such example. Another is the Toshiba Machine Company's illegal sale of advanced submarine technology to the former Soviet Union in 1987.

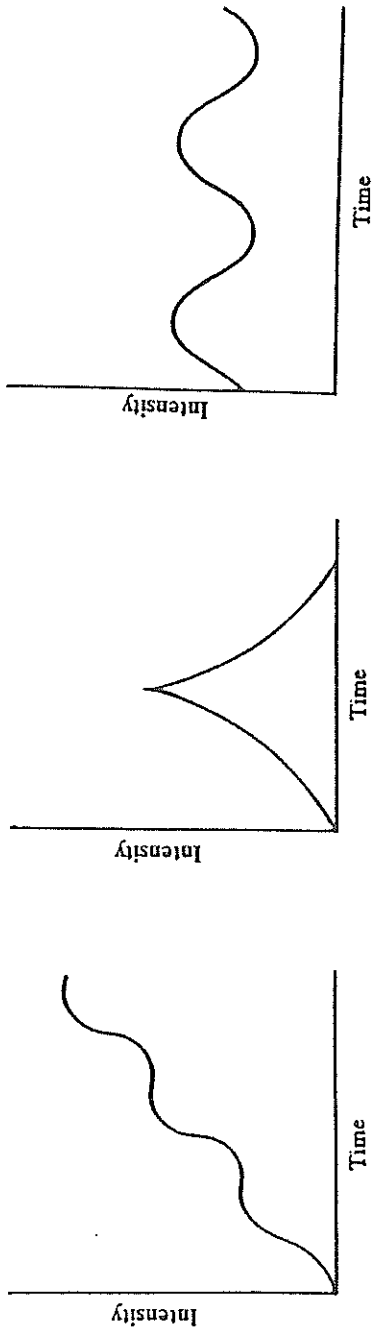

FIGURE 5 Three atypical forms of crises: (a) Scalable Form, (b) Fad Form, and (c) Cyclical Form.

The company's use of rhetoric—apologia, explanations, and reidentification with its publi enabled it to minimize damages (Hobbs, 1995). The fad form illustrates a crisis in which an issue, hyped by media coverage, reaches its apogee quickly and declines shortly thereafter. Intel's case could be a fad type of crisis. Finally, the cyclical form occurs when a situation, which seems to have declined to a postcrisis stage, changes its path and is redirected to a higher point on the curve. McDonald's hot-coffee issue is a case in point in that it faced a higher number of lawsuits than was the case at the start of its crisis.

Changes in the intensity of a crisis, the damage that an organization suffers, and the time that each crisis stage lasts determine the final configuration of the crisis pattern. It is important to anticipate these potential patterns in preparation for changes in the levels of intensities or directions of the crisis.

Intel's band-aid solution to its problem was not a more expensive total recall, but a less expensive strategy: the use of patches. Intel recovered its financially threatened position weeks after the crisis; however, analysts concede that this case has damaged the company's reputation as a quality-driven manufacturer. It has been observed that the crisis will have a lasting effect on the design, validation, and testing of microprocessors in the entire industry (Ziegler & Clark, 1994). Communication strategies have been implemented to rebuild the company's reputation.

At the postcrisis stage, the organization continues to (a) pay attention to its publics and express the company's concern about, and interest in, solving the problem in its entirety; (b) monitor the issue until its intensity is reduced, in case a sudden change in the course of the curve reactivates the issue; (c) inform the media of its actions, if necessary; (d) evaluate how the crisis plan, if one existed, worked and how management and employees responded to the situation; (e) incorporate this feedback into the crisis plan, improve it, and prevent future crises; and (f) develop long-term symmetrical communication programs to reduce damages caused by the crisis.

The end of one crisis usually leads to the beginning of another. The process is restarted, and the issues-management and planning-prevention systems are reactivated to prevent the possible onset of others.

Decades ago, Bernays (1961) asserted in *Crystallizing Public Opinion* that corporations could no longer deny the existence of public opinion and that the responsibility of a corporation was to understand the pulse of its constituencies in preparation for crises and public recrimination. This statement, still valid today, constituted the beginning of the emergence of a new group of ethical and socially responsible public relations practitioners. The latter tend to view corporate social responsibility not as a public relations problem but as an essential component of an organization's day-to-day business. Today, corporate social responsibility has increasing implications for every facet of business activities. By contrast, the earlier era of corporate economic responsibility, which focused on the pecuniary interests of the shareholder is, for the most part, losing its corporate appeal. Also today, a number of organizations demonstrate a willingness to avoid c ts with strategic publics.

SUMMARY AND IMPLICATIONS

Ideally, crisis communications should be a long-term activity by which organizations use formal procedures to respond proactively to crises. Therefore, this article presents an integrated four-step symmetrical model for accomplishing that activity. Even though a number of U.S. organizations acknowledge the ramifications of business crises, evidence indicates that only a small number of them have crisis-communications plans, let alone the integrated types. It was the purpose of this article to address this deficiency by detailing a model for such a plan.

The model is anchored on the situational theory of publics (e.g., Grunig, 1992; Grunig & Hunt, 1984; Grunig & Repper, 1992); on the emerging theory of issues management (e.g., Coombs, 1992; Renfro, 1993); and on the two-way symmetrical communication model (e.g., Grunig, 1989b, 1992; Grunig & Hunt, 1984).

The integrated, four-step crisis-communications model focuses on management activities: issues management, planning-prevention, crisis, and postcrisis. Two characteristics of this model are proactivity and symmetry. Their presence in an organization's mind-set, according to the model, has the potential to get it promptly out of—and far from—crises; their absence has the potential to get an organization mired deeply in crises. The effects of the latter situation are usually costly to an organization because its reputation, competitiveness, and bottom line are, perhaps even in the long run, adversely affected.

It is now necessary to conclude this article by identifying several implications of the model for research on crisis communications. First, to provide a second step in advancing the body of knowledge in crisis management, future research might test this model in various organizational settings, verifying how it works and refining it, if necessary. One area for further research might be the long-term effects of the model on stakeholders' perceptions of the reputation of the implementing organizations.

Second, the continual assessment of organizational performance and structure vis-à-vis crisis management will provide qualitative data and further insights on our model. For example, what resources do organizations allocate to crisis management? Is the latter integral to the organization? To what extent are crisis plans consistent with symmetrical presuppositions about crisis management?

Third, Figure 3 shows how theories can be embedded in crisis-communications plans. In applying situational theory to the planning-prevention stage of a crisis, for example, the practitioner may identify, for a particular organization, stakeholders' alternative information-seeking and information-processing strategies. The strengths

and reciprocal effects of the dependent and independent variables of the situational theory remain to be tested in crisis-communications contexts. Future research could, again in those contexts, be directed toward understanding the contextual cues publics use in selecting one information-seeking strategy over another.

Finally, the proposed model provides a basis for encouraging crisis-communications managers to be continually aware of the importance of teamwork in managing crises and of environment-wide implications for an integrated crisis plan. These are particularly necessary for the pivotal first step of our model: issues management. Writing about future directions for research on issues management, Heath (1988) averred, "Issues management will be challenged to foster and reinforce management's commitment to the virtue of a constructive partnership with stakeholders" (p. 391). Arguably, organizations comprise individuals who would respond differently, even with the best of intentions, to crises, resulting in individual actions that could compromise the overall effectiveness of crisis management. Are different levels of compliance, beyond those expected in crisis plans, necessary for employees whose behavioral responses to a crisis may be at odds with those recommended by a crisis-management team? Research is important in developing perspectives on all these issues. And the model presented here can enable the researcher to extend the relevant theoretical and conceptual bases to testing variables in a research program on crisis-communications management.

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Reading C5

Case 26–3

THE TYLENOL TRAGEDY*

The Tylenol tragedy presented Johnson & Johnson with the greatest challenge in its 96-year history. It was an event without precedent in American business. It demanded an emergency public relations effort of enormous scope and intensity to:

Deal with the crisis.

Cooperate fully with the press on one of the most widely covered stories of all time.

Plan and execute a marketing and public relations effort that would bring Tylenol back from the brink of disaster.

In late September 1982, an unknown murderer poisoned Extra-Strength Tylenol capsules with cyanide, and seven people died in the Chicago area. At least 250 other illnesses and deaths in the nation were at first believed to be Tylenol-related, adding to the fear that gripped the nation. Tylenol, a product of Johnson & Johnson's McNeil Consumer Products Company, was the nation's leading pain relief product and used by some 100 million Americans. In a matter of days, all Tylenol

* Courtesy of Lawrence G. Foster, Corporate Vice President, Public Relations, Johnson & Johnson.

capsules were withdrawn nationally, and many said the Tylenol business was destroyed forever.

It was soon determined that the company was blameless. From the onset of the tragedy, Johnson & Johnson corporate public relations and McNeil public relations staffs cooperated fully with the news media. There were literally thousands of calls from the press, and all information that could be confirmed was made available. The press reacted by giving the company credit for its openness and honesty and for making socially responsible decisions. Because of this performance, the press strongly supported the product's amazing comeback.

PLANNING

While the crisis was still at its peak, planning began for a broad-based public relations program that utilized many techniques, including a 30-city video press conference via satellite. The overall effort was aimed at many audiences including employees; stockholders; medical professionals; every segment of the consumer, medical, and trade press; legislators; opinion leaders; and the general public.

Following the crisis phase, the main thrust of the public relations effort was to restore confidence and trust in the Tylenol brand and to prepare for reintroduction of the product in triple safety-sealed, tamper-resistant packaging. Within six weeks of the tragedy, the new product was introduced at a November 11 video conference.

RESULTS

The comeback of Tylenol has been dramatic. Prior to the Chicago deaths, it held approximately 35 percent of the analgesic market. Days after the tragedy, it lost all but 13 percent and had recaptured 70 percent of the market it once held—all in a matter of five months. (By early 1982, Tylenol had 95 percent of the share it held before the Chicago poisonings.)

Throughout the comeback, public relations worked closely with marketing in assessing and responding to information gathered in intensive consumer surveys. A seven-member planning and strategy committee, formed by Johnson & Johnson's chairman and chief executive officer, included the public relations vice president. The execution of the public relations effort was accomplished by the corporate and McNeil public relations staffs. Burson-Marsteller, which has had the Tylenol product publicity account since 1978, helped to plan and carry out the comeback video conference.

CORPORATE CREDO

In the mid-1940s, Robert Wood Johnson, who had been the company's leader and inspiration for nearly 50 years, wrote a corporate Credo. It declared that business had responsibilities far beyond sales and profits. He identified four responsibilities his company would follow: (1) to consumers and the medical professionals using its products, (2) to employees, (3) to the communities where its people work and live, and (4) finally, to stockholders. *

Unless business recognized such responsibilities, Johnson said, it could not be successful in the long run. Subsequent managements diligently perpetuated that philosophy. The decisions made in the wake of the Tylenol tragedy were a manifestation of the Credo philosophy, as was the overall public relations effort.

COMMENT

In recognition of their extraordinary response to a recognized social responsibility, Johnson & Johnson, New Brunswick, New Jersey, and McNeil Consumer Products Company received a special Public Relations Society of America 1984 Silver Anvil Award for their handling of the Tylenol crisis.

What was the potential risk to the company?
- loss of market share, consumer confidence, total destruction

What preparation had been done before?
- co-operated with media
- Credo - value statement - segment diligently perpetuated philosophy

What was handled well?
- Honest with media
- Follow-up plan
-

What was handled poorly?

What lessons have been learned?
Now benchmark
Practice policy

Reading C6

Union Carbide: Disaster at Bhopal

Jackson B. Browning
Retired Vice President, Health, Safety, and Environmental Programs, Union Carbide Corporation

Overview

In the early hours of Monday, December 3, 1984, a toxic cloud of methyl isocyanate (MIC) gas enveloped the hundreds of shanties and huts surrounding a pesticide plant in Bhopal, India. Later, as the deadly cloud slowly drifted in the cool night air through streets in surrounding sections, sleeping residents awoke, coughing, choking, and rubbing painfully stinging eyes. By the time the gas cleared at dawn, many were dead or injured. Four months after the tragedy, the Indian government reported to its parliament that 1,430 people had died. In 1991 the official Indian government panel charged with tabulating deaths and injuries ...lated the count to more than 3,800 dead and approximately 11,000 with disabilities.

Although it was not known at the time, the gas was formed when a disgruntled plant employee, apparently bent on spoiling a batch of methyl isocyanate, added water to a storage tank. The water caused a reaction that built up heat and pressure in the tank, quickly transforming the chemical compound into a lethal gas that escaped into the cool night air.

The plant was operated by Union Carbide India Limited (UCIL), just over 50 percent of which was owned by Union Carbide Corporation. The first report of the disaster reached Union Carbide executives in the United States more than 12 hours after the incident. By 6:00 A.M. in the U.S., executives were gathering with technical, legal, and communications staff at the company's Danbury, Connecticut, headquarters. Information was sparse but, as casualty estimates quickly climbed, the matter was soon recognized as a massive industrial disaster.

The first press inquiry came at 4:30 A.M. in the U.S., marking the beginning of a deluge that, at its peak, reached 500 calls a day for several weeks. The scope of the Bhopal tragedy made it "page one" material in the weeks and months that followed. And, as its legal, political, technological and — above all — human aspects were explored, it became a persistent headline into the 1990s.

Setting the Stage

In 1984 Union Carbide reported sales of $9.5 billion, reflecting its position as one of the largest industrial companies in the United States and the world. International operations represented nearly 30 percent of total sales that year. India was one of three dozen countries where the company had affiliates and business interests.

Divided by industry segments, sales encompassed petrochemicals (28 percent); technology, services, and specialty products (26 percent); consumer products such as batteries, automotive supplies, and plastic wraps and bags (20 percent); industrial gases (16 percent); and metals and carbon products (10 percent).

Financially, 1984 was a good year for Union Carbide. The company was pursuing ambitious commercial plans in the People's Republic of China. Twelve promising new high-performance specialty products were being marketed. A joint venture with Shell Chemical Company was moving forward. Union Carbide was keeping pace as the U.S. economy recovered from the persistent recession that had begun in 1981.

In 1984 Union Carbide India Limited was celebrating its 50th anniversary. UCIL had sales of about $200 million annually. It operated 14 plants, and was organized into five operating divisions with 9,000 employees. It was a diversified manufacturing concern. The shares of the Indian company, publicly traded on the Calcutta Stock Exchange, were held by more than 23,000 shareholders. About 24 percent of the shares were owned by government-run insurance companies. Union Carbide Corporation held 50.9 percent of the stock as part of a corporate global business strategy that evolved in the post–World War II era. By investing in companies abroad, Union Carbide expected to contribute to — and benefit from — growing national economies around the world.

Ironically, the plant at Bhopal had its origin in a humane goal: supplying pesticides to protect Indian agricultural production. The pesticides made at Bhopal were for the Indian market and contributed to the nation's ability to transform its agricultural sector into a modern activity capable of feeding one of the world's most heavily populated regions.

NOTE

In the late 1960s, operations at Bhopal packaged the pesticide Sevin, then considered an environmentally preferred alternative to DDT, an insecticide now restricted by the EPA. Later, the Bhopal plant started handling methyl isocyanate shipped from the United States. The process, which reacted methyl isocyanate with another compound, was considered the leading technology for producing Sevin and another pesticide, Temik. The development was part of an active Indian government effort to achieve industrial self-sufficiency.

Ultimately, in the late 1970s those government objectives led to the construction of a plant for manufacturing methyl isocyanate at Bhopal. The plant was located on the outskirts of Bhopal on land leased to UCIL by the Indian state government of Madhya Pradesh.

Safety Emphasized

In 1984 the entire work force at the Bhopal plant was Indian. In keeping with the government's interest in promoting self-sufficiency and local control, the last American employed at the site had left two years before. The Indian workers had years of experience working with methyl isocyanate, dating back to the mid-1970s. During the years since the plant first opened, a densely populated shanty town had grown up near the plant on land deeded by local officials. Its residents were the first and main victims of the poisonous gas.

No balanced analysis of Union Carbide reaction to the Bhopal tragedy is possible without recognizing the considerable emphasis the company and its affiliates had placed on safe operations. It was a deeply ingrained commitment that involved every employee worldwide and had been spurred in the chemical business by stringent internal standards dating back to the 1930s. The development of toxicology, which studies the effects of poisonous substances, was spurred by industry efforts, led in part by joint Carbide and Carnegie-Mellon research in Pittsburgh. In the 1970s Carbide and other companies founded the Chemical Industry Institute of Toxicology. Because of such efforts, the company was well prepared to meet a surge of government environmental and safety regulations in the 1970s and 1980s.

Nonetheless, chemical companies, including Union Carbide, were a focus of both criticism and control. In 1976 Union Carbide was among the first corporations to respond to this tough regulatory climate. It established a corporate-level department to oversee activities that ranged from product safety and on-the-job safety to measuring the environmental impact of its operations and monitoring adherence to strict medical standards.

Commenting after the Bhopal incident was international management specialist Richard D. Robinson, a professor at the Massachusetts Institute of Technology:

> *For those of us who follow the vicissitudes of the multinational corporation as part of our professional responsibilities it is particularly depressing that it was Union Carbide which was involved.*
>
> *For some years now, Union Carbide has maintained a sophisticated environmental monitoring system, backed by top management support, and has initiated joint health research with the U.S. National Institute of Occupational Safety and Health (NIOSH) which, at the time, was new for the industry.*

Within the company, awareness of the depth and scope of the company's strict policies on safety made the news of the Bhopal tragedy astounding.

The Long Chain of Events

The chronology of the Bhopal incident is measured by both clock and calendar. It begins in the hours immediately following the incident, then tracks a series of connected developments that span years.

When the dreadful news reached Union Carbide in the United States, it was already afternoon in India, 10 and a half hours ahead of the company's Connecticut headquarters on standard time. Information direct from Bhopal was slow in arriving and fragmentary at best because the disaster had quickly overwhelmed the capacity of two telephone trunk lines serving the central Indian city of 750,000. In those early hours, company executives in Connecticut relied on telephone connections to New Delhi and Bombay, where BBC radio news reports were being taped and relayed.

I had received my first notice of the incident through a telephone call from a colleague at 2:30 A.M. on December 3. I was advised that there had been an "accident" at a plant in India, that no plant employees had been injured, but that there were fatalities — possibly 8 or 12 — in the nearby community. A meeting had been called for 6:00 A.M. in Danbury. On my way, I listened to news reports on my car radio as the death estimate rose to about 50. Later in the day, the number grew much larger.

Chairman Warren M. Anderson had received news about Bhopal in a telephone call from his office staff and from Alec Flamm, the corporation's president and chief operating officer. Anderson was returning from a business trip to Washington, suffering from a bad cold and a fever. We agreed that he would stay at home, relying on telephone reports to keep him updated. I was his media stand-in until he was able to come to the office the next day.

At 1:00 P.M. on December 3, we held our first press conference at the Danbury Hilton hotel. We chose a public site for the meeting because our offices had been transformed into a command center to gather information and mobilize resources. Since we were still not aware of what had taken place in Bhopal — or why — we were also concerned about security in Danbury and other company locations.

Responding to the Press

The first press conference was relatively short. We acknowledged that the disaster had occurred at a plant owned by Union Carbide India Limited, in which we had a 50.9 percent share. We explained that we were sending medical and technical experts to aid the people of Bhopal, to help dispose of the remaining methyl isocyanate at the plant, and to investigate the cause of the tragedy. We announced our plans to halt production at our only other methyl isocyanate plant in Institute, West Virginia, and to convert existing supplies into less volatile compounds. We explained that methyl isocyanate was not a common chemical and was not contained in products generally available to the public. We also pledged to share information with users of the chemical as we received it.

We didn't have a great deal of information to report and under no circumstance would we speculate. I went into the conference hoping to establish an important tone: one structured of frankness, credibility, and accessibility. I think the effort succeeded and formed a vital foundation for our relationship with the media and ultimately all the audiences we faced, including employees, shareholders, customers, suppliers, plant communities, government officials, and the general public. In the weeks and months that followed, we conducted a half dozen news conferences in Danbury, some attended by as many as 100 reporters. Elsewhere, we met with the media in briefings, editorial board discussions, and interviews.

In the first days, scheduled news conferences helped us deal with the hundreds of inquiries that poured in from around the world. There was no way we could respond to every individual call. But many of the frequently asked questions were considered when we prepared for daily briefings.

There was another benefit to the news conferences. They were public forums on which many key constituents, such as employees, shareholders, and customers, relied for information. They also demonstrated how the company would deal with the crisis as well as the demands of its ongoing businesses. We understood that above all we would have to demonstrate, as best we could, our integrity and competence. Additionally, I'm persuaded that the exceptional performance of Union Carbide employees throughout the world confirmed what we said. It also reassured all of us and our constituents that we would not hide or crumble in the face of adversity.

Press coverage was massive. At first, the story was a front page, general news disaster. In time, it became a complex legal drama. It also was an international detective story as our scientists and engineers sought to determine the cause of the disaster in a frustrating situation where they were denied cooperation, information, and access. Finally, it became a political story that focused on varied interpretations of the societal role of multinational corporations and crucial differences between Eastern and Western cultures.

In the first months alone, stories about Bhopal in the *New York Times* carried 25 different bylines. Bylines in the *Wall Street Journal* were shared by 16 writers. Even Connecticut's *Hartford Courant*, the nation's oldest newspaper (but one with a modest size staff and largely regional influence) had as many as a dozen different bylines on its Bhopal stories.

First Steps at Control

In those frustrating first days, as the dimensions of the tragedy gradually were learned, vital decisions were made:

- A Union Carbide facility in West Virginia was quickly closed because it manufactured methyl isocyanate. It remained closed until safety measures were reexamined and more light shed on the cause of the Bhopal tragedy.
- A management task force, headed by Anderson, was set up to deal with the crisis. President Flamm took over running the company's day-to-day business. That decision by Anderson permitted his Bhopal team to concentrate on the facts of the tragedy and its aftermath.
- Anderson, seeking to underscore our concern, decency, and humaneness in the face of the terrible tragedy, accepted moral responsibility for the incident at a December 4 news conference and announced that he would travel at once to India to offer relief to the victims, including an immediate aid offer of $1 million. UCIL also pledged the Indian equivalent of $840,000.
- A medical and technical team was dispatched to Bhopal within 24 hours of the disaster. Their tasks: to help arrange for immediate and long-term relief; to assist in the safe disposal of remaining methyl isocyanate supplies at the plant; and to investigate the incident.

These decisive early actions gave us an answer to the press question, "What is Carbide doing about this?" But we were still desperately short of information. We

did not have answers to such basic questions as, "What caused the disaster?" or even, "What happened?" In this information vacuum, we reaffirmed a standing procedure — no speculation. (It took considerable effort on the first day to make even the simple determination that the tragedy did not involve an explosion or fire, as the media had reported in some instances.) It took courage to say, "We don't have the information. We'll have to get back on that," especially in face of the obvious question, "Why don't you know?"

Because of the obstacles placed in our way by Indian authorities, it would be March 1985 before we could point with certainty to the cause. In the interim, we took the heat.

Contingency Planning and Experience Help

Union Carbide had a contingency plan for emergencies. This plan provided a basic framework and some guidelines. In Bhopal, however, the unthinkable had happened and the terrible facts of the tragedy were overwhelming. However, the versatility of our staff, their stamina in the face of long, grueling hours, and a systematic approach to communications that had been in place for some time were significant assets.

Working to our strong advantage, also, were the quality and integrity of Union Carbide people. Trust, respect, and knowledge, developed over years of dealing with environmental and safety issues, helped us navigate the uncharted areas into which we had been swept. We shared with Anderson a special understanding — nurtured over 10 years in my case — that we worked for a responsible company. Colleagues recall me quoting, along the way, my mother's advice, "If you tell the truth, you'll never have to remember your lies." For me, that motto set an important tone that carried us through the crisis.

Other pluses were the diverse skills combined in the Bhopal crisis team. Many of the members were experienced in dealing with emergencies or unusual situations. We also had more than a decade of experience with methyl isocyanate without incident. Although, in light of the enormity of the event, it was difficult to persuade anyone of the significance or value of our considerable expertise.

Given that there was still methyl isocyanate in the Bhopal plant, we especially needed to convince Indian officials that our presence there was essential. Securing a substantial quantity of the remaining methyl isocyanate for analysis was a top priority for our technical team.

Team leader Ron Van Mynen overcame initial resistance through a patient, reasoned approach, stressing that safety was paramount. Government officials

Despite official assurances about safety, frightened residents queue to leave Bhopal.

finally relented, agreeing that experts from Union Carbide, the Indian company, and the Indian government would convert the remaining methyl isocyanate into a less volatile compound. However, the effort, which Indian officials called "Operation Faith," sent a second shock wave through Bhopal resulting in a spontaneous exodus in the days leading up to the conversion.

In the end, the conversion came off without hitches, despite the distraction of water-laden Indian military airplanes flying overhead to dampen any cloud. During their three-week stay in Bhopal that December, team members were also able to recover residue from the tank directly involved in the gas leak as well as make detailed observations about the facility. The samples and information formed the basis of an intensive scientific investigation into the cause of the incident that took another two months.

In Danbury we put in 12- to 18-hour days working on various aspects of the aftermath. We simultaneously and alternately addressed concerns that cut across technical, humanitarian, legal, and business implications. Throughout we were constant in the assertion that the best approach was to be accessible to the media and to share reliable information as it became available. Occasionally, the media, with their voracious appetite for information, weren't satisfied and let us know. We persevered nonetheless.

We employed basic tools: news conferences, releases, videos, and interviews. Danbury was established as the single place to get reliable information. There was a continuing challenge to translate complex legal and technical data into accurate, understandable language quickly, especially in response to erroneous allegations. In our communications process, corporate jargon was also a very early casualty.

Keeping Vital Audiences Informed

While the press remained our most visible audience (and most important conduit to the public), we paid attention to other deeply interested parties. We reassured employees, suppliers, customers, and shareholders. We briefed the members of Congress and regulatory agencies. As early as December 14, Anderson and I testified before two subcommittees of the House Commerce and Energy Committee. Their question was one the press was already asking: "Can it happen here?"

We detailed the steps taken in closing our U.S. manufacturing facility for methyl isocyanate and the actions taken to return the product from France, which refused to accept a shipment that was en route by sea. We frankly admitted that we had not yet determined the cause of the tragedy, stressing our determination to limit any activity involving methyl isocyanate until we did know. We responded

to questions about the company's safety practices, citing Union Carbide's top-of-the-industry performance in annual worker-safety reviews. We shared what information we had and stressed the company's determination to find the cause of the Bhopal tragedy and apply the lessons learned.

In Danbury, from the very first day, it was evident that communication resources had to be committed, on a high-priority basis, to informing our employees. On December 3 and the days following, our corporate offices were marked by individual and collective shock. As fatality estimates rose, many of our people were emotionally devastated. Some wept openly at their desks.

Great care was taken to include our employees in our overall communications effort. The policy of open and early release of factual information covered both internal and external communication. Employees received information at the same time as the press received it. Existing channels of communication — news bulletins, regular publications, and special videotapes in which senior executives appeared — were used to provide a consistent body of knowledge to all 90,000 employees.

In January, *UC World* magazine, which is mailed regularly to employees and retirees at their homes, dedicated its front page to coverage of the Bhopal incident. Later, the company videotape series, *What's Going On*, shown in cafeterias and at employee meetings, reviewed the Bhopal tragedy from the perspective of media coverage.

In early February, Anderson met with employees in Charleston, West Virginia, where the petrochemical business started in the 1920s, and not far from the company's only other methyl isocyanate-producing plant in Institute, West Virginia. He reassured them of the company's continuing commitment to employee and community safety and, specifically, to reaffirm the safety measures in place at their operation. The appearance was videotaped and highlights of the meeting were circulated to company and affiliated sites throughout the world. A measure of the personal concern and compassion of Union Carbide employees was their spontaneous establishment of a Carbide Employees Bhopal Relief Fund that collected more than $100,000 to aid the tragedy's victims.

By mid-December, Union Carbide's communications on the Bhopal incident were solidly in place. We had clearly identified Danbury as the contact point for the media — and so informed operating management in our plants, where managers had been besieged by press inquiries. Within the team, rotating assignments helped us cope with the problems of stress and fatigue generated by nonstop inquiries and the task of communicating simultaneously with our employees and others.

Confrontation with Local Authorities

Despite our commitment and strategic approach to communications, we were still frustrated in our efforts to obtain information on the specifics of the incident. And a new element had entered the situation: confrontation.

It began with our relief efforts. When Anderson arrived in Bhopal, he was placed under house arrest by the local authorities and later released. Despite such a reception, at a December 10 press conference, he emphasized that he had been treated "with the utmost courtesy and consideration." Behind the scenes we were having difficulty finding an Indian agency or official who would channel more than $2 million in immediate aid Union Carbide, the Indian company, and others had pledged in response to the tragedy.

Within a week of the gas leak, we had recruited and dispatched an independent medical team, including internationally recognized pulmonary and ophthalmic specialists, to Bhopal. Within a few months, Union Carbide offered an additional $5 million in aid at the suggestion of the U.S. federal court judge hearing litigation which had been started in the U.S. When this was rejected by the Indian government, the $5 million was offered to Red Cross authorities working with Bhopal victims. Ultimately, the Indian Red Cross used a substantial portion of these funds.

Despite our repeated "no strings attached" assurance, the Indian government rejected relief that originated with the corporation. Even when we turned to third parties to aid the Bhopal victims, we were rebuffed. In the months following the tragedy, more than $2 million, for example, was designated for an Arizona State University project to build and operate a rehabilitation center in Bhopal. When it was learned that the funds had come from Union Carbide, the Indian government bulldozed the center. In 1987 CBS's "60 Minutes" depicted the episode as a disturbing example of Indian bureaucratic obstruction.

In communicating with the media, we made an intensive effort to provide facts and to avoid taking a confrontational stance with the Indian government. The latter became increasingly difficult as the Indian political climate changed and Prime Minister Rajiv Gandhi's administration came under fire on a number of political fronts.

At some risk of oversimplification, we can summarize the Indian political situation at the time of the Bhopal gas deaths. It was highly volatile. Just over a month earlier, Prime Minister Indira Gandhi had been assassinated. Communal violence followed, mostly based in religious differences. Rajiv Gandhi was the new prime minister, pledged to reform the government and ruling party. The press was afire with campaign-related political charges. And 350 million Indians were about to elect representatives to the Lok Sabha, the lower house of Parliament. These elections included the Indian state of Madhya Pradesh, whose capital is Bhopal.

In India, Union Carbide was a high-profile multinational company. A measure of that prominence was attributable to the role we and UCIL had played in the "Indianization" of industry in that country. We had been one of the first multinationals to invest in India, demonstrating our willingness to offer expertise, readiness to comply with Indian laws, and acceptance of a gradual approach to developing Indian consumer markets. Union Carbide's investment had gained us widespread good will — or so we thought.

Whatever our contributions to national industrialization goals, the current political arguments expediently recast us as an archetypal multinational villain, exploiting India's people and resources. As legal actions proceeded in the United States, it became evident to us that this caricature was designed to gain access to Union Carbide's financial resources.

Along the way it had become rather convenient for some Indian officials to ignore the goodwill and contributions that UCIL had made to India during more than a half century of doing business there. The government of India brought a suit against Union Carbide in the United States, even though the disaster occurred in India and the nation has a well-established court system based on the same legal principles as those in the United States. To resist efforts to send the case to India, the Indian Government's U.S. attorneys also invented a novel legal theory for the situation. They called it "multinational enterprise liability" which, in summary, places absolute responsibility on affiliated corporations if anything goes wrong for any reason at any affiliate. This was followed by a ruling in an unrelated case that made liability in India absolute where hazardous materials are involved, without exception, even for acts of God or third parties. It also said that the size and prosperity of the defendant should be considered in assessing damages. This novel approach effectively upended for India the basic legal principles of liability that have existed in common law countries for more than 100 years.

In the February 19, 1985 issue of the *Boston Globe*, MIT's Professor Robinson observed:

> *It would appear that some are condemning Union Carbide precisely because it was so responsive to Indian pressures and relinquished both a measure of ownership and control to Indians, as the Indian government desired. This is not to say that those culpable in the Indian tragedy by reason of negligence should not be held responsible, whomever that may be.*
>
> *But to destroy in the process a corporation distinguished by a management with a keen sense of public responsibility is likewise tragic. By doing so, we send the wrong message to all business, a*

message which says in essence: "Do not spend resources on trying to be a good citizen; it does not make any difference. Best to maximize profit, no matter what — whatever you can get away with."

Detective Story

The shock and the pressures of the early days of the Bhopal crisis were measured in hours. But then the horror story of the disaster began to develop along more specific lines: the cause of the tragedy, the continuing plight of the victims, and the legal consequences. These developments need to be tracked over months, even years.

Union Carbide's technical team, which ultimately was charged with the scientific investigation into the cause, assembled for the first time in India on December 6. Most of the members flew in from the United States. But team leader, Van Mynen, already in the Far East on routine safety inspections of facilities in that region, arrived a day earlier.

The group of seven engineers and scientists spent 24 days in India and, on return to the U.S., more than two additional months on analysis. It was hampered in its work by the Indian Central Bureau of Investigation, which had taken control of the plant. The team was barred from questioning employees at the plant and had access to only those documents they knew about and specifically requested. Team members were permitted only to examine the tank that had been the source of the leak at the plant and to take scientific samples.

Back in the United States, the team was obliged to pursue its investigation in a unique manner: first, analyze the composition of a gooey residue taken from the Bhopal storage tank where the chemical reaction had occurred; second, undertake a series of 500 experiments, working backward to define the cause. It was tough, detailed work similar to a National Transportation Safety Board (NTSB) effort of piecing an airplane together after a crash.

We were determined not to release information concerning the cause of the tragedy unless we were certain of our conclusions. However, because of the media's search for a quick and ready explanation for a major disaster, enormous public speculation occurred as to the cause. Every conceivable kind of explanation was published, from an Indian government scientist's contention that the reaction was touched off by a pint of water to a claim that an imaginary Sikh terrorist group named Black September was responsible. After a short time, some speculated that the tragedy was caused by a combination of management failures and the failure or shutdown of safety equipment. According to one popular story, the reaction was supposedly triggered by a water-washing of lines in another

section of the plant, which allowed water to enter the system and, through a series of open valves, leak into the tank.

Ultimately, what actually occurred turned out to be something quite different. In March 1985, after three months of work, our technical team told the world that a substantial amount of water had entered the tank, that the water-washing hypothesis was improbable, and that they believed water had entered the tank directly.

It took us almost two more years before we could corroborate our scientific findings with interviews and documents because the Indian government prevented access to witnesses and records in India. It was only through court actions in the U.S. and in India that such information ultimately became available.

During the next year, the team was aided by the Indian government's reluctant release of some 70,000 pages of documentation. These records became available as a part of the discovery process as Bhopal court cases proceeded.

Late in 1986 Union Carbide filed a lengthy court document in India detailing the findings of its scientific and legal investigations: the cause of the disaster was undeniably sabotage. The evidence showed that an employee at the Bhopal plant had deliberately introduced water into a methyl isocyanate storage tank. The result was the cloud of poisonous gas. The episode is documented in a 17-minute videotape produced in 1988 by filmmaker Philip Gittelman, who was invited to undertake the documentary project by Union Carbide and its outside legal counsel, Kelley Drye and Warren of New York City. Also in 1988 an independent study of the incident by the prestigious international engineering consulting firm of Arthur D. Little supported the analysis by the Union Carbide team. Noting the obstacles placed in the team's path by the Indian government, the Little study said, "Had those constraints not been imposed, the actual cause of the incident would have been determined within several months."

The Indian government, to this day, has not taken a firm position on the tragedy's cause, leaving Carbide's findings as the only definitive conclusion on the subject. The government of India has apparently decided not to pursue an investigation into the charge of employee sabotage.

We released the report of the Union Carbide team and made our technical and legal investigators available to field inquiries from the press and other professional groups. Obviously, this fitted into our policy of open communication. But backing this rationale was our clear understanding that, whatever the cause, a disaster had occurred and we were obligated to help assure that it would not happen again.

Enter the Lawyers

The legal dimensions of the Bhopal story began with what has been characterized as the "greatest ambulance chase in history" as American liability lawyers flocked to India within days of the tragedy and began signing up claimants. The first class action suit in the United States was filed a week after the disaster. Ultimately, 145 suits were filed in state and federal courts. An appalled public watched U.S. attorneys in India signing up local citizens indiscriminately.

A goat grazes near fresh graves with simple granite headstones that mark the final resting place for victims of the poison gas leak.

In 1985 the government of India filed a civil suit against Union Carbide in Federal District Court in New York City — after it had quickly enacted a law giving it the right to represent all Bhopal victims and the exclusive right to reach a settlement on their behalf. The Indian government had hired an American law firm, pursuing its strategy to try the case in U.S. courts where it presumably hoped for a higher award or settlement than could be expected in India. At one point in 1986, a settlement with attorneys in the U.S. seemed imminent but lawyers representing the government of India would not agree and the deal fell apart. Eventually the U.S.

courts established that India was the proper site for any Bhopal action and sent the litigation there for disposition.

The Indian government filed suit in India for an unspecified amount and later said claims would amount to $3 billion. In February 1989, four years after the tragedy, the Indian Supreme Court found itself confronted by activists in India who cared little for the victims and wanted the litigation to drag on for many years in order to "punish" a foreign multinational. Exercising great political courage in the face of that opposition, the Court directed a settlement of $470 million and nullified criminal charges. The Court described the settlement as "just, equitable, and agreeable." It was the largest settlement ever made in an Indian civil suit. The Court also instructed the Indian government to make relief payments to the victims of the tragedy.

Unfortunately, the $470 million, paid within ten days of the Court decision, sat untouched as Indian politicians, bureaucrats, and activist lawyers argued, speculated, and maneuvered. Then there was another election in India. V.P. Singh became the new prime minister and, within ten days, his government repudiated the Indian Supreme Court and rejected the $470 million settlement as "totally inadequate." His government announced its intention to return to the original $3 billion claim and to pursue criminal charges against Union Carbide executives. The Indian government had returned to square one. The Bhopal victims were ignored. Following a lengthy review by the Supreme Court, the original settlement was upheld and the criminal proceedings were reopened. Although the government of India has distributed a limited amount of its own funds, only small amounts of settlement money started trickling through in early 1993.

From a public relations standpoint, the story of Bhopal in the courts raised its own problems. Each news development brought a fresh retelling of the disaster. As the various legal events took place, there was a continuing requirement to tell the story in "plain language" and to try to trace the labyrinth of legal strategies and decisions.

I would be less than candid if I did not admit that many of us at Union Carbide were outraged by the Indian government's apparent indifference to the plight of the Bhopal victims. From the first day, we had been moved by compassion and sympathy. We believed that the company's position was responsible and fair. We could not understand why the government did not promptly distribute the relief funds to the real victims.

Myth versus Reality

Even years after the tragedy, it is difficult to measure the human cost of the disaster. Persistent myths conflict with reality. Political purpose and dramatic

license have continually motivated some politicians and writers to inflate the fatality number. A very shaky basis for extrapolating casualty estimates has been the number of Indian claimants for damages — a number that has been as high as 500,000. Yet documents considered by the Supreme Court of India showed that approximately 75 percent of the claims were from areas that the government had not recognized as being gas-affected. And approximately 250,000 claimants elected not to respond to repeated requests to appear for physical examinations.

Television images right after the disaster showed many people with bandaged eyes, leading viewers to believe that many had been blinded. In point of fact, the escaping methyl isocyanate did not cause blindness and relatively few suffered any permanent eye damage at all.

Almost from the beginning, there have been horrendous speculations about the long-term impact of the disaster. But studies by India's Council of Medical Research report that serious injury to the lung is limited to a small percentage of the population and that there is no serious residual eye disease. There is no evidence that the disaster caused cancer, birth defects, or any other delayed effects. Further, Union Carbide, the U.S. National Institute of Health, and others conducted tests on methyl isocyanate and all concluded that no latent long-term problems were expected.

What Did We Learn?

The contemporary Union Carbide Corporation is a different company from what it was at the time of the Bhopal incident in 1984. It is a smaller company. In 1992, its 75th anniversary year, the company spun off its industrial gases division to stockholders. The gases operation was the last tangible reflection of the giant conglomerate of the past. Gone are the metals, consumer products, and other diverse businesses. The restructured Union Carbide is a closely focused $5 billion basic chemical and plastics company with advanced process technologies and efficient, large-scale production facilities.

The company has kept pace with the accelerating changes of the times — changes in markets, economic patterns, and technologies. It has weathered a bitter and costly takeover attempt. It has tackled the basic problems of productivity and cost control that bedevil modern American businesses.

At the time of Bhopal, the company was rated among those manufacturers with the best worker safety records. To a degree, we were smug about our record. Bhopal put an end to that attitude. It spurred new cycles of process monitoring and a fresh look at risk management. In the months and years after Bhopal, Union Carbide focused a microscope on every operation. There was an unprece-

dented search for every risk, any risk. We discovered that there was still more that we could accomplish in maintaining safer operations. And money and staff were committed to those objectives.

The impact of Bhopal went well beyond Union Carbide. It changed views and practices among the entire U.S. chemical industry. It provided impetus to the development and enactment of federal laws requiring companies to notify government and the public about toxic substances they make or use. The EPA's Federal Superfund Reauthorization, spurred by the Bhopal tragedy, helped bring about a network of local emergency planning councils, in which corporate specialists work with their neighboring communities to safely deal with unthinkable environmental disasters.

The Chemical Manufacturers Association has established Community Action Emergency Response (CAER), a program to prevent or respond to industrial emergencies. Responsible Care is an industry initiative designed to establish basic standards for safe, healthy, and environmentally sound operations. It is being established in some 22 countries around the world. Union Carbide has been an active participant in these and other programs.

Aftermath

The sheer scope of the Bhopal incident made it an extremely complex public communications problem. Ron Wishart, summoned by Chairman Anderson from a government relations assignment in Washington to aid him in directing the Bhopal crisis team, put it very succinctly: "The problems raised by the tragedy spanned two companies, two governments, two continents, and two cultures." As our chief outside counsel put it, "There were three tragedies at Bhopal — the gas leak, the reaction to it by the Indian government, and the consequent inability to get relief to the genuine victims."

Union Carbide's approaches at the time of the Bhopal disaster were, I believe, correct ones. This is certainly true of the top-level decision to accept full moral responsibility. Just as logical was the decision to concentrate on relief for the victims.

Remaining accessible to and honest with the press — indeed, to and with all our audiences — was also a sound decision, though it placed severe pressures on our media relations people. Our adherence to fact and our unwillingness to deal in speculation were likewise appropriate, although not always popular with the press. With any breaking news story, each reporter attempts to get information that is new, different, and dramatic. These requirements were heightened in the Bhopal story because of its spectrum of consequences.

The Arthur D. Little report on Bhopal includes a commentary on the role of the press:

> *In the immediate aftermath of a large-magnitude incident, both nontechnical and technically trained reporters converge on the site, looking for quick "answers" to the question of what caused the event. Most reporters are responsible, restrained, and unbiased in their reporting. However, a fringe group usually appears on-site that is more interested in developing causation theories, which seem to have great public appeal, regardless of their veracity.*

When the Bhopal disaster occurred in 1984, Jackson B. Browning was responsible for Union Carbide Corporation's health, safety, and environmental programs. He and Chairman Warren M. Anderson were the company's chief spokespersons during the crisis. Browning also directed the teams that responded to and investigated the tragedy. Browning holds degrees in both chemical engineering and law. He joined Union Carbide as a patent attorney in 1948 and held positions of increasing management responsibility for research and operations until he became the company's first senior health, safety, and environmental affairs officer in 1976. He retired from the corporation in 1986 and remains active in his own business.

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Reading I1

Understanding the Relation Between Public Relations and Issues Management

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Using a systematic sample of 248 public relations managers in the United States, I examined the relation between type of public relations practiced, type of issues management practiced, and the outcomes associated with these practices. Regression and partial correlation analyses reveal that the use of 2-way public relations is positively related to 2 steps in the issues management process: formal environmental scanning and active sense-making strategies. In turn, formal environmental scanning and active sense-making strategies result in early issue detection and accurate issue diagnoses. Post hoc analysis reveals that the use of 2-way public relations is also directly related to early issue detection and accurate issues diagnoses.

What is issues management and how is it related to public relations? Further, why should public relations scholars and practitioners care? Prior research suggests that public relations practitioners involved in issues management hold greater intraorganizational power than those practitioners not involved in the process. Lauzen and Dozier (1994) found that public relations practitioner involvement in issues management was strongly and positively related to practitioner involvement in dominant coalition decision making. Findings of the Excellence Study funded by the International Association of Business Communicators Research Foundation (Dozier, L. Grunig, & J. Grunig, 1995) suggested that without this practitioner involvement, or power, "communication departments must execute less-than-excellent communication programs" (p. 2). Consequently, investigating the relation between public relations and issues management is important to the implementation of excellent public relations programs (Dozier et al., 1995). Using a systematic sample of 248 public relations managers in the United States, I examined the relation

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rela between type of public relations practiced, type of issues management practiced, and the outcomes associated with these practices.

THEORETICAL CONSIDERATIONS

Theoretical understanding of the practice of public relations continues to evolve. Originally, J. Grunig (1984) identified four models of public relations: press agentry, public information, two-way asymmetric, and two-way symmetric. Press agentry described the use of one-way, frequently untruthful, communication. Practitioners using the public information model disseminated positive but essentially truthful (one-way) information. Through the use of two-way asymmetrical public relations practitioners use the information gathered from research to persuade publics. The two-way symmetrical model described the attempt to build mutual understanding between organizations and publics through the use of research (J. Grunig, 1984).

Murphy (1991) noted that instances of pure two-way symmetrical public relations were rarely found in organizations. She conceptualized public relations behavior as existing on a continuum of asymmetrical to symmetrical behavior. Using game theory, Murphy (1991) reconceptualized Grunig's models by refining "the concept of symmetric communication along less rigorous lines that include shades of behavior along a continuum ranging from conflict to cooperation" (p. 124). Murphy discussed the utility of "mixed motive" games in which "each side retains a strong sense of its own interests, yet each is motivated to cooperate in a limited fashion in order to attain at least some resolution of the conflict" (p. 125). Murphy described these mixed-motive games as

> a sliding scale of cooperation and competition in which organizational needs must of necessity be balanced against constituents' needs, but never lose their primacy. ... It is possible that what organizations actually practice are a spectrum of mixed-motive games: this may be why no clear-cut boundaries are apparent among the strictly defined asymmetric and symmetric models. (p. 127)

Dozier et al. (1995) named this mix of short-term asymmetric public relations tactics within a larger symmetrical context the *two-way model* (p. 11).

Organizations using the two-way model of public relations use research to learn about their publics. Findings of the recent Excellence study suggest that the type of public relations practiced by organizations is related to the type of research used to better understand their publics. Specifically, Dozier et al. (1995) found that those organizations using the two-way model of public relations also tended to use sophisticated research techniques to gather information about their publics. As conceptualized in this study, issues management is part of those sophisticated research techniques. *Issues management* is the process that allows organizations to know, understand, and more effectively interact with their environments (Wartick & Rude, 1986). Jones and Chase (1979) suggested that five steps comprise the issues management process: issue identification, issue analysis, issue change strategy options, issue action program, and evaluation of results.

In 1988, Hainsworth and Meng interviewed senior managers in 25 Fortune 500 corporations to discover what these managers thought were the main steps in the process. The authors found "general agreement that issues management includes identifying potential issues, forming strategies to effectively influence those issues, making recommendations to senior management, developing a corporate position on each issue, and monitoring each issue" (p. 25).

In sum, the previously mentioned research suggests that a number of steps are vital to the issues management process: issue identification, issue monitoring, issue analysis, message formation, and incorporation of the information into strategic and operational plans.

Public relations managers contribute to issues management through boundary-spanning activities (Lauzen, 1994). According to White and Dozier (1992), *boundary spanners* are "individuals within the organization who frequently interact with the organization's environment and who gather, select, and relay information from the environment to decision makers in the dominant coalition" (p. 93). Every contribution practitioners make to issues management is mediated by the knowledge they accumulate through boundary-spanning activities and through their unique perch at the boundaries of their organizations.

An analysis of practitioner contributions to issues management illustrates the importance of boundary spanning in explaining the relation between public relations and issues management. Public relations managers contribute to environmental scanning (including issue identification and monitoring) through formal and informal scanning activities. Formal activities include media content analysis, surveys of publics, and focus group studies of key stakeholders (Dozier, 1990). Managers also use informal scanning activities such as media contacts and monitoring written and phone complaints (Dozier, 1990). Through these activities, managers gather and filter information for organizations (Aldrich, 1979) while acting as communication facilitators between organizations and publics (Aldrich & Herker, 1977; Dozier & Broom, 1993). By virtue of their position "on the edges" of organizations, public relations managers have the opportunity to build relationships with external sources of information.

Public relations managers' knowledge of the worldviews and values of both internal and external constituencies enables them to make a unique contribution to the issue-analysis step in the issues management process. Through issue analysis, organizational decision makers make sense of issues, determining their impact and consequences for the organization (Dutton, 1993). Public relations managers are able to provide a check on internal analyses of issues by providing the decision-making team with external perspectives.

Finally, public relations contributes to organizational responses to issues by devising action and communication strategies to manage relationships with key publics that form around important issues. In this study I focus on the first part of the process (environmental scanning and issue analysis). It is through these steps that managers form organizational actions and responses to environmental forces. Thus, issues management refers to these first steps in the issues management process in this study.

Figure 1 illustrates the model posited and tested. The two-way model of public relations is arguably antecedent to processes of issues management. That is, the public relations practitioner's approach to public relations determines his or her approach and contributions to issues management. Public relations practitioners are unlikely to perceive a need for issues management when they view the function as a one-way activity (in which communication flows from the organization to publics). These practitioners have no interest in obtaining feedback from publics in order to adjust communication strategies. In contrast, those public relations practitioners engaging in an ongoing dialogue with external constituencies recognize the need for information about those publics in order to inform their discussion. As the model illustrates, knowledge and use of two-way public relations prompts practitioner realization of the need to participate in issues management. In this study I consider two steps in the issues management process: environmental scanning activities and strategic issue diagnosis (SID). These processes, in turn, are logically antecedent to their outcomes: issue detection and issue diagnosis.

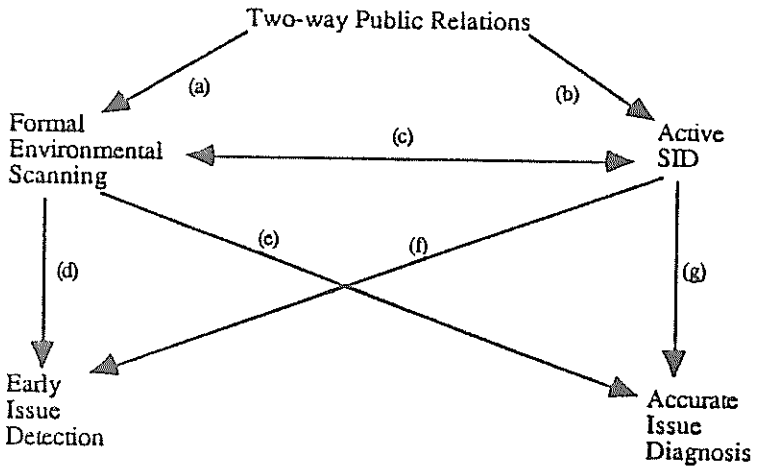

FIGURE 1 Model of public relations, issues management, and outcomes. SID = strategic issue diagnosis.

CONCEPTS DEFINED

Two-Way Public Relations

As conceptualized in this study, two-way public relations synthesizes J. Grunig's (1984) earlier two-way asymmetric and symmetric models with Murphy's (1991) "mixed motive" model. Dozier et al. (1995) noted: "Asymmetrical tactics are sometimes used for strategic advantage to gain the best position for organizations. ... Because such practices are bounded by a symmetrical worldview that respects the integrity of long-term relationships, the two-way model is essentially symmetrical" (p. 11). They continued:

> In the interest of building long-term relationships with key publics, communicators may choose to forego asymmetrical practices as an investment in future returns in the form of more symmetrical behavior from the publics involved. In this way, professional communicators can view occasional intermittent, short-term asymmetrical practices as necessary tactics for pursuing organizational self-interest in a mixed-motive game. (p. 13)

Dozier et al. suggested that this newly configured conceptualization of public relations is both realistic and ethical. The broader long-term symmetrical worldview limits and constrains organizational asymmetrical practices to short-term tactical applications.

Environmental Scanning

Aguilar (1967) defined *environmental scanning* as the process that seeks "information about events and relationships in a company's outside environment, the knowledge of which would assist top management in its task of charting the company's future course of action" (p. 1). According to Hambrick (1981), environmental scanning is "the managerial activity of learning about events and trends in the organization's environment" (p. 299). Within the context of public relations, Dozier (1986) referred to environmental scanning as "the gathering of information about publics, about reactions of publics toward the organization, and about public opinion toward issues important to the organization" (p. 1). Environmental scanning is an information-gathering process that is not inherently "strategic." Scanning alone does not help the organization adapt to its environment. It is only within the context of issues management that the gathering of information is translated into strategic decision making. The analysis and incorporation of issues into organizational messages and plans makes this information strategic.

Aguilar (1967) distinguished between informal and formal environmental scanning. According to Aguilar:

> "Informal search" is defined as a relatively limited and unstructured effort to obtain specific information or information for a specific purpose. ... Informal search can take many forms, ranging from soliciting information to increasing the emphasis on relevant sources (e.g., reading appropriate published materials), or to acting in a way that will improve the possibility of encountering the desired information (e.g., letting people know of one's interests so as to encourage communication). ... "Formal search" refers to a deliberate effort—usually following a pre-established plan, procedure, or methodology—to secure specific information or information relating to a specific issue. It differs from informal search principally in that it is programmed or quasi-programmed in nature. (pp. 20–21)

As conceptualized in this study, environmental scanning encompasses the first two steps in the issues management process: issue identification and issue monitoring. As the initial step in the issues management process, issue identification sets the parameters for the process that follows. Jones and Chase (1979) noted the "primary goal and objective of the Issue Identification step is to place initial priorities on emerging issues" (p. 12). Limited organizational resources prohibit managing all potential, emerging issues. As such, issue identification can be considered the most important step in the process. If unimportant or irrelevant issues are identified, issues management is unlikely to provide vital information to the organization.

Issue monitoring is the second step in the issues management process. At the most basic level, monitoring requires individuals in the organization to read or watch an assortment of general and specialized media. Individuals monitoring issues look for information linked to the organization's activities. The information-gathering process assumes that "important changes don't just occur spontaneously, but start off as ideas which are generally first given wide expression in the public media" (Turk, 1986, p. 16).

The model in Figure 1 suggests that two-way public relations leads to the use of formal environmental scanning. Prior research (Dozier, 1990) suggests that two-way asymmetrical and—to a lesser extent—two-way symmetrical public relations is positively related to the use of scientific research. Dozier et al. (1995) found that

> communication departments with the expertise to practice the two-way models used research much more extensively than departments with little knowledge of two-way practices. Significantly, departments with the knowledge to practice the two-way models used both formal and informal research much more frequently than departments without two-way expertise. (p. 6)

Managers using two-way public relations require information on a regular basis about their environments and publics. Dozier et al. (1995) suggested that "research is the extra tool communicators need to close the loop, providing channels for publics to 'talk back' to dominant coalitions" (p. 6). Those managers using two-way public relations are likely to formalize their scanning efforts, instituting mechanisms to ensure regular and systematic information gathering. This theoretical argument suggests the following hypothesis:

H1: Use of two-way public relations is positively related to use of formal environmental scanning.

Issue Analysis

After gathering information on issues, the importance and impact of those issues on the organization must be assessed. In this step, "existing knowledge of the issue is compiled and put into useful form" (Jones & Chase, 1979, p. 13). After assessing the importance of issues, managers may or may not elect to gather further information on those issues.

Dutton (1993) defined *SID* as "the individual-level, cognitive process through which decision makers form interpretations about organizational events, developments and trends." Strategic issues are "emerging developments ... or events that have the potential to affect organizational performance" (p. 339). This definition does not limit SID to problem solving. As Dutton and Duncan (1987) noted, SID applied "equally to the processing of opportunity as well as problem-initiated activities" (p. 280).

Using Dutton's (1993) conceptualization, this study envisions SID as an active or automatic process. According to Dutton, *active* SID "is intentional and conscious. ... In this mode, decision-makers may uncover multiple interpretations for the issue ... attentional resources are expended to sort relevant from irrelevant information and to search beyond the information that is readily apparent" (p. 342). Using active SID, organizational members are historically informed but not bound by precedent. These individuals expend moderate amounts of energy interpreting and categorizing issues.

In contrast, *automatic* SID

> involves the activation of ready-made issue categories in the minds of decision-makers that have been built from encounters with issues in the past. ... Classification of an issue into a ready-made cognitive category reduces the amount of thought applied to the issues and activates a set of scripted responses. (Dutton, 1993, p. 341)

By utilizing tried-and-true categories and interpretations based on prior experience, decision makers are able to conserve energy and time. Dutton noted: "In automatic processing, cues that a decision-maker may not be aware of activate issue interpretations, while at the same time preserving attentional resources for other demands on decision-makers' time" (p. 342). Organizational members using automatic SID treat new issues like old issues.

As the model in Figure 1 illustrates, two-way public relations and active SID are positively related. The importance of translating the raw information into intelligence preempts managers from automatically assigning old issue categories to new issues. The use of two-way public relations prompts managers to actively make sense of the information gathered during environmental scanning so as to inform their communication efforts. This discussion suggests the following hypothesis:

H2: Use of two-way public relations is positively related to use of active SID.

As posited in the model in Figure 1, formal environmental scanning and active SID are interrelated, reciprocal processes. Those organizations using formal environmental scanning efforts are likely to engage in active SID. Organizations that invest resources in formal scanning activities are also likely to invest the time and energy needed to discover multiple interpretations for issues. In turn, the active analysis of issues may lead organizations to seek more information about those issues.

H3: Formal environmental scanning is positively related to active SID.

Issue Detection

Issues rarely emerge fully developed. Instead, they mature and evolve over time. Frequently, issues are born from some conflict of interest or values among individuals or groups (Coates, Coates, Jarratt, & Heinz, 1986). Ansoff (1980) described these emerging issues as "weak signal" (p. 136) issues. A number of researchers have pointed to the importance of identifying weak signal issues (Ansoff, 1980; Buchholz, 1982; Coates et al., 1986). According to Buchholz, "The earlier an issue can be identified in its life cycle, the more options business has open to it and the better chance business has to develop an effective response" (p. 473). Ansoff stated that in order for issues management to be effective, "it becomes necessary to detect less specific 'weak signals' and to respond with correspondingly 'weak responses,' which are progressively strengthened as information becomes more specific" (p. 136). According to Ansoff, the amount of information available about various issues in organizational environments ranges from zero to full knowledge. At some point on the "state of knowledge" continuum, organizations receive sufficient weak signals to trigger an organizational response to that issue.

According to the model in Figure 1, formal environmental scanning is positively related to early issue detection. Formal scanning efforts encourage organizational members to monitor issues on a regular basis, increasing their chances of identifying issues as they emerge, as opposed to later in their development.

H4: Formal environmental scanning is positively related to early issue detection.

Diagnosis Accuracy

Issue diagnoses may range from accurate to inaccurate. It is also possible that decision-making teams become so involved in the issue diagnosis process that no decision is ever made. Although research on SID is growing, few studies have focused on diagnosis accuracy. In a study examining environmental threats and opportunities, Jackson and Dutton (1988) found that decision makers tended to be "more sensitive to issue characteristics associated with threats than to those associated with opportunities" (p. 370). The authors noted the presence of a "threat bias" that caused managers to acknowledge threats more readily than opportunities.

Decision makers "on automatic" are more likely to rely on available information and offer a single interpretation of an issue. As a result, these individuals are more likely to misdiagnose issues. In contrast, decision makers actively diagnosing issues are more likely to make accurate or correct issue diagnoses. That is, when decision makers identify an issue as a threat to the organization, and the issue indeed becomes a threat, that issue has been accurately diagnosed. Decision makers may also correctly diagnose issues as having a profound effect on the organization (Brown, 1979) and as occurring over a certain period of time (Lauzen & Dozier, 1994).

According to the model in Figure 1, formal environmental scanning is positively related to accurate issue diagnosis. Formal environmental scanning allows organizations to gather information on a regular basis, increasing the quality of information available and thus the accuracy of the diagnosis.

H5: Formal environmental scanning is positively related to accurate issue diagnosis.

This study also posits that active SID is positively related to accurate issue diagnosis. Organizational members engaged in active SID are more likely to seek out information on an issue and to consider several interpretations for the issue before making a judgment regarding the correct category for that issue. As a result of this careful consideration, managers using active SID are more likely to accurately diagnose issues.

H6: Active SID is positively related to accurate issue diagnosis.

In addition, the model in Figure 1 suggests that active SID is positively related to early issue detection. Managers engaged in the thoughtful analysis of issues required by the active SID process are likely to be well acquainted with issues in

their environments. This knowledge and experience is likely to aid them in the early detection of issues.

H7: Active SID is positively related to early issue detection.

METHOD

To test the relations hypothesized in Figure 1, a national survey of 548 public relations managers in the United States was conducted. A systematic sample of managers was chosen from the *National Directory of Corporate Public Affairs* (Close, Steele, & Buckner, 1994). An initial mailing was sent in June 1994, with follow-up mailings in July and August. Two hundred forty-eight questionnaires were completed; this represents a response rate of 45%. According to Babbie (1995), a 50% response rate for mail surveys is adequate. The slightly lower than desired response rate may be attributed to "survey burnout." A number of managers returned blank questionnaires, stating that they did not have time to complete all of the questionnaires they receive. A number of other managers returned letters stating that company policy prevented their participation.

Measurement

Some of the indices used were adapted from previous studies, whereas others were developed specifically for this study. The Two-Way Public Relations Index was adapted from J. Grunig's two-way asymmetric and two-way symmetric indices. These indices have been used reliably in prior research (J. Grunig & L. Grunig, 1989). The Environmental Scanning Index was adapted from Fahey and King (1977) and has been used reliably in the past (Lauzen, 1995). The Early Issue Detection Index was developed for this study and is based on the conceptualization of Coates et al. (1986). The Active SID Index was developed for this study and builds on Dutton's (1993) conceptualization. The Diagnosis Accuracy Index was developed for a previous study and was used reliably in that study (Lauzen, 1993).[1]

Factor analyses using principal factors with iterations, rotated to a varimax solution, were conducted to construct indices for two-way public relations, formal environmental scanning, early issue detection, active SID, and diagnosis accuracy. All are simple additive scales using items that posted high loadings on the relevant

[1] In an unpublished study by Lauzen conducted in 1993, factor analysis of the diagnosis accuracy items yielded a factor solution explaining 60.2% of the variance. The Cronbach reliability coefficient for diagnosis accuracy was .67.

factors. The indices were evaluated to discover whether the items measured the concepts reliably. For each index, Cronbach's alpha coefficients were computed. According to Carmines and Zeller (1979), Cronbach's alpha provides a conservative estimate of an instrument's reliability. All reliabilities exceeded .50, the level generally considered sufficient for research purposes (Nunnally, 1967). Table 1 provides a summary of the factor analyses and reliability analyses conducted.

Two-Way Public Relations

A five-item index adapted from Dozier et al. (1995) was used to measure two-way public relations. Respondents were asked how often their organization:

1. Does research before starting public relations programs to determine public attitudes toward the organization and how they might be changed.
2. Does surveys or informal research before starting public relations programs to find out how much management and publics understand each other.
3. Does research after completing public relations programs to determine how effective they have been in changing people's attitudes.
4. Looks at attitude surveys before starting public relations programs to make sure they describe the organization and its policies in ways their publics will be most likely to accept.
5. Has as the purpose of their public relations efforts the development of mutual understanding between the management of the organization and publics the organization affects.

Factor analysis of the items yielded a single factor solution explaining 60% of the variance. The Cronbach reliability coefficient for two-way public relations was .83.

Formal Environmental Scanning

A three-item index adapted from Fahey and King's (1977) description of scanning models was used to measure formal environmental scanning. Formality of scanning was measured by asking respondents how often:

1. Issues management efforts are an important part of the planning process.
2. The organization gathers information about issues using a structured data collection and processing system.
3. The organization gathers information about issues on an ongoing, regular basis.

TABLE 1

Factor Analyses and Reliability Analyses for Indices

Item	*Factor Loadings*
Two-way public relations[a]	
Before starting public relations programs, we do research to determine public attitudes toward the organization and how they might be changed.	.87
Before starting public relations programs, we do surveys or informal research to find out how much management and our publics understand each other.	.83
After completing public relations programs, we do research to determine how effective they have been in changing people's attitudes.	.81
Before starting public relations programs, we look at attitude surveys to make sure we describe the organization and its policies in ways our publics will be most likely to accept.	.81
The purpose of our public relations efforts is to develop mutual understanding between the management of the organization and publics the organization affects.	.47
Formal environmental scanning[b]	
We gather information on an ongoing regular basis.	.88
Our information gathering efforts are an important part of our planning process.	.84
We gather information about issues using a structured data collection and processing system.	.76
Early issue detection[c]	
We first identify issues in the very earliest stages of their development.	.84
We first identify issues when they are discussed by think tanks, before they are discussed in the mainstream media (e.g. major broadcast networks, newsweekly magazines).	.84
Active strategic issue diagnosis[d]	
We spend a moderate amount of time and energy interpreting and categorizing issues.	.75
We look at each new issue as something that is unique.	.67
We come up with many different interpretations for an issue.	.65
We try to give each issue careful consideration before identifying it as a threat or an opportunity.	.75
Diagnosis accuracy[e]	
We tend to correctly predict the effect (positive or negative) issues will have on the organization.	.87
We tend to correctly predict when issues will peak.	.81
We tend to correctly predict the size of the impact issues will have on the organization.	.76

[a]Percentage of explained variance = 60%; Cronbach's alpha = .83. [b]Percentage of explained variance = 68%; Cronbach's alpha = .76. [c]Percentage of explained variance = 71%; Cronbach's alpha = .58. [d]Percentage of explained variance = 36%; Cronbach's alpha = .64. [e]Percentage of explained variance = 67% Cronbach's alpha = .75.

Factor analysis of the items yielded a single factor solution explaining 68% of the variance. The Cronbach reliability coefficient for formal environmental scanning was .76.

Early Issue Detection

Two items adapted from Coates et al. (1986) were used to measure early issue detection. Respondents were asked how often their decision-making team first identifies issues in the very earliest stages of their development and first identifies issues when they have been discussed by think tanks, before they are discussed in the mainstream media.

Factor analysis of the items yielded a single factor solution explaining 71% of the variance. The Cronbach reliability coefficient for early issue detection was .58.

Active SID

Active SID was measured using a four-item index developed for this study. This index is based on the conceptual work of Dutton (1993). Dutton defined SID as an individual-level process. However, similar processes may also occur at the group level. For example, decision-making teams may be just as likely as individuals to devise many different interpretations for an issue in the diagnosis process. Because respondents were asked to respond to all other variables at the level of the decision-making team, this variable was also assessed at the team level. Active SID was measured by asking respondents how often their decision-making team:

1. Gives each issue careful consideration before identifying it as a threat or an opportunity.
2. Spends a moderate amount of time and energy interpreting and categorizing issues.
3. Comes up with many different interpretations for an issue.
4. Looks at each new issue as something that is unique.

Factor analysis of the items yielded a single factor solution explaining 36% of the variance. The Cronbach reliability coefficient for active SID was .64.

Diagnosis Accuracy

Diagnosis accuracy was measured using a three-item index developed for this study. Accurate issue diagnosis was measured by asking respondents how often their decision-making team correctly predicts:

The effect (positive or negative) issues will have on the organization.
2. When issues will peak.
3. The size of the impact issues will have on the organization.

Factor analysis of the items yielded a single factor solution explaining 67% of the variance. The Cronbach reliability coefficient for diagnosis accuracy was .75.

To test the causal relations in Figure 1, simple regression (β) coefficients were computed for Paths a and b. Because formal environmental scanning and active SID are logically interrelated processes, they are hypothesized to covary without one presumed to be antecedent to the other. Thus, Path c is the residual variance not accounted for by Paths a and b. Early issue detection is an outcome of formal environmental scanning (Path d); accurate issue diagnosis is an outcome of active SID (Path g). The "information gathering" of formal environmental scanning and the "sense making" of active SID go hand in hand. So formal environmental scanning is hypothesized to explain accurate diagnosis (Path e). Active SID is hypothesized to explain early issue detection (Path f). To test this portion of the model, both formal environmental scanning and active SID were entered as a block to predict each of the outcome variables separately. Thus, Paths d, e, f, and g represent both the unique variance that formal environmental scanning and active SID accounts for in early issue detection and diagnosis accuracy, as well as an apportioned share of the common variance that formal environmental scanning and active SID share with early issue detection and diagnosis accuracy.

FINDINGS

Regression analysis and partial correlation analysis reveal that all of the hypotheses were confirmed (see Figure 2). The regression coefficients (R) indicate the degree to which the dependent variable in the path relation can be predicted or explained by the variables antecedent to it. Note that the use of cross-sectional data allows only for a comparison and description of the relations between variables. Nevertheless, such data do permit disconfirmation of the theory as operationalized, because causal relations must (at least) be correlated as suggested by theory. Causality cannot be established using such data. The findings of the path analysis conducted are consistent with the suggested theoretical model, providing partial confirmation.

Two-way public relations is positively related to formal environmental scanning ($R = .43$; $p < .01$) and active SID ($R = .34$; $p < .01$). Formal environmental scanning and active SID are also positively related (partial $r = .32$; $p < .01$). Formal environmental scanning is positively related to early issue detection ($R = .35$; $p < .01$) and accurate issue diagnosis ($R = .23$, $p < .01$). Active SID is positively related to accurate issue diagnosis ($R = .24$, $p < .01$) and to early issue detection ($R = .35$; $p < .01$). Positive relations found but not posited include two-way public relations and early issue detection (partial $r = .14$; $p < .02$) and two-way public relations and accurate issue diagnosis (partial $r = .25$; $p < .01$).

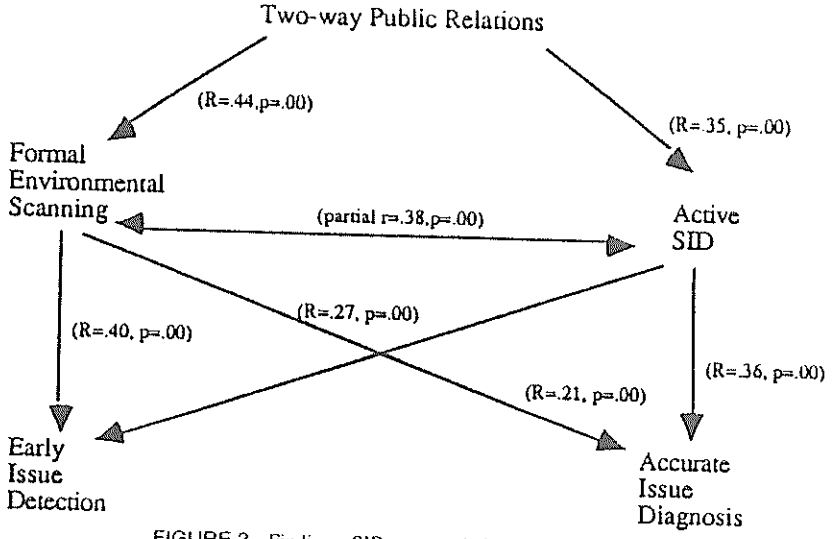

FIGURE 2 Findings. SID = strategic issue diagnosis.

DISCUSSION AND CONCLUSIONS

The findings suggest that the type of public relations practiced and type of issues management practiced are related. Public relations managers' approach to public relations also dictates their approach to their surrounding environment. The use of two-way public relations prompts managers to formalize their information-gathering efforts and to actively analyze that information. Information gathering and issue analysis are linked in a reciprocal relation: The use of one influences the use of the other in a circular manner. In turn, these steps in the issues management process produce certain outcomes. Findings suggest that formal environmental scanning efforts result in early issue detection and also contribute to more accurate issue diagnoses. Active SID results in accurate issue diagnoses and early issue detection.

Two unexpected relations—two-way public relations with early issue detection and two-way public relations with accurate issue diagnosis—suggest the following post hoc analysis. What sense can be made of these resilient linkages that remain, even after controlling for formal environmental scanning and active SID? The answer lies in the confluence of public relations and issues management as they become true boundary-spanning functions, acting as the eyes and ears of organizations, serving as parts of an early warning system. Under these conditions, two-way

public relations and active SID become highly collaborative management functions, bound together by their shared use of environmental scanning. The positive correlations among all concepts in the model indicate that theoretically distinct components of public relations, issues management, environmental scanning, and their outcomes (early issue detection and accurate diagnosis) tend to overlap empirically. Public relations and issues management become increasingly indistinguishable.

In contrast, when managers practice one-way public relations, the gulf between the two functions widens. Managers using one-way public relations conduct a monologue with organizational publics. No significant attempt is made to gather strategic information about important constituencies. As a result, one-way public relations has little if anything to do with information-based issues management. Likewise, highly routinized issues management depends on tried and true responses to issues off the shelf. Environmental information is not sought and seldom used. Under such conditions, public relations and issues management are quite distinct. Neither is particularly useful in helping organizations adjust to turbulent and hostile environments.

These findings are important in that they further clarify the relations between public relations and issues management. Past attempts to explicate the relation between the two functions have suggested that public relations and issues management are parallel but independent, yet overlapping, organizational functions (Heath & Nelson, 1986) or that issues management is a component of public relations (Hainsworth, 1990). Prior conceptualizations of the relation between the functions have not allowed the relation to vary based on the type of public relations practiced. The findings of this study indicate that no such universal comparison of the functions is accurate. Whereas one-way public relations bears no resemblance to issues management, two-way public relations and issues management are quite similar and result in similar outcomes.

In sum, the hypothesized and post hoc relations have implications for public relations practitioners and scholars. For practitioners, the findings suggest that knowledge and use of two-way public relations enables managers to gather and analyze information resulting in effective outcomes. Practitioners using a long-term two-way framework ultimately detect issues earlier in their development and produce more accurate diagnoses of the importance and impact of those issues. Practitioner involvement in issues management enables practitioners to participate in dominant-coalition decision making (Lauzen & Dozier, 1994). In turn, this participation increases the chances that practitioners are able to implement excellent public relations programs. Active SID can be conceptualized as one essential key to practitioner and program success.

For scholars, many questions remain. How much earlier are managers using formal environmental scanning able to identify issues than those using informal methods? What is the outcome of early signal detection and accurate issue diagnosis? Is it possible that some organizations may identify issues early in their cycle and make accurate diagnoses, but then fail to effectively manage their relationships with important publics?

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the sand and start fighting the battle for public sympathy. Let public figures (like rock stars, movie actors, former public officials, and upstanding members of the community) take your case to the public. Discredit and denounce your critics. Ignore, or at least minimize, their claims. Hide behind scientific uncertainty, and if that fails, hire your own experts to discredit theirs. If the truth about what you've done becomes obvious, offer compensation to make it go away. Maybe money will shut them up.

We believe there is a better way; one that can help American business compete more effectively in the global market and that can help restore faith in our governing institutions. What we are proposing is completely consistent with such innovative business strategies as total quality management and the main thrust of recent efforts to reinvent government. What we are proposing is at once pragmatic and ethical. The actions involved are simple and adaptable. They flow from the six basic principles that comprise the mutual-gains approach to dealing with an angry public. The next chapter elaborates on the ideas hinted at in the previous examples, and explores them in more detail.

Reading 12

CHAPTER III

The Mutual-Gains Approach

When the citizens of Jacksonville, Arkansas, expressed grave concerns about the risks of living near a toxic waste site, they were told, "Don't worry, there's a risk to everything." When Cree leaders challenged the proposed Great Whale hydroelectric project, the Premier of Quebec replied, "Seven million Quebecers cannot be wrong." A noted public-relations firm advised Clorox to avoid any debate on the scientific merits of chlorine safety because the public would be "too emotional." Clearly, many companies and many governmental agencies are going about public relations in the wrong way. They only make matters worse when they try to convince concerned citizens "not to worry" or explain to the minority that the majority is right. They certainly do not help their cause when they refuse to interact directly with the groups that are angry about what they have done, might do, or seem to stand for.

The Mutual-Gains Approach: Six Principles

In lieu of the conventional approach, we offer the *mutual-gains approach*—six simple guidelines that provide a framework for dealing more effectively with an angry public:

- Acknowledge the concerns of the other side.
- Encourage joint fact finding.
- Offer contingent commitments to minimize impacts if they do occur; promise to compensate knowable but unintended impacts.
- Accept responsibility, admit mistakes, and share power.

- Act in a trustworthy fashion at all times.
- Focus on building long-term relationships.

These six principles sound remarkably simple, and at first blush they are. When we review, however, the way they translate into concrete actions, it will be clear that they reflect a profound shift from traditional ways of doing business.

When companies and agencies are pitted against opponents in painful and protracted conflicts, or when an adversary has been demonized or ridiculed as a "money-grubbing capitalist pig" or a "ecofascist femi-Nazi," it becomes almost impossible to listen to, let alone acknowledge, that group's concerns. Yet the group being challenged must follow the first principle: *Try to look at the issue from the standpoint of others.* Indeed, it is only by taking a step back from one's own interests, and "walking a mile in the other side's shoes," that underlying interests (as opposed to positions) can be identified. In the words of negotiation theory, the players will be stuck in a zero-sum bargaining game—where the only common ground is the need to perpetuate the conflict—if they fail to appreciate the needs and concerns of the contending stakeholders. As Max Bazerman and Margaret Neal conclude in their book *Negotiating Rationally,* "In a negotiation, if each side understands and can explain the viewpoint of the other, it increases the likelihood of reaching a negotiated resolution."[1]

The second principle also seems quite straightforward: *Encourage joint fact-finding.* In other words, try to generate information that is believable to both sides. For parties used to operating in the traditional mode, this can be worrisome. Attorneys, in particular, spend a lot of time advising clients not to release information that might be damaging. Dow Corning spent at least fifteen years and countless dollars to keep the evidence in damning lawsuits from escaping the confines of the courtroom. Business innovators do not want to let proprietary information enter the public domain; their competitors might use it to undercut them.

On the other hand, decision-makers want to have the best possible information to be certain they are making wise decisions. But the "best possible" information might not be the most convincing. In fact, it might be counterproductive to share information, if the "other side" is going to reject the content because of the source. Thus, decision-makers must decide what information others will find compelling. What should they share? What should they not reveal? What should be left for others to discover on their own?

Information gathered, analyzed, modeled, and carefully packaged behind closed doors may have no credibility when it appears, even if quite accurate. The answer is to open the doors wide and pursue fact-finding together. This means gathering data, analyzing data, and drawing conclusions together. This is a frightening proposition for someone who wants desperately to control the outcome. But in a world of a skeptical public, ready with instant expertise and a ready conspiracy theory, joint fact-finding is far more likely to lead to believable findings.

The third principle states: *Offer contingent commitments to minimize impacts if they do occur; and promise to compensate unintended but knowable effects.* It does make sense to minimize impacts up front, when they occur, rather than to wait and to pay a premium later. For example, we, the authors, were involved with a dispute that arose when a regional hospital decided to relocate to a different neighborhood. The abutters at the new site complained, "With all the traffic and the noise of ambulances, our property values will be reduced." Under most circumstances, the hospital would have answered either, "It's not our problem, we have the permits we need to move," or, "Don't worry, property values won't be affected." The right answer would have been for the hospital to encourage residents within an agreed-upon perimeter to file credible home appraisals well before they planned to sell. Homeowners could then file these appraisals at a local bank. The hospital would establish an escrow account. If a landowner sold any time within five to ten years after the hospital was built, and if they didn't realize the appraised cost of their property plus cost-of-living increases reflecting the changes in economic conditions in the area, the escrow account could be tapped to cover the difference. Such an offer of property value insurance would have settled the debate about what would or would not occur in the future. Up-front contingent commitments ensure those at risk that they are "held harmless." Such commitments do require corporate and government actors to put their money where their collective mouths are. If a company or an agency promises that something will not happen, or cannot happen, they should stand behind that promise with a contingent offer of compensation.

The fourth point is also quite succinct: *Accept responsibility, admit mistakes, and share power.* Consider the story of the hospital once again. The hospital's initial proposal for a new structure called for a very large facility, with an estimated price tag of $120 million for 120 beds. After a state regulatory agency urged the hospital to initiate a public advisory process and

reconsider its proposal, a revised $70-million, 90-bed facility emerged. More importantly, the new, smaller structure more closely reflected the rapidly changing and competitive health-care market, which assumed shorter stays, more emphasis on ambulatory care, and increased reliance on a network of home-based and community-based services. The initial proposal would probably have been a financial failure. The community felt that it had saved the hospital $50 million in capital costs, not to mention continuous operating losses, through its opposition to the original proposal. But when the hospital leadership had the chance to thank the community for helping to come up with something smaller and more attuned to both local circumstances and the broader health-care market, they couldn't bring themselves to do it. They were smarting from the state's rejection of their initial proposal. Moreover, they resented being forced to sit side by side with their critics and "being told what to do by nonexperts" (even though that's not what happened). The goodwill the hospital could have bought by graciously admitting that their initial proposal was not nearly as good as the one that emerged from the public advisory process, was enormous. The positive effect that a simple "Thanks" would have had on hospital-community relations evaded the grasp of the public-relations professionals hired by the hospital. The hospital administrators found sharing power, even though they retained the final authority to decide, totally distasteful.

The fifth point is closely related to the previous point: *Act in a trustworthy fashion.* The concept of trust is elusive. What is it? How can it be created? Does it differ from situation to situation, or culture to culture? While the debate surrounding the concept of trust continues, we think the mechanics of trust-building are relatively straightforward. Trust, or the lack of it, relates primarily to expectations. Thus, to inspire trust one must shape expectations; or, to put it as simply as possible, we must "say what we mean and mean what we say" if we want to hold on to the trust we have or build more. If we camouflage our intentions, sugarcoat the truth, or spin the story to make it "sound better," we are not saying what we mean. This is not to say that subtlety and sophistication in communication are not important. Rather, the authors put the highest priority on the age-old maxim: "Honesty is the best policy." It is also crucial to mean what we say; that is, we should never make promises we do not intend to keep. Nor should we ask for commitments we know that others will be unable to honor. Not only are reputations ruined by exaggerations and misstatements that must be retracted or contradicted later on, but trust, once lost, is almost impossible to regain.

Despite the difficulties that many American managers have in accepting these five ideas, the last is harder still: *Focus on building long-term relationships.* With the emphasis on quarterly reports, annual shareholder meetings, short-term stock market fluctuations, shifts in monthly cost-of-living and balance-of-trade reports, and the latest opinion polls, top managers in both the public and private sector seem utterly unable to look beyond their immediate situations. Indeed, there are tremendous incentives, especially in an increasingly decentralized, international, and competitive marketplace, to ignore long-term relationships. But, as companies like Saturn (the automaker) are finding out, tending to the long-term needs of customers actually pays off. While the costs of not paying attention to long-term relationships may not, in the short term, be obvious, over time disgruntled customers, frustrated constituents, and an angry public can and will buy elsewhere. Consumers sent such a message to Detroit automakers in the 1970s, as did the voters in the 1992 presidential election. If you care about your reputation, if you care about your credibility, if you want to affect the bottom line two years from now, focus on building long-term relationships.

There they are: the six principles of the mutual-gains approach. Now that we have pointed out just how hard they might be to implement, we have to make a convincing case that they can be put into practice. The remaining portion of this chapter examines a composite case study, combining the details of a number of real life cases under the title of "The Old Plastics Factory." This case is meant to animate the six principles and to contrast the differences, not just in theoretical terms but in practice, between the conventional wisdom and the mutual-gains approach. This case has been used to teach the mutual-gains approach to over fifteen hundred high-level public- and private-sector managers and executives over the past several years.

Practitioners sometimes choose to adopt bits and pieces of this approach, but the authors advocate using the total mutual-gains approach as a comprehensive strategy for dealing with an angry public. Each of its six points is related to and informs the others. Together, they comprise a principled approach. Abiding by some but not all of the principles may undermine their overall effectiveness. Discounting one principle or another will likely lead to actions that contradict one another and exacerbate, rather than adequately address, the public's anger. In short, this approach is best understood as more than the sum of its parts. Of course, blindly marching ahead with a short set of instructions, without taking account of the uniqueness of each situation,

the preliminary studies had found a very small risk of any danger at the site. "We've got to deal with public opinion," he pointed out.

While others in the region had, indeed, applied for waivers in the past, only a quarter of them had been granted by the state. Furthermore, requests for waivers in some communities had led to charges that the applicants were trying to shirk responsibility for cleaning up the sites properly. Several applicants had taken a beating in the local press.

The Mutual-Gains Approach. A sophisticated public-relations vice president at Halcyon's home office was assigned to assist. He recommended holding off on the waiver request. Indeed, he urged that Marvin and Halcyon establish and consult with a community advisory board comprised of local officials, elected state representatives, abutters, and concerned citizen groups. The two companies would also be represented. He urged them not to leave out anyone who might be interested in the process, pointing out that if they did, these groups might cause trouble later on. Since anyone serving on the group would probably see an invitation from Marvin or Halcyon as an attempt at cooptation, Halcyon's vice president suggested that they find a well-respected resident to serve as chair of the advisory board and hire a professional facilitator to help assemble the group and assist them in formulating ground rules and an agenda. This would ensure the neutrality of the process.

The vice president went on to suggest that the advisory board should meet with state officials in order to learn about both the waiver process and the regulatory process that would apply if no waiver were granted. He urged Halcyon and Marvin to provide funds to underwrite the work of the advisory board. Indeed, he suggested that they turn over about $50,000 for the board to hire its own expert to prepare an assessment of the potential risks and to cover the costs of facilitation. To ensure the absolute neutrality of the process, he suggested that the advisory committee and the companies have an equal say in deciding which technical experts to use. Furthermore, he urged that the funds be held in a separate account administered by a five-person executive committee of the advisory board once the money had been contributed by the companies.

The vice president urged Halcyon and Marvin to suggest to the advisory board that the waiver would save time and money, and that this would mean that additional money would be available to pay for cleanup, and that the cleanup could start sooner. He stressed that both the companies and the community had a mutual interest in getting the site cleaned up as quickly as possible. Finally, he recommended that the decision about whether or not to apply for the waiver should be put to the advisory board, not for a vote, but for a decision by consensus. As members, Halcyon's and Marvin's representatives should try to make their case directly to all the stakeholders.

At first, the Halcyon manager on site and Mr. Marvin were incredulous. "How can we let other people make decisions for us? It's our project and our necks, we should make the decisions. Besides, this will just delay things even more," they argued.

The vice president pointed out that while they were indeed in charge, the contaminated site and the new project affected not only company profits, but also the long-term well-being of residents in the surrounding community as well. Thus, local representatives should have a say in any decision to apply for the waiver. He also pointed out that the local papers had not taken an editorial position, but if local interests were excluded from decision making, that might be the issue that could turn the local media against them. Most of the members of the local city council had not yet jumped into the debate, the vice president pointed out. Nor had they tried to use their connections to the governor. He argued, "Why line all these groups up against Halcyon and Marvin by preempting local involvement in an important decision like applying for a waiver?"

Marvin did not agree. "You'll just be stirring up trouble. You'll be unleashing a monster!" The vice president agreed that the process made him a bit uneasy, too, but he had seen it work elsewhere. Besides, the so-called monster might be unleashed anyway, once the community got wind of the waiver proposal. Even though it was adopted by the legislature to lighten the "heavy hand" of government, it was sure to be reinterpreted in this case as a device for allowing companies to shirk their duty. Furthermore, because they were not consulted, residents and local officials might well accuse the companies of operating behind their backs.

Marvin, warming to the idea, said: "O.K., you've made some good points. But what about the money? How can we just hand over the cash?"

Because the vice president had thought a lot about these questions, he calmly replied, "If we control the purse strings, the process will be viewed as tainted. 'If they control the money, they control the committee,' will be the way most people in the community see it. You have to give up a little control now to ensure that your interests are met later." Grudgingly, Marvin and the local Halcyon representative agreed.

A 25-member advisory board was created. A retired businessman who had run for local office many years before agreed to serve as chair of the board. The group interviewed several firms that provided facilitation services before finding one it liked. Despite the many concerns raised by the advisory board, after two months of productive discussion, the group encouraged Halcyon and Marvin Associates to move forward with the waiver request. The turning point came when the companies agreed to consult the advisory board at each step in the waiver process. In the meantime, the state environmental and public health agencies required the companies to investigate potential remediation technologies and strategies. The results of these investigations were required as part of the waiver request. After the advisory board helped select a new consulting firm (the group felt that while the initial consultant was competent, they did not want to leave the larger community with the impression that they were merely a rubber stamp for a process already underway), the consultants got to work.

The Traditional Response

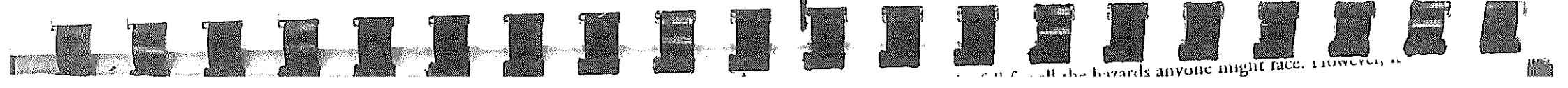
While Marvin Associates had gone along with the idea of creating a community advisory board and retaining the services of a neutral facilitator, Marvin grew increasingly fearful of the costs of remediation. A knowledgeable engineer from Marvin Associates told them that the consultant would probably recommend two potential remediation strategies: mobile incineration or transferring the waste material to an off-site facility. Mobile incineration involved either constructing on site, or hauling in, a small incinerator to burn the contaminated soil. Off-site remediation entailed digging up, loading, and transporting the contaminated soil to an existing large-scale incinerator or landfill. After hearing more of the details, Marvin was sure he preferred mobile incineration. It would be far cheaper than transporting the material off site. Furthermore, the companies had no guarantee that they would find an off-site incinerator able to handle their contaminated material. The backlog for incinerating such materials tended to be years, not months. Furthermore, by disposing of the material in a licensed landfill, the companies' exposure to future liability would, most likely, be increased. There would be no absolute guarantees that contaminants might not leach out of or migrate from the landfill site in the future.

Although the consultants selected in conjunction with the advisory group had not yet produced a report, Marvin suggested that the companies prepare a technical memorandum addressed to the state government, clarifying the use of mobile incineration. Marvin argued that once the options were laid before the community, both companies should advocate for the most cost-effective means of remediation. "Democracy is all well and good," Marvin said, "but Marvin Associates and Halcyon both have real costs to minimize, employees to pay, and profits to earn for their respective shareholders. The community is free to indulge in unrealistic and inefficient practices because they won't end up having to pay the bills." To ensure the success of his strategy, he also suggested that Halcyon and Marvin locate several experts to testify in favor of mobile incineration at the hearings the state would ultimately hold before approving the waiver request and the cleanup plan. Marvin had a friend whose wife's uncle was a professor of environmental engineering at a nearby university. Marvin was sure he would be willing to testify in favor of mobile incineration.

Marvin said that his friend also told him that the professor had mentioned a sophisticated technique called *comparative risk assessment.* This technique would indicate that even if there were an elevated health risk associated with mobile incineration as compared to off-site incineration, the increased risk would be negligible compared to that of driving a car at night or sitting in a smoke-filled restaurant. Finally, Marvin again offered the use of his press agent to get a story out highlighting the multiple benefits of mobile incineration. The local Halcyon manager was beginning to feel like a ping-pong ball being batted back and forth between Marvin and the vice president at headquarters.

The Mutual-Gains Approach

Though he agreed with Marvin's estimate of the benefits of mobile incineration, the vice president had raised doubts in the local manager's mind about Marvin's strategy for convincing the public. He suspected that Marvin's focus on the bottom line was short-sighted, and that he had not considered the community's likely reaction to this conventional "decide-announce-defend" approach. Once one side began hauling out advocates, the others would do the same. Halcyon and Marvin Associates would only inflame their critics and inspire them to locate "extremists" to push their positions. Ultimately, this would lead to a battle of computer printouts and to massive confusion and skepticism in the public's mind.



The vice president outlined the mutual-gains alternative. Rather than commissioning a technical report with a predetermined outcome, he suggested that the advisory committee jointly request that their consultant prepare a report estimating the costs and benefits associated with each cleanup option. As part of this strategy, the advisory board would explore fully the methods and techniques that would be used to determine these costs and benefits, and even have input into the final methodological assumptions. If the advisory board were to serve as a witness that the companies were proceeding in good faith, they would need to understand the sensitivity of the study findings as they applied to each assumption and to the choice of techniques.

"What?" Marvin cried. "You're going to let the cat out of the bag before we've got a good look at the information and can shape it to our needs? We can't do that. That information is proprietary."

The vice president tried once again to explain to Marvin that, yes, this was a different way of accomplishing his goals. The less the community understood about the way the study was to be conducted, the less likely they would be to believe in its objectivity, fairness, and accuracy. If the intent was to convince the skeptics that the health and environmental risks are small, then handing them a final, completed report—no matter who had prepared it—would not work. "If we hand over a finished report, no matter how objective it is, they'll assume it's biased in our favor. It won't change anyone's mind," the vice president pointed out. Marvin wavered.

The vice president also suggested that the advisory board should aim to reach a consensus on the choice of a remediation strategy given the information available as well as the various interests at stake in the community. Finally, because, as Marvin had suggested, the mobile incineration option was in their best interest but might pose greater risks for nearby residents than off-site incineration, the vice president recommended that the companies offer to compensate any unintended, but knowable, side effects of mobile incineration.

"Mitigate and compensate all unintended effects!" Marvin exclaimed when the Halcyon site manager presented these ideas. "Are you out of your mind? How can we take the blame for something that hasn't even happened, and probably couldn't be proven in court anyway?" Marvin, of course, was partly right. The companies could not be expected to take the blame for every illness or problem that might plague the surrounding communities. With air pollution, second-hand smoke, asbestos, leaking underground storage tanks, oozing PCB transformers, lead in tap water, and other contaminated industrial sites in the area, it would be crazy for Halcyon and Marvin to take the fall for all the hazards anyone might face. However, it would be in everybody's best interest, including the companies, to do everything possible to mitigate potential risks and to enumerate the adverse impacts that might (but probably wouldn't) occur, and to spell out the contingent compensation they would promise to provide for each specific harm—should it occur and should it be clearly attributable to their site or their project.

While mobile incineration might be far less costly, the vice president suggested that the companies ought to be willing to take all reasonable precautions when using mobile incineration to decrease the chances of any damage. For example, a higher stack on the incinerator, while more expensive, would allow for better (and safer) dispersion of emissions. Furthermore, if at some time in the future sufficient evidence accumulated to suggest that mobile incineration caused harmful effects, the companies should promise, up front and jointly, to compensate the victims. In principle, the vice president argued, people ought to offer compensation for any harm they (wittingly) caused. The community would not agree to something unless they felt it would leave them better off. Thus, only an offer to compensate potential harm in the future would extend the prospect of support for the use of mobile incineration. Besides, the Halcyon representative suggested to Marvin, if the risks were less than sitting in a smoke-filled restaurant, as the consultant has contended, they should have little to worry about.

After a week to consider his proposition, Marvin once again agreed. "Either the mutual-gains approach is the best thing since sliced bread," Marvin told the folks from Halcyon, "or you're leading me down the path to hell with good intentions."

The vice president replied, "I'm only doing the logical thing."

The Public Presentation

To Marvin's relief and the vice president's quiet delight, the state agreed to grant the companies a waiver, releasing them from the cumbersome process of filing endless forms over a period of two or three additional years. At the same time the state would no longer tell them how to proceed; Halcyon and Marvin Associates would have to figure out on their own how to interact with the community. Granted, the state would not be there to slow things down. On the other hand, neither would the state be there to take the heat if mistakes were made. However, the state would still maintain an

over that role and would be able to force the companies to do the job over if regulatory standards were not met in the end.

Everyone involved knew that the time had come to meet with the community at large. The advisory board had met for months. While meeting summaries had been made available to the public, and some of the meetings had even been broadcast on the local cable access channel, that was not tantamount to presenting the draft risk assessment, proposed remediation strategy, and site management plans for public review and comment. Even the adjacent communities wanted a chance to be heard. The advisory board, while leaning toward mobile incineration, decided not to make a final recommendation until they heard everyone's reactions. The town manager of the largest community adjacent to the site had already booked the largest available auditorium at a local community college.

The Traditional Response

Marvin, who was on vacation, turned the responsibility for the meeting over to his public-relations firm. They prepared a highly polished presentation. Indeed, they were ready with color overheads, a graphic package—including four-color pamphlets to hand out to everyone, and an action plan in gold-embossed binders. They were all set to hire Meeting Management, Inc. to handle the audiovisual pitch. "Don't worry," the public relations people told the companies, "We'll keep the engineers from boring the residents with needless details and incomprehensible jargon. We have lots of photographs and jazzy graphs showing the comparative risks that people in the community already accept." The front page of the brochure (which the advisory board had not seen) read, "After exhaustively carrying out state-of-the-art studies and compiling all the available scientific evidence, Marvin Associates and Halcyon—in conjunction with their community advisory board—are firmly convinced that mobile incineration is the safest, most effective, and most practical technology for removing the contaminants from the Springdale Mall site."

The Mutual-Gains Approach

When the chair of the advisory committee saw a copy of the brochure a week before the scheduled community forum, he was furious. "The community will never buy your glossy presentation," he fumed. "Furthermore, we haven't reached a consensus yet on the choice of a cleanup technology." He called for an emergency meeting of the advisory board to discuss and jointly design the best possible public presentation. He also insisted that the professional facilitator hired to assist the advisory committee be the one to facilitate the community forum. From the standpoint of both the chair and the facilitator, the last thing they needed was a stage-managed and tightly controlled presentation. Those with strong opinions contrary to the companies' needed not only a chance to speak, but also to feel that their comments could have an impact on the decisions that had to be made.

The vice president argued that the companies should promise residents that Halcyon and Marvin Associations would work with the advisory board (adding still other members if necessary) to reach a consensus on how best to meet all state and federal requirements.

Not surprisingly, Marvin was very worried about this approach. "I'm honor bound to advocate for Marvin Associates' interests, not to work toward some lowest common denominator agreement that pleases everyone," he explained.

The public-relations firm chimed in, "We cannot serve two, or three, or fifty masters at once." If the choice were between advocacy and consensus building, they knew where they stood.

However, the Halcyon vice president didn't see the choice as starkly as the public-relations firm. It was fine, the vice president pointed out, for the public-relations firm to advocate for Marvin Associates, but that didn't answer the question of how best to win support for a cleanup strategy. Since the medium is the message, as Marshall McLuhan said decades ago, a "slick" campaign might convey the message that the company was trying to put one over on the public. This, in turn, would suggest to some that the company had something to hide. Why not let representatives of the various stakeholding publics help shape the medium as well as the message? Furthermore, many of the residents were likely to see themselves as customers of the mall and would be interested in doing what they could to help the project succeed. If the mall were shoved down people's throats it would be harder to establish a positive image that attracts customers. The public-relations firm preferred a more controlled presentation, but they were willing to give the mutual-gains alternative a try.

A Disaster Threatens

Two months later, after a successful public meeting, a woman in the audience asked to speak at a routine advisory committee meeting. She had not

be resent before. "I have here," she said, standing up and shaking her fist, "a list of families in this area whose children have suffered various childhood cancers." She turns first to the audience to say, "I don't know about you, but I think there's a link between these poor, sick children and those rusting barrels they found several months ago." She then turned to the representatives of Halcyon and Marvin and said, "And you're to blame. These deaths are on your shoulders!"

Sure enough, in the next day's paper, a front-page picture of the woman appeared. She was waving the list. The headline, "Another Love Canal?" ran in large type over the picture. No one was very happy that the press had shown little or no interest up until then in the work of the advisory committee. The members of the advisory committee were irritated that the paper barely mentioned that several advisory-board members had called upon the woman who spoke to produce concrete evidence to back up her charges. The Halcyon site manager was reading the article when the phone rang. "We just got creamed in the paper. Did you see that picture?" Marvin said. "This means war."

The Traditional Response

"I've hired a specialist to deal with this disaster," Marvin said. He outlined the strategy the crisis management specialist had suggested. "First, we've got to get an expert in to dampen this hysteria, someone who can testify that the causal link between childhood cancers, such as leukemia, and the particular solvents at the site is hardly understood at all. He has a list of scientists from across the country we can release to the press who will challenge the scientific merits of her claims. Furthermore, we have someone in-house who can have charts and diagrams ready by tomorrow that will show that there is absolutely no way that anyone living more than a hundred yards from the site could have been affected in any way."

Marvin went on, "My attorney told me this morning that we should immediately deny any and all liability beyond the cost of cleaning up the contaminants. After all, that is something both companies have already agreed to do. For God's sake, we've only owned the site for a couple of years. We don't have responsibility for what the earlier owner might or might not have done." Marvin's attorney had advised him to do everything possible to protect the company against future lawsuits. "No more talk of compensation," Marvin exclaimed. "That implies we might have done something wrong. We're looking at a legal nightmare here."

Finally, Marvin said in a somewhat conspiratorial to 'We've got to raise doubts about that woman's credibility."

"What do you mean?" the Halcyon manager asked.

"Well, she's the one doing the rabble-rousing," Marvin says. "I found out from someone I know that she's just angling for political office. She was a political science major at the state university. She's been involved with all kinds of radical environmental groups like Greenpeace." The Halcyon site manager and Marvin had no trouble convincing themselves that they ought to denounce such radical and irresponsible accusations. They tried to think of ways of convincing "reasonable" people in the community that she did not know what she was talking about.

Marvin said, "We've got find some *reasonable* people to put our arms around. If the upstanding citizens in the area say they believe in us and intend to shop at our mall, and that they think this woman is crazy, maybe other will trust us, too."

The Mutual-Gains Approach

The company representatives, as well as the members of the advisory committee, were worried about the fallout from the accusations and the political headlines. If there really were an elevated cancer rate and it had something to do with the old plastics plant, Halcyon and Marvin could well have liability of some sort (although causal links for legal purposes are very hard to establish). And, if children in the community were at risk, someone ought to do something immediately. No one knew what the agenda of the woman leveling the charges really was, but her accusations certainly cast a cloud over the community advisory process. Moreover, the advisory-committee members were frustrated to find that all their hard work, serious thinking, and good intentions had done nothing to prepare them for this.

For a moment, even the Halcyon vice president thought Marvin might be right. After all, they wouldn't be doing anything different from what almost everybody expected them to do anyway. Maybe Marvin had been right all along.

The events of the advisory-board meeting and the preceding months told a different story, however. Both companies had generated a lot of goodwill among advisory-board members. The company representatives had earned the respect of the members of the advisory board and had spoken freely with them. The cleanup effort had received little, if any, negative press—even the

sion to seek a waiver. No one had challenged the technical informatio presented at the community forum. The board matter-of-factly endorsed mobile incineration by consensus. Until the woman's charges were made, the community had accepted the advisory-board process as a legitimate way of ensuring that public concerns were met. Even at the advisory-board meeting, rather than discounting the woman's charges outright or pointing out that Halcyon had not operated the plastics plant in the first place, everyone acknowledged the seriousness of her concerns. They agreed to devote the next meeting of the advisory committee to the issue, although both companies insisted that a public-health expert from Halcyon's staff be given a chance to speak. It was the member of the advisory committee who had pressed the companies the hardest over the preceding months who asked the woman to explain her charges and provide documentation. That was real progress.

The Halcyon vice president pointed out that Marvin's proposal to discredit the woman might very well backfire, destroying Marvin Associates and Halcyon's credibility instead. If the woman had a valid point, all the spin control in the world would not erase the facts. If she had none, it would be better to let the advisory committee take the lead in questioning her claims.

If the companies reverted to a traditional approach and adopted a "bunker mentality," the members of the advisory committee would surely doubt that they had ever been completely honest. Given that the companies had already suggested that they would take compensation seriously in the event adequate evidence arose concerning anticipatable harm, the community would accuse the companies of going back on their word.

After a lot of back and forth, the companies proposed several next steps to the advisory board.

- Sponsor a day-long panel open to the public, organized by the companies and the community advisory board, to explore the recent charges. The advisory board's facilitator would manage the meeting. A respected nearby university would be asked to help identify a panel of technical experts to provide comments on the charges once they were presented in writing.
- Commit to short-term measures to make the site totally secure, given the increased level of community concern. Measures might include erecting a cyclone fence around the site to keep children out or interim linings or concrete fill to prevent any possible leakage from the barrels. Once again, the companies volunteered to work with the advi board, as well as state regulators, on each of these decisions.
- Agree to joint monitoring of the site in response to community concerns. The technical consultants had indicated all along that when the site was excavated, monitors would have to be placed around the barrels and contaminated soil to measure any further discharge of solvents. There was no reason why this could not take place immediately.
- Work with the state public-health agency to verify the incidence of childhood cancers in the surrounding communities in a professional, thorough, and objective manner *after* committing to interim protective measures. Once again, the advisory committee would help select the study team. A respected neutral party, agreed upon by those affected or potentially affected, would be needed to manage the inquiry.

The Halcyon vice president urged Marvin to stay with the mutual-gains approach. If they found at a later time that the strategy was not working, he argued, they could always revert to the approach recommended by the PR firm.

"Nothing in the law calls for us to do any of this," Marvin said to him. "You keep encouraging me to give away the store, and, I suspect you are increasing our exposure. You know what my PR man told me?" Marvin continued. "He said he's an advocate. He's paid to represent my views. To do less would be to emasculate his role as a PR professional. I feel you and your PR staff are advocates for the other side!"

The vice president tried to get Marvin to see things from the other side's perspective. "As long as the residents feel unsafe," he pointed out, "they will continue to be angry. Even worse, if they think their children are at risk of death, they will be especially enraged. The first step in reducing their anger is to reduce the threat behind it. To do nothing at this point would be perceived as ignoring their concerns. That will only strengthen their belief that the company is acting irresponsibly."

The vice president pointed out that he was only asking to put in place relatively inexpensive interim measures to secure the site. He was not suggesting huge outlays, but rather, modest spending that might help bring the project back on track. He pointed out that they were not (yet) bound by the formalities of legal proceedings and should do whatever they could to ensure the safety of citizens, to protect their customer base, and to preserve one of their most valued assets, their reputations.

T[illegible]dvisory board decided to stick with the mutual-gains strategy in dealing with the charges leveled by the one vocal citizen. As the health study got underway, a study the state estimated would take two to three years to complete, the advisory board suggested that Halcyon and Marvin Associates hold still another full community meeting. One of the most involved members of the advisory board, a local banker, pointed out, "People are scared. Who knows whether there is an increased risk of cancer? I suspect that as the study drags on, people will get frustrated and consider filing lawsuits. That's what I've heard, anyway. Don't disappear now."

Halcyon and Marvin Associates held the extra forum. This time, angry citizens engaged outside advocates to speak for them. Several young, fresh-scrubbed attorneys appeared at the back of the room. A local environmentalist mentioned that his group had engaged the help of a state-wide advocacy group known as Citizens United Against Toxics. Staff from a state senator's office as well as the congressional district office were present. At this meeting, several residents pressed for compensation to the municipality as well as nearby residents. Some citizens contended that housing prices were already starting to plunge. Others were worried about the dangers to themselves and their children and wanted to know who was going to do something to protect them. Some said the companies should compensate them for the emotional stress the whole situation had already created. "We want compensation for the risks we face," they demanded. "We don't want to wait for a study that will probably be flawed anyway. We want action now!"

After the tough meeting, Marvin and the Halcyon vice president sat down with their company attorneys. Both attorneys point out that the abutters would have an almost impossible time proving in court that Halcyon and Marvin Associates were responsible for anything but the cost of the cleanup. While the study that was just getting under way might indicate excess cancers in the community, the attorneys argued, because of the long history of industrial activity in the region it would be unlikely that anyone could scientifically point the finger at the leaking drums and contaminated soil at the specific mall site. The attorneys did point out, too, that the compensation mentioned by the disgruntled abutters might not total much more than the estimated legal costs of defending the companies were the case to drag on for several years in state and federal court.

"Well," Marvin's top aide told him, "the answer is clear. W[illegible]are only liable for the clean-up. The probability of losing in court fo[illegible].oven damages caused by the leaking barrels is less than five percent, and more likely, less than one percent. I say we state exactly what our attorneys told us. Our liability is negligible. If you don't believe it, take us to court. We'll go ahead with the cleanup, but that's it." To his surprise, Marvin remained quiet. "We can also," his aide said lowering his voice, "discreetly offer a few key individual homeowners abutting the site a reasonable fee for them to cool down. We can have them quietly sign a statement agreeing that payment of such funds in no way constitutes an admission of guilt on our part. In addition, they will have to agree not to seek further damages individually or as part of a larger suit. And, maybe, if everyone does what they're told, we can build the community a baseball field."

"Anything else?" Marvin asked.

"I guess," the aide said, "we should hire outside counsel to prepare a legal defense in the event that we are taken to court. We should probably expect those outside environmental agitators and hungry injury attorneys to stir up more trouble. It might be worth checking to see if we have the basis for a slander suit against the rabble-rousers. That would teach them a lesson."

The Mutual-Gains Approach

"Well," Marvin said, turning to the vice president, "What does Halcyon think?"

"I have a slightly different strategy in mind," he said. "Halcyon and Marvin Associates should

- "continue with the cleanup as planned. In addition, the companies should agree to subsidize the cost of long-term monitoring of health and environmental impacts after the cleanup is completed. The monitoring might best be administered locally through the nearby state college.
- "make a public offer to compensate all those individuals who can reasonably demonstrate that the contamination actually caused them harm. The companies would only cover real economic losses—the actual costs of harm.
- "work jointly with the advisory board to seek agreement on the standards and methods of proving actual harm.

- "encourage the advisory board to establish a joint arbitration panel to review disputed claims. This joint arbitration panel might be comprised of three arbitrators: one picked by the companies, one picked by the advisory board, and a third selected by the first two.
- "agree to set up a community trust fund administered through the advisory board or its executive committee. If these funds are not awarded by the joint arbitration panel within ten years, the moneys would be returned to the company. While the companies should strive to limit this fund to the estimated cost of avoided litigation, they would first consult with the advisory committee to see if a reasonable initial allocation could be determined."

The attorneys didn't like it at all. "With all due respect," Marvin's council said to the vice president, "I think this strategy is terribly dangerous. It's like we are blindly admitting fault. We will have every Tom, Dick, and Harry coming to us for money. The process will bankrupt us."

Marvin's aide supported this contention: "But we didn't do anything wrong. Why go to all that trouble? We didn't own the company that created this mess in the first place."

The vice president pointed out that the financial exposure was on a par with the estimated legal fees for taking the conflict to court. "If you are reasonably certain we can do better in court, saving money and time, then let's go ahead and encourage them to sue us," he said. He pointed out that litigation is sometimes the best alternative, especially when someone is not inclined to negotiate, but the companies in this case had not yet negotiated with the community to see what might be possible.

The vice president proposed that they negotiate directly with the advisory board regarding the procedures for proving harm. If the group failed to reach a satisfactory outcome, the companies could always go to court. If they could agree, though, the arbitration board could administer the agreement. There are successful private firms that make their living selling arbitration services to private clients. With enormously high legal fees billed by the hour and congested and clogged courts, businesses and government agencies have turned to such private dispute resolution providers to resolve their disputes. If they failed to reach agreement on the amount to put into the fund, he explained, we might be able to arrive at an initial amount to pu le, which could then be renegotiated after six months or a year.

"You're right," the vice president said to Marvin's attorneys and right-hand man. "We could do nothing. However, if we do not act, this does not mean our critics will fold up shop and go home. If people truly feel threatened or hurt, whether they are or not, they will continue to seek safety and redress. If some people believe they can benefit from the situation, fairly or not, they will continue to exploit any appearance of impropriety or denial on our part. If we attempted to quietly compensate individuals, the word would get out eventually. Rather than openly and fairly addressing the community's complaints, it would look as though we were secretly buying people off. Furthermore, we would create a rift in the community between those who accepted money and those who refused on grounds of principle. This would lead to even more community divisiveness and anger."

After further discussion, everyone turned to Marvin. "Well," they asked, "What do you think we should do?"

Marvin leaned forward, resting his elbows on his desk. "I've been hashing this out for almost a year now with Halcyon," he said. "We've disagreed. But, over time, I have come to believe that they have a point. Things have hardly gone perfectly. We still face some potential losses. Yet the first part of the mall is open and doing well. The advisory group, rather than being a loose cannon, has served us well. They might not always agree with us, but they respect us. I say we can always go to court. Let's stay with Halcyon's approach."

As they walked out of the meeting, the Halcyon vice president turned to Marvin privately and asked: "What really convinced you?"

"Well, to be honest, it's more personal than I'd like to admit," Marvin said. "I walked into a local restaurant and a long-time adversary, with whom I have butted heads often, said to me, 'You know, Marvin, I wasn't sure I ever liked you. But since this whole mess at the mall, the one thing I can say is that, no matter what, even if it's not in your favor, you call it like it is. No matter what, you're honest. That keeps me coming back.'"

Reading I 3

Case 3–2

ISSUES MANAGEMENT*

Medical Society of the State of New York

Physicians practicing in New York State were paying mounting malpractice insurance premiums due to unreasonably high malpractice awards. Availability of malpractice coverage was dwindling, making it difficult or impossible for doctors to protect themselves against financially disastrous litigation. And finally, an open-ended statute of limitations threatened financial ruin for physicians who could conceivably be sued long after they had retired.

The Medical Society of the State of New York proposed legislation that would discourage frivolous malpractice lawsuits, ensure that legitimate malpractice cases would be adjudicated quickly, provide courts with impartial professional advice on technical matters, and require binding arbitration in cases involving $25,000 or less. As part of the strategy, some "sacrifice" items were included in the package; that is, points were included that could easily be given up at some point so that the opposition could also claim a "victory."

The issues were repositioned in terms of how they could affect the general public, in the form of increased health care costs, the practice of

* Courtesy of Lloyd N. Newman, Executive Vice President, Manning, Selvage & Lee, and Adjunct Assistant Professor of Communications, New York University.

defensive medicine, the threat of a dwindling number of physicians and of bankrupt hospitals, high attorney fees, uninformed juries, and d layed court action. These issues were then subjected to concept testing to ensure their credibility.

TACTICS

On behalf of the society, Manning, Selvage & Lee initiated a wid ranging crash program to communicate with the public on all levels, a program conducted with the professional dignity that reflected the probity of the society and its members.

1. **Polling public opinion.** A survey of the public and of key leg lative committees in Albany served to identify factors of support and of oppos. ion to the society's malpractice package.

2. **Headquarters data bank.** A central clearinghouse for inform tion on all aspects of the malpractice issue was set up at the society's headquarters at Lake Success. A senior executive of Manning, Selvage & Lee was stationed there to work directly with the society's public affa staff. A telecopier link was established connecting Lake Success to county medical society offices, the society's legal representatives in Albany, and Manning, Selvage & Lee's New York office. There, a tel printer permitted instantaneous transmission of copy to every one New York state's 81 daily newspapers.

A key factor in the operation of the data bank was press monitoring, a daily check of all media—print and broadcast—to determine degree support or opposition to the malpractice issues at any given time.

3. **Weekly strategy sessions.** Senior executives of Manning, Selvage & Lee met weekly with society legislative and public affairs repr sentatives to assure that the program remained constantly on target.

4. **Speakers' bureau.** Key doctors throughout the state were enlisted to answer questions posed by local media. In addition, Manning, Selvage & Lee secured speaking engagements for the physicians wi civic, business, labor, ethnic, and religious community organizatio enabling the Society to bring its messages directly to audiences with a vested interest in the malpractice issue.

A speaker's kit was created, including suggested speeches, fact shee and visual material, and a white paper defining the society's position.

Selected physicians underwent Manning, Selvage & Lee's spokesper son training program, learning how to deal with hostile interviewer how to convey important information effectively, how to change li teners' attitudes.

Speaking engagements were publicized in advance, obtaining cove age that was transmitted to the legislative community.

5. **Creating/placing news.** Manning, Selvage & Lee established a

regularly scheduled production program of news releases, feature articles, policy statements, and background editorial materials. These were placed with New York state's 81 daily newspapers, 400 weekly newspapers, 317 radio stations, and 40 television stations. Special articles were also prepared and placed with legal and insurance publications and with healthcare institutions, municipal and industrial news letters.

Manning, Selvage & Lee affiliate offices in six key New York State cities were enlisted to place news of the media struggle in their cities.

6. Reaching the opinion-makers. Person-to-person meetings between editors of influential publications and individual society spokespersons were organized to establish rapport and assure a fair hearing.

7. Broadcasting the message. Society spokespersons were placed on interview programs broadcast by local AM-FM stations, local TV stations, and on national TV network programs (because of the influence they exert on local programming).

8. Direct mail. Brochures, booklets, and letters were created for use by physicians, hospital administrators, and allies, for transmittal to legislators, key committee members, members of the New York State Bar Association, business, labor, academic, and consumer groups.

9. Enlisting allies. A wide spectrum of organizations shared the objectives of the society. Such groups wield influence with state legislators. Unions, women's clubs, men's fraternal clubs, consumer groups, health-oriented organizations, and religious and ethnic groups were enlisted in support of the society's program.

10. Press conferences. As newsworthy developments occured, press conferences were organized in Albany, or simultaneously in major cities in New York State.

11. Advertising. Because of advertising's unique control over message, coverage and timing, three waves of ads were scheduled: the first, informing the public of the broad issues involved; the second, focusing on the legislation movement in Albany, and designed to secure demonstrable public support for the society's package; and the third, ensuring fast response to specific developments. Radio and special interest publications and daily newspapers were used.

Radio advertising was concentrated on two time slots: Monday mornings, when legislators would be likely to listen to their car radios as they drove to Albany for the week's sessions, and Friday afternoons, when they would be driving back to their home cities.

12. Lobbying. Manning, Selvage & Lee worked closely with the society's lobbying representatives to create a strong information flow to state agency and legislative leaders in the state capital, and in their home districts. In reality, the primary target audience consisted of only ten persons: the governor, his health advisor, the chairmen of the insurance committees; the chairmen of the health committees, and the leaders of the two parties in each legislative house.

RESULTS

The issues management program for the Medical Society of the State of New York was successful in three ways:

- It secured widespread public, media, and legislative understanding of the need to reform malpractice legislation.
- It led to the development of a procedure that kept 27,500 physician-members informed of the society's position on malpractice insurance legislation and up-to-the-minute changes in media and legislative developments.
- It achieved passage of a bill that contained 80 percent of the goals sought by the New York State physicians.

Effective Issue Management

WHAT IS AN ISSUE?

Any condition, usually in the public arena which, if it continues, could have a SIGNIFICANT impact on the function or future interests of the organisation.

THE FOCUS OF EFFECTIVE ISSUE MANAGEMENT

- Trends, events or developments which are likely to have a significant impact on the organisation
- Where the organisation can reasonably expect to exert some influence over the outcome
- Not the "issue of the week"

THE TIMING OF EFFECTIVE ISSUE MANAGEMENT

- By early identification of issues, organisation management can maximise opportunities and minimise negative potential.
- The earlier an issue is dealt with in a planned way the more successful the Issue Management process.

THE OBJECTIVE OF ISSUE MANAGEMENT

- The key objective is to **actively** participate in the development of the issue or the formation of policy
- The alternative is to always be in **reactive** mode, trying to change established policies and actions
- Make something happen **for** you, not **to** you

Effective Issue Management

WHAT MAKES EFFECTIVE ISSUE MANAGEMENT?

- Management are visibly involved and supportive
- Plans support the organisation's overall strategy
- Roles and Responsibilities are clearly defined
- Focus is on actions and outcomes- not minutes and meetings
- Business units are accountable and responsible for delivering outcomes

THE ISSUE MANAGEMENT PROCESS
STEP TWO:

AGREE ON THE OBJECTIVE:

What is the single over-arching objective?

Is it strategic?

Is it attainable/realistic?

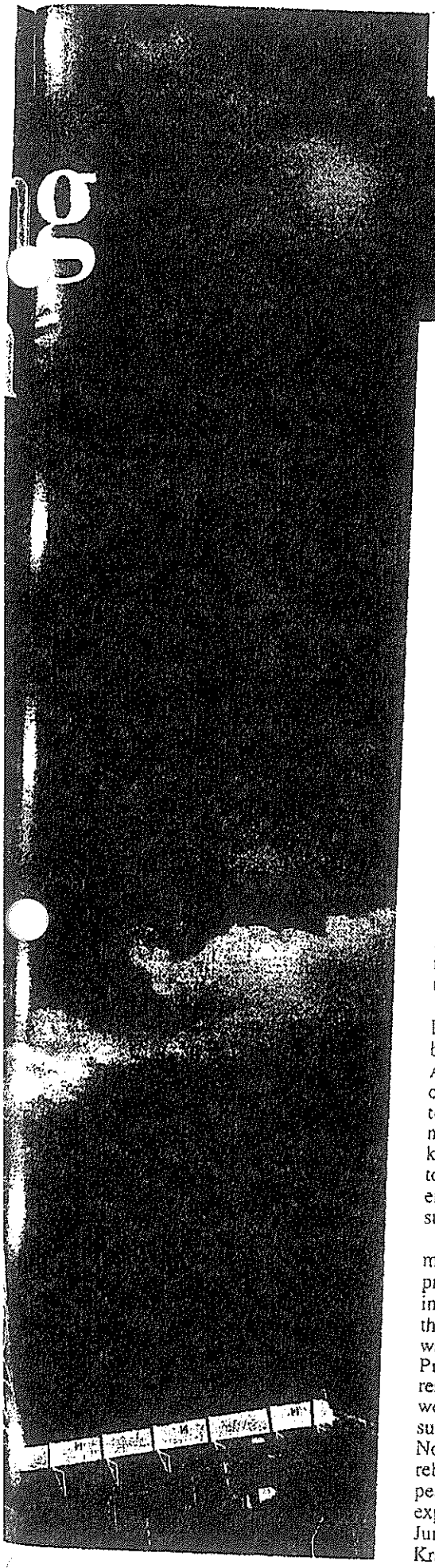
THE ISSUE MANAGEMENT PROCESS
STEP FOUR:

AGREE ON TACTICS:

What must be done to achieve each outcome?
Who will do it and when?
Will successfully completing the planned tactics deliver each intended outcome?

Peanut butter loses a kingdom

An outbreak of salmonella poisoning threw Kraft Foods into disaster control, changing the structure of the industry. **Neil Shoebridge** reports.



ON the evening of Thursday, June 2, Thomas Park, the managing director of the Australian subsidiary of Kraft Foods Inc, received a call from an official of the Victorian Department of Human Services. The department had found a potential link between peanut butter made by Kraft and salmonella poisoning, an infection that causes diarrhoea, nausea and vomiting. Three days later, Kraft Australia was engulfed in the worst crisis in its 70-year history.

On June 23, Kraft recalled eight brands of peanut butter. Another two, including the Kraft brand, were recalled on June 26. By June 30, all Kraft-made peanut butter had disappeared from stores throughout Australia, and the company was caught in a maelstrom of criticism and accusation. Peanut butter had been one of Kraft's fastest-growing categories but, in less than a fortnight, the company's share of the peanut butter market crashed from 67% to zero. More than 100 cases of salmonella poisoning were reported. The media and health authorities attacked Kraft for responding slowly to the crisis. More than 100,000 angry and confused consumers rang the company over a five-day period.

Kraft has not calculated the cost of the recall and lost sales, but retailers say it is about $15 million. The company has been forced to install new testing procedures in its Melbourne peanut butter factory, and will spend an estimated $3 million relaunching the Kraft peanut butter brand this year.

The law firm Slater & Gordon has launched a class action against Kraft on behalf of 540 people. The National Food Authority and the Australian Food Council are looking at new product-recall systems for food manufacturers. Last month, Coles Myer's Coles Supermarkets and K mart divisions added clauses to their trading terms that require suppliers to indemnify the retailers against consumer claims on faulty products.

Ten weeks after the crisis erupted, media interest has waned slightly. New product-checking systems have been put in place at Kraft and its peanut supplier, the Peanut Company of Australia, which was the source of the contamination. Production of Kraft peanut butter resumed on August 12, after an eight-week break, and stock will reappear in supermarkets during the next two weeks. Now Kraft faces the difficult task of rebuilding consumer confidence in the peanut butter category — which has experienced a 30% sales decline since June 23 — and consumer trust in the Kraft brand.

A crisis can hit a company at any time, from any direction. Kraft had product recall and crisis management plans in place, but Park says it was three principles — rather than the mechanical details contained in the plans — that helped Kraft manage the crisis and minimise the long-term damage to its sales and brand name. "The principles were simple: focus on consumer safety as the first priority; communicate openly with consumers, retailers and the media; and ensure that everything you do will build the company's credibility going forward. Without credibility, you can't rebuild after a crisis."

Park says one of the key lessons to emerge from the crisis is the importance of developing and adhering to simple principles. "Recall and crisis management plans are not enough; you also need some simple principles that everyone in the company understands and works to. You need to communicate openly, and you need to take as big a decision as you can. In our case, that meant recalling all products."

Kraft performed well in some areas. The recall was executed quickly and efficiently. Kraft recalled every peanut butter brand it made, short-circuiting any accusations that it was gambling with the safety of consumers by keeping some products in stores. It moved quickly to find the source of the contamination, and then made changes to prevent the problem happening again. Retailers that had given refunds to the consumers who returned jars of peanut butter were reimbursed within two days of lodging claims.

But Kraft's response to the crisis was not flawless. Initially, the company attributed the salmonella outbreak to its General Foods division, prompting claims that it was trying to avoid direct responsibility and distance the Kraft brand from the problem. In most corporate crises, the managing director is the company's public face, but Kraft put forward its company secretary, Julia Banks. Park did conduct media interviews after June 26, but public relations consultants say he should have stepped forward immediately. Park says Kraft's internal procedures dictated that Banks should handle the initial press conferences.

Park denies the accusation that Kraft acted slowly. "I take exception to that. We moved quickly, in terms of identifying the potential source of the problem and then working with our supplier. The first press conference was held within a couple of hours of taking the decision to recall products; it would have been held sooner, but we had to wait for the Victorian chief health officer to be available."

Park also rejects the suggestion that Kraft's brand name and reputation have been severely damaged by the peanut butter recall, and that consumers are unhappy with the way the recall was handled. Kraft has conducted four research studies since June 23; the most recent study, on August 18, found that 87% of people thought the recall had been handled responsibly, and 83% said they had received sufficient information about the crisis. Ninety-six per cent of people said they would buy peanut butter again; 3% said they would not, and 3% were not sure.

Kraft looks at consumer attitudes to its brand every year, and some of the questions from that study were included in the post-recall research. Park says 70% of the people surveyed on August 18 rated the quality of Kraft products (excluding peanut butter) as excellent or very good, up from 65% in mid-July. Ian Elliot, the managing director of the Sydney office of ad agency George Patterson Bates, says: "The damage to the Kraft brand would have been much greater if consumers did not hold it in such high regard. The strength of Kraft's name minimised the fallout from the peanut butter recall."

Kraft's problems started in May, when four cases of salmonella were reported to the Victorian Department of Human Services. Department officials interviewed the infected people and their families, and eventually traced the poisoning to peanut butter sandwiches. Jars of peanut butter with three different code dates were found in their homes. All the products were made by Kraft. On June 20, the department contacted the company.

On June 21, Kraft started testing for salmonella in products that carried the three code dates. The results were positive, and Kraft found that the common element in all the products was a batch of peanuts that had been roasted by Peanut Company of Australia on January 10. On June 23, eight brands of peanut butter with use-by dates before March 18 were recalled: the Kraft-owned brands Daffodil and PDF, and the retail house-brands Savings, Bi-Lo, IGA, No Frills, Home Brand and Farmland.

On June 24, Kraft executives flew to Peanut Company of Australia's Queensland factory to conduct tests with the Queensland Department of Health. They discovered that some of the peanuts roasted on January 10 might have been used in other Kraft-made brands. On June 26, Kraft recalled the Kraft brand — which represented 80% of the company's peanut butter sales — and the Eta brand. The company also recalled Kraft satay sauce and two peanut-based DiGits snacks. On June 29, Goodman Fielder's Uncle Tobys division recalled muesli bars that contained peanut butter bought from Kraft.

Kraft-branded peanut butter uses different peanuts and product specifications from the Daffodil, Eta, PDF and house-brand products, and some retailers say it should not have been included in the recall. Park disagrees. "If we had not recalled the Kraft brand, there would have always been lingering doubts about its safety," he says. "We had to recall Kraft to ensure our credibility after the crisis passed."

Tests by Kraft and health authorities in Victoria and Queensland traced the contamination to Peanut Company of Australia; specifically, to contaminated peanuts that were added to the batch Kraft bought after it was roasted on January 10. New product testing and handling procedures have been implemented at Peanut Company, which was cleared to resume production in early August. Kraft will continue to buy peanuts from Peanut Company, which is the largest peanut supplier in Australia. "No one else could supply the volume of peanuts we need," Park says.

Roasting is the most expensive stage in processing peanuts, which is why Kraft outsources it to Peanut Company. Kraft has introduced new testing procedures for raw materials and finished products at its peanut butter factory, but has not brought the roasting process in-house. Park says: "That is something we could look at down the track, but for now our focus is on working with Peanut Company." Park will not say if Kraft is considering legal action against Peanut Company.

The Kraft crisis has been a boon for Sanitarium Health Food Company and Green's General Foods, both of which roast their own peanuts. Sanitarium has been the main beneficiary: its peanut butter sales have soared 275% since June 23, and its share of the category has jumped from 14% to 75%. Sanitarium's peanut butter factory has been running at full capacity since late June.

After the Kraft products were recalled, Sanitarium ran some newspaper and radio ads to tell consumers that its peanut butter was not contaminated. In July, it launched a television commercial that promoted the fact it roasts its own peanuts. Eckhard Kemmerer, Sanitarium's marketing director, says: "Some people accused us of opportunism, but we thought it was important to tell consumers that our products were safe. Retailers were glad that we explained the recall did not cover all peanut butter brands." Research shows that only 10% of consumers think Sanitarium peanut butter was part of the crisis.

Kraft was lucky that Sanitarium's response was not more aggressive. Stephen Manallack, of the communication management firm Stratcom Consulting, says companies that are in a crisis are often attacked by their rivals. "A company in crisis is highly vulnerable, and its rivals will seize the opportunity to attack it, either directly or indirectly," he says. "It is not uncommon for a rival to spread misinformation that is designed to inflame the situation."

The opportunistic ads from Sanitarium were the last thing on Kraft's mind during the crisis. The product recall and crisis management plans were readied on June 21. Park, Banks and executives from Kraft's marketing, sales and production departments formed a crisis management team, and the public relations company Royce Communications, which has worked for Kraft since 1988, was brought in to help manage the crisis.

Manallack says one of the biggest problems in a corporate crisis is the effect on the day-to-day running of the company. "Corporate performance is an early victim, as the most important people in the company lose sight of the core business," he says. "By taking senior management away from the core business, the crisis feeds on itself. Senior executives spend all their time managing the crisis. They become exhausted and their ability to make decisions suffers."

Kraft's crisis-management team met twice a day during late June and early July. Royce wrote a series of questions and answers, which were updated constantly, to prepare Park and Banks for interviews. Press conferences were held at Royce's offices, and all media inquiries were directed to Royce. Peter Mahon, Royce's chief executive, says: "We assessed all requests for interviews, and ranked them in order of importance. Obviously, we couldn't talk to everyone."

Some journalists were critical of the way Kraft handled the media. Public relations consultants say the criticism was, in part, fuelled by Kraft's previous attitude to the media. Like many Australian subsidiaries of multinational companies, the company had avoided contact with journalists, unless it was promoting a product. Banks had no media experience; Park had rarely given interviews. One public relations consultant says: "Here was a company that had always avoided the media, asking journalists to believe every word it said. The lack of a relationship with the media made Kraft's job that much harder."

A toll-free telephone service was set up in Kraft's head office on June 24 to

handle calls from consumers. The service, which quickly grew from six lines to 50, operated 24 hours a day and was manned by Kraft employees, working in four-hour shifts. At the height of the crisis, Kraft received 5000 calls in one hour. The employees were given scripts, and were debriefed at the end of their shifts. Park says: "The hotline was an invaluable source of direct feedback from consumers. We were able to use that feedback to fine-tune our strategy."

Park denies the claims that Kraft tried to hoodwink consumers by using the General Foods name. "The brands we recalled on June 23 were sold through General Foods. We didn't try to hide Kraft's involvement." But public relations consultants say the initial focus on General Foods was a mistake. Paul Kerr, the managing director of International Public Relations, says: "The first recall should have come from Kraft, not General Foods. Kraft has a good reputation among consumers, and they should have used that reputation from the start."

Retailers say the recall was handled efficiently, and praise Kraft for its constant communication with them. Park says: "Retreating into your shell during a crisis is not an option. You have to stand up, tell people what is happening, absorb the lessons you learn along the way, and make every effort to communicate with everyone."

The recall was divided into two sections, with consumers returning jars of peanut butter to supermarkets (where the jars were destroyed) and retailers returning stock to Kraft. Tens of thousands of jars of peanut butter are now sitting in a quarantine warehouse in Melbourne. Park does not know how they will be destroyed. He says it will be done in conjunction with Victorian health authorities.

Kraft ran newspaper ads that consisted of a letter from Park to consumers on July 4, July 11 and August 14. A fourth newspaper ad will appear later this month, when Kraft peanut butter returns to stores (the Kraft factory is stockpiling supplies, to ensure all stores can be restocked at the same time). Park will also feature in some radio commercials, explaining why Kraft's products are now safe, and will conduct media interviews.

Stephen Manallack says Kraft should have acted sooner to reassure consumers that the problem had been fixed. "More than two months after the crisis started, there is still a lot of confusion among consumers. People are still not sure what the problem was, and precisely who was responsible. Ten weeks is a long time to leave consumers in a state of confusion."

Mainstream advertising for the Kraft peanut butter brand will reappear in late September, with Kraft returning to the 'Never oily, never dry' slogan it has used for several years. Retailers say Kraft needs to make a big noise to revive the peanut butter category and its brand. Park says: "We knew it would be impossible to make a big noise unless we had the credibility to talk to consumers. That focus on maintaining credibility has driven most of our decisions since June 23."

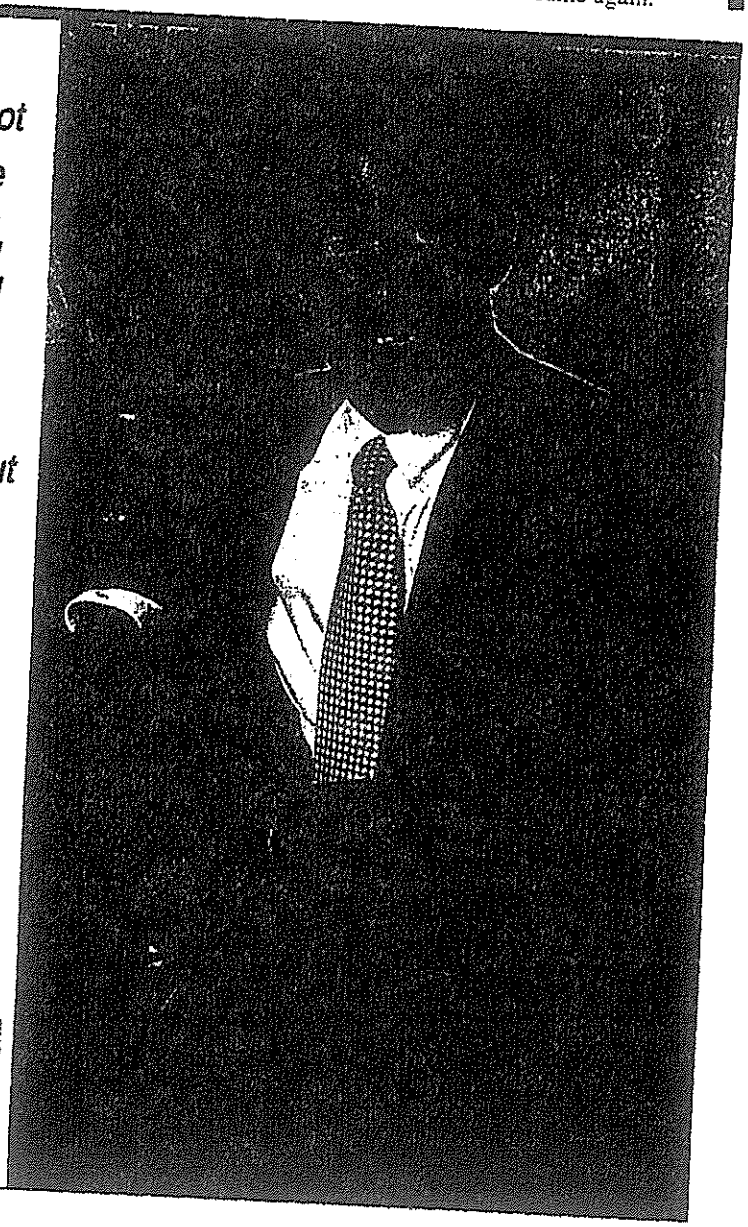
Before June 23, peanut butter was one of the star performers in Kraft's product range. The company's peanut butter sales had risen from 2500 tonnes in 1987 to 8000 tonnes last year, thanks to market growth, an increase in its market share at the expense of Sanitarium, and the acquisition of the Eta, Daffodil and PDF brands from Goodman Fielder in December 1992. Marketers believe Kraft can reverse the 30% decline in peanut butter sales over the past 10 weeks, and reclaim its market share.

Paul Kerr says: "Companies often bounce back from a crisis with renewed vigor and a strong determination to regain lost ground. Six months from now, Kraft will be stronger than ever in the peanut butter category." Park is less bullish, but he is confident that the peanut butter market can be revived. "Peanut butter is a terrific product, and we will make it a terrific category again. We don't know how long that will take, but we are determined to make it happen."

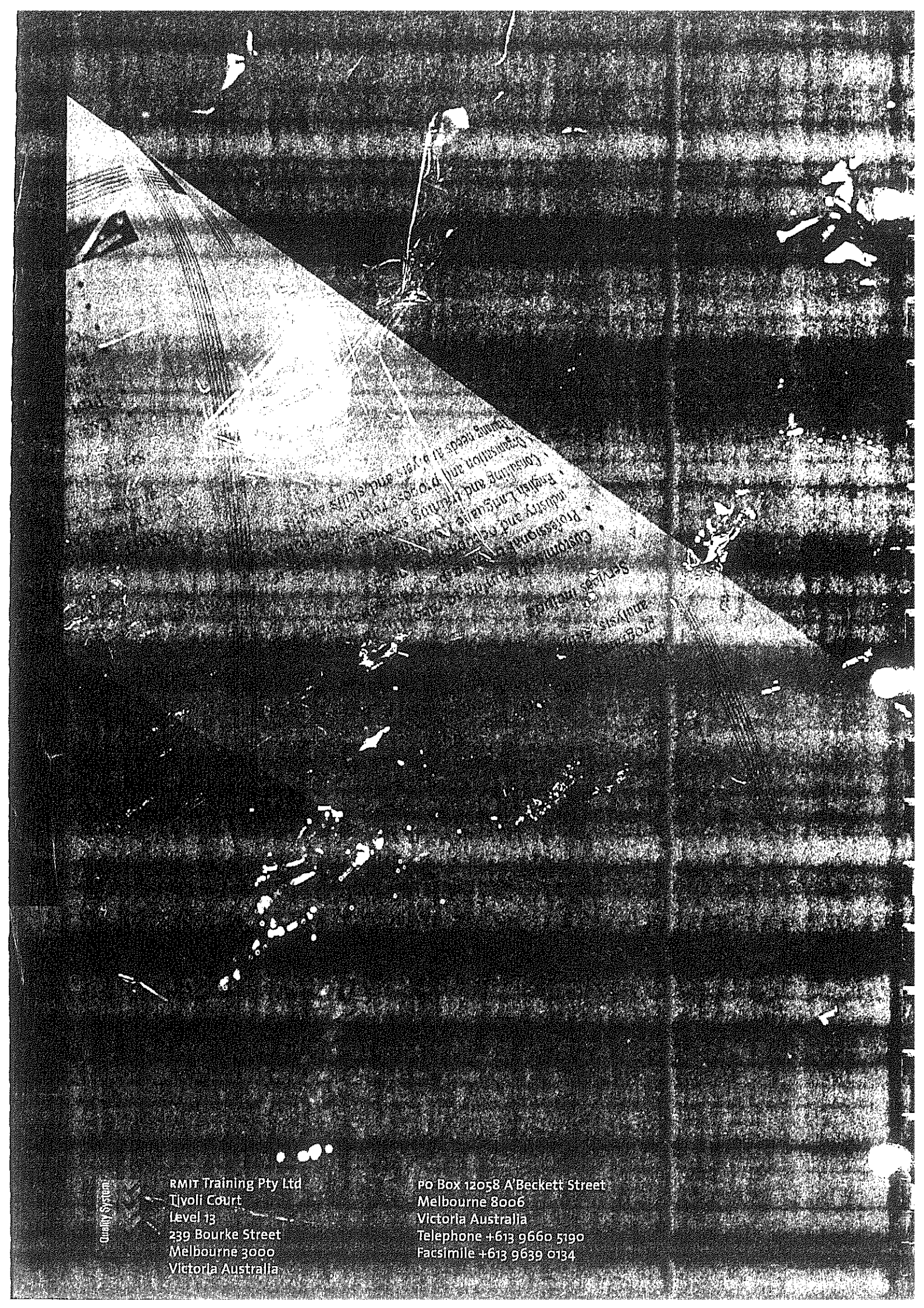
Sanitarium's Eckhard Kemmerer is not convinced that Kraft will be able to reclaim its title as king of the peanut butter business, or that the market will experience a speedy recovery. "A lot of people have tried our products since June 23, and some will be reluctant to trust Kraft again," he says. "I don't know how many people will return to the Kraft products, but I do know that the peanut butter market will never be the same again." ■

If we had not recalled the Kraft brand, there would have been lingering doubts about its safety

Thomas Park



SHARON JOHNSON



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