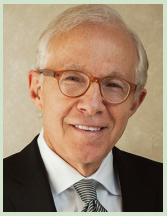
Client Advisory

By Andrew C. Spacone

A Practical Guide to Establishing an Effective Crisis Management Plan

Irrespective of the size of a company, whether for-profit or non-profit, being able to respond to crisis situations quickly and effectively is important. Indeed, the welfare of an organization's employees and protection of its business, including its reputation or brand may be paramount considerations in any crisis situation. Unfortunately, many companies are ill-prepared to respond to crisis situations, either because they refuse to believe that certain crisis situations will occur or they conclude that designing and maintaining an effective crisis management plan is prohibitively expensive, or both. In my experience, otherwise smart business people often are unwilling to think the unthinkable and thus see no need to plan for significant unusual events. Granted, obsessing over the unknown can be counter-productive and no business wants to spend money or time planning for something that will "never" happen. Ignoring the realistic potential for crisis situations, however, can lead to a serious lack of preparation, which can result in otherwise avoidable problems.

The fact is that crisis situations do occur. They can have a lead time; for example, a hurricane warning that anticipates the arrival of a storm. Or, they can occur suddenly without warning, such as an earth-



■ Andrew C. Spacone is of counsel in the Providence, Rhode Island, office of Adler Pollock & Sheehan P.C. Prior to joining the firm, Mr. Spacone was Deputy General Counsel and Assistant Secretary for Textron Inc., a Fortune 500 worldwide company with operations in the aerospace, aviation, defense, industrial products, and finance business segments. While at Textron, Mr. Spacone was part of a small team that developed Textron's crisis management program and was its first crisis manager, a position he held until his retirement from Textron in 2011. Mr. Spacone also served thirty years of combined active and reserve duty with the United States Army, retiring with the rank of Colonel. The author would like to acknowledge the advice and assistance provided by Daniel Donohue, principal of Donohue Group International Inc.

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quake, an accident involving the company's product that involves serious injury or property damage, or an unannounced major government investigation. And they take all shapes and sizes, including legal, natural disasters that affect employees or operations or both, products related incidents that involve serious injury or fatalities, a sudden government investigation, workplace violence, international travel incidents involving employees, unwanted media scrutiny, and the prospect of an epidemic or pandemic such as SARS or the Avian Flu. Moreover, crisis situations are not confined to large, multi-national companies. They can impact even small businesses that are generally less capable of coping with the situation and less able to suffer the adverse consequences. Finally, by their very nature, crisis situations require a prompt response or action or both to eliminate or, more likely, minimize the adverse consequences. Attempting to execute a response strategy "on the fly" is generally a recipe for disaster, especially if there is not even a basic crisis management plan or process in place.

The purpose of this article is not to alarm business people unduly, but rather to offer some common sense crisis management practices that are neither time nor employee intensive, nor expensive to adopt. Think of this article and checklist that accompanies it as presenting a relatively simple core plan with a menu of options that can be adopted to suit any company's needs. Many Fortune 500 companies have elaborate and well-developed crisis management programs that cover a broad spectrum of reasonably likely events worldwide. In other words, they have designed a crisis management plan to fit the crisis situations that they conclude have a reasonable likelihood of occurring. Most companies are not Fortune 500 companies and may not need elaborate crisis management plans. The plan may be as simple as identifying realistic risks, tailoring a plan that prevents these risks from occurring, and then addressing them effectively if they do occur. On a most basic level, at least recognizing that a crisis has occurred and identifying ahead of time a person or a firm outside the company who can step in quickly to help manage the crisis is infinitely better than having no plan. As previously suggested, the latter may be all that a company or business needs, depending on its risk profile.

Finally, many boards and senior managers have concluded that they have a fiduciary duty to ensure that at least reasonable crisis planning is in place to protect their employees and operations. Indeed, eliminating or minimizing significant harm to employees and the company's operations makes good business sense. I also would suggest that business leaders have an inherent obligation to take reasonable measures to protect their employees and businesses. Stating this another way, having a crisis plan makes good business sense and is the responsible thing to do.

It also is important to note that a crisis management plan is not entirely the same as a business continuity plan, although the two are closely related.

Defining a Crisis

There is no formula for determining what set of facts or circumstances constitutes a crisis. An Avian Flu outbreak, a sudden hazardous waste spill that affects the local drinking water supply, and a public scandal involving a senior manager are obvious crises. Destruction of a company's sole manufacturing facility is another. A level three or four hurricane with massive property damage, widespread flooding, and statewide downing of trees is yet another. A major lawsuit or government proceeding that accuses the company of fraudulent practices, or alleges that a major product is defective and has to be recalled, is a further, and not uncommon, example. Identifying a crisis is not always this easy, however. In many ways, defining a crisis is similar to Supreme Court Justice Potter Stewart's approach to defining obscenity. "I shall not today attempt further to define [it] and perhaps I could never succeed in intelligibly doing so. But I know it when I see it." In other words, if a significant or unusual situation arises that cannot be handled through normal procedures; odds are the company is facing a crisis. Being unwilling or unable to identify an occurrence as a crisis probably means it will be handled through normal operating procedures, and as a consequence, the chances are that it will be handled badly.

It also is important to note that a crisis management plan is not entirely the same as a business continuity plan, although the two are closely related. The later addresses what measures and actions are necessary to recover or sustain a business in a crisis situation. In a sense, it is more operations oriented and will generally be led by operations people. For example, if a company's main production line is rendered inoperable for a sustained period of time, the company needs a plan for how to keep production going as best it can. In the event of a pandemic that will cause a high rate of absences among the workforce, a process for working from home or other locations is another example of business continuity. The crisis management plan focuses more on the planning for an initial or short-term response to the high level risks of a crisis. This response may include a business continuity component, depending on the scope and duration of the crisis situation, or it may not. Dealing with an employee who has been kidnapped (rare, but it happens), an anthrax threat (happens more than you would think), or an event that generates massive negative media scrutiny, for example, generally does not trigger the business continuity plan.

Risk Assessment and Plan Basics

The first step to successful crisis planning is to conduct an assessment of likely crisis situations the company or organization faces. If the risks of crisis situations are minimal, a barebones plan may be all that is necessary. Once the reasonably possible risks have been identified, and even prioritized, the plan can be designed to address them.

For example, companies located close to bodies of water in areas that are susceptible to hurricanes would be wise to think about how to protect their facilities in the event of flooding and how to protect and communicate with their employees during a natural disaster, as well as their employees' capability to work from outside the facility in the event of major damage to the facility. In this case, crisis management planning includes prevention and response. Businesses that send their managers and other employees to high-risk countries such as Mexico and China should recognize that individual security and industrial espionage are real concerns that need to be addressed beforehand. This is prevention focused; but the plan also would include procedures for how to respond to any event that occurred.

In sum, no company can anticipate every crisis that might befall it, nor should it even try. However, if a viable crisis management plan is in place, by definition it will be flexible enough to respond to most unanticipated crises, if not prevent them in the first instance.

Overly complex, bureaucratic plans are often difficult to execute. The simpler the plan is, the better. There are at least five core elements to any crisis management plan or process: 1) someone to organize and coordinate management of the crisis—a crisis manager, although it need not be a formal title in all cases; 2) a cross-disciplinary team to assist the crisis manager; 3) a directory of key internal and external personnel and employees who can be quickly reached when necessary; 4) a sound communication strategy; and 5) the ability to communicate quickly with all interested parties [stakeholders] during the crisis. These elements will be discussed further later in this article.

Crisis Management Plan-Underlying Principles or Objectives

Once the company has completed its risk assessment and concludes that it is susceptible to certain crisis situations, designing the plan or process requires a framework to guide the planning and execution. Again, the simpler the principles are, the better. While each company charts its own course in this regard, most good crisis management plans share one objective that consists of two core principles: 1) reasonable planning for and a prompt and effective response to any unusual or significant situation 2) that puts employees or operations (including business itself or facilities) at risk of serious harm or damage. While implicit, this structure can be expanded by adding a preventive component. This structure is flexible and may encompass any type of crisis.

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Before going further, it is important to touch upon the subject of "purely" legal crises because there are some differences that impact how such crises should be handled. Issues of attorney-client privilege, preservation of documents and evidence, communications management (to avoid harmful admissions), and the like are especially important to managing a "purely" legal crisis such as a major shareholder class action or government enforcement proceeding properly. Not every non-legal crisis will trigger all of these issues, although not unsurprisingly many can come into play given the reach of our civil justice system. This is precisely why the legal function is frequently part of the core crisis management team. At the same time, a legal crisis can have implications for the target company's brand or its businesses over and above any damages or penalties that might be at issue. Thus, the framework of handling a legal crisis is generally not that different from handling a non-legal crisis. Stated another way, the crisis management process is flexible enough to respond to both types of crises.

Returning to the basic principles, the first principles are self-explanatory. Being prepared for a crisis through planning, including having a competent and empowered crisis manager to coordinate the company's actions, will greatly facilitate a prompt and effective response towards managing the crisis.

Achieving the second set of principles can be infinitely more challenging, especially when protecting employees and the business itself come into conflict. Employers expect a great deal from their employees and occasionally their jobs put them at risk. It is only fair, therefore, to expect that employers will take reasonable efforts to protect their employees from harm and be able to extricate them effectively from such harm if it does occur. Also, protecting employees serves a business objective as well. The loss of a key executive or mass employee displacement occasioned by a natural disaster could easily have adverse consequences to the business itself. In sum, aside from any legal or other duty towards employees, having a viable crisis management plan can make good business sense. In my experience, employees greatly appreciate that their employer is taking added measures to protect them, and even their families.

Protecting the business, or more precisely mitigating the effects of a crisis on operations, is important for obvious reasons. For example, getting out in front of a major accident involving a company's product with an appropriate communication strategy as discussed herein and, in some cases, a plan to fix any defects can go a long way towards protecting the company's reputation in the marketplace, which may either translate to continued business or keeping the share price stable or both. As great a company as Toyota is, their initial response to the sudden acceleration situation caused more harm than good with customers and the U.S. government. Toyota was able to recover eventually, but only after changing its strategy for addressing the problems, real or perceived. Contrast Toyota with Boeing's response to the Dreamliner lithium battery problem and you see the importance of a sound, well thought out crisis management strategy. While Boeing is not entirely out of the woods, the well-constructed crisis management strategy they employed moderated adverse actions by the Federal

Aviation Administration, and its international counterparts, kept the commercial and passenger customer base for the most part "under control," and the stock price relatively stable.

Having the right spokesperson with a prompt, consistent, and meaningful message, and an immediate corrective action plan if necessary, can go a long way to restoring the public's confidence. Having no plan, no spokesperson, waiting too long to respond publically, or having a confused message, can easily lead to a loss of confidence, translating into fewer residents or diminished fundraising, directly resulting in reduced revenues.

As previously discussed, crisis management planning should have a prevention component as well. For example, educating employees on how to avoid or reduce the risks associated with international travel to high-risk countries such as Mexico or Russia is something that companies that do business outside the U.S. should consider. For those companies that do business with China, having a procedure in place to minimize the risk of industrial espionage is valuable. Providing employees and their families with practical advice on how to prepare for and deal with natural disasters also can be effective means of protecting employees and enhancing their ability to return to work. The list of procedures and protocols is potentially endless. Most important: they are not difficult to craft, nor are they expensive.

In sum, a crisis, by its very nature, presents a business with an extremely tense and often confused situation. Attempting to cobble together the response, including an action plan during the crisis, as opposed to having a sound process in place that can be implemented quickly, generally leads to further disaster. Also, crisis management planning can prevent or at least materially reduce the risk of crisis situations from occurring.

Basic Elements of an Effective Crisis Management Plan: The Core Elements and More

Keeping in mind the imperatives of a prompt and effective response to a crisis situation that protects employees and operations, the basic elements of a plan or process to attain these imperatives are listed below. While some of these are more critical than others, all of them are important.

1. Senior Management Support
2. Risk assessment
3. Mission statement
4. A crisis manager and, if feasible, a core crisis management team

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5. A directory of key internal and external personnel or organizations
6. Ability to communicate quickly and effectively
7. A communications strategy
8. Prepared procedures for specific crisis events
9. Training
10. Testing
11. Monitoring
12. Lessons Learned

Senior Management Support

Senior management support is absolutely critical for successful crisis management. If the crisis manager does not have the confidence of leadership, he or she is going to be largely hamstrung in his or her efforts to manage the crisis. This does not mean that senior management is not the ultimate decision maker or is not to be heavily involved. On the contrary, if the crisis is material to the wellbeing of the company or its employees, it is no different from any "normal" business activity that requires management's close attention. However, there are occasions when the crisis manager may have to act immediately and senior management may not be available for consultation. For example, on September 11th, one major U.S. corporation found its senior management sequestered in New York City. As phone service was out, it was unable to communicate with its headquarters for almost two days. In the interim, the company needed to reach out immediately to its employees worldwide with travel guidance. Many employees were stranded outside the country or planning on departing the U.S. imminently. Because the crisis manager and his team were empowered to act in such a situation, within six hours of the event, the company's employees were given instructions on travel. Because the company had a previous arrangement with its international travel agency to provide current information on its employees' locations and travel plans worldwide, it was able to get an immediate handle on how many employees were involved in international travel, either coming or going. Basically, the short-term instruction was to stay put until the situation was clarified. The next phase of instruction loosened the restrictions, which were eventually lifted entirely when the threat was minimized and travel resumed to more normal operations.

Interestingly, the company had not anticipated September 11th. Who did? But it also knew that at any given time, hundreds of its employees were traveling around the world, and emergency situations of some sort were reasonably possible for these traveling employees. This placed a premium on being able to locate the employees quickly. Thus, the company arranged months before, as part of its crisis management planning, for immediate electronic and telephonic communications from the travel agency, which provided current travel information. Obviously, this planning paid dividends when September 11th occurred and has proved highly useful for lesser events since then. Moreover, it was consistent with the company's mission to take all reasonable steps to protect its employees from harm.

Admittedly, this is an extreme example, but it illustrates the point—because senior management supported and empowered the crisis management team and the com-

pany planned ahead for travel-related incidents, the crisis manager and his team were able to react quickly in a responsible manner. Moreover, because this authority was communicated throughout the company, the business unit leadership and employees embraced the directions with little hesitation.

Risk Assessment

We have already discussed the importance of assessing realistic situations that could create crisis situations and tailoring the program to such risks. Not every company has to worry about mass disasters arising from their products or operations. Nor do they have to worry about their employees, senior management in particular, getting mugged or worse outside the U.S. Simply put, it is prudent to employ sound risk management tools that identify reasonably likely crisis situations and design the plan accordingly. This will save money, people, and of course, time.

Mission Statement

As previously discussed, a mission statement is nothing more than the guiding principles or objective of a crisis management plan. As discussed above, the mission statement can and should be straightforward:

> *"The purpose of Company A's crisis management plan is to take reasonable and prudent steps promptly and effectively to protect its employees and operations from significant harm or damage."*

If the company wants to add a preventive component to the mission, it may be done easily enough. In any event, this simple mission statement allows the company to return to basic principles when faced with a crisis situation. I cannot tell you how many times going back to these basic principles provided the framework for managing crisis situations where I was personally involved. When doubt occurred concerning which course of action needed to be taken, the mission statement provided a baseline for decision making.

Some might argue that the company has set a standard or assumed a duty where none existed. Setting aside whether such a duty does not exist already in some form, my response is simple: "Yes, it may, but this is what responsible and smart companies do. It is good for their employees; and it is good for their businesses."

Crisis Manager

Having a competent crisis manager, or someone to fill this role as a part-time function, or even having someone outside the company available, is important for obvious reasons. Someone has to take charge of at least pulling together the team and response/action plan, if not executing the plan. This person does not necessarily need to be experienced in security or functions such as this, although they certainly may be. Frequently, business people will say that they do not have the money or "luxury" to hire someone to do this full or even part time, which may certainly be true for smaller companies and organizations. Indeed, it is rare that even large companies have a full-time crisis manager. But this reluctance misses the larger point: if someone is not available to fulfill this role competently, even if it is a member of management or an external source, odds are that the crisis will be handled badly.

> A critical component of even the most basic crisis management plan is a directory (which is readily available electronically and in hard copy) of the key internal and external personnel and organizations necessary to manage the crisis.

I am often asked what are the qualities of a good crisis manager. I suppose the list is long, but in my experience, the crisis manager needs to be someone who knows the company and its operations, can exercise good judgment, can make difficult decisions, recognizes quickly when additional expertise needs to be called in, and understands the process or plan for responding to crises and can execute it effectively. As discussed above, this person and his or her team, if such exists, need to have the support and confidence of management, especially if they are going to take a lead role in managing the crisis.

There is one other aspect to this person that bears discussion. I am often asked whether lawyers make good crisis managers; a particularly apt question because I am a lawyer, although I have also had extensive military and related experience. For some time, my response had been negative because lawyers are not risk takers by nature, often are too focused on the legalities of a situation, and sad to say, often are not practical in their approach to problem solving. Over time, my views have changed—especially because I have worked with competent crisis managers who were lawyers. Lawyers can make good crisis managers, especially because they are generally good at organizing and analyzing information quickly, which is the *sine qua non* of good crisis management. The only caveat is that they have to be able to take off their legal hat, or at least put it in perspective, because often the crisis may not have a legal component, or if it does, it is outweighed by other factors. A good crisis manager understands that managing a crisis often involves tradeoffs, and is able to place events in perspective and manage through them with the minimum collateral damage, referring to the mission or core principles as the guide when in doubt on what action to take.

Finally, the crisis manager requires a "straight line of sight" to senior management, unless of course, he or she is senior management. While the crisis manager and his or her team may be afforded considerable leeway, at a minimum, senior management [and even the board] will need to be kept current of what is going on. And, if the crisis is significant enough, senior management may need to join the crisis management team, if not direct its activities.

Crisis Management Team/Directory

It is not enough to have a core crisis management team of critical internal and external personnel and government agencies [*e.g.*, local police, fire department, environmental agency, business recovery firm-"emergency responders"] if there is no ability to contact them quickly. Thus, a critical component of even the most basic crisis management plan is a directory (which is readily available electronically and in hard copy) of the key internal and external personnel and organizations necessary to manage the crisis. For example, in addition to the crisis manager, the legal, human resources, communications, health and safety, security, and IT groups are at the core of internal functions. Senior management should also be included on the list. This list can be expanded to cover other disciplines and functions. Having these persons and organizations identified ahead of time, and bringing them into the crisis management process, will save time and enhance results.

Obviously, privacy considerations need to be taken into account, especially outside the U.S. in places like the European Union. At the risk of being glib, these directories can withstand most privacy rules, provided that the identified parties agree and the directory is kept as confidential as reasonably possible. The reason is obvious: being able to reach key people necessary to manage a crisis is a paramount consideration that trumps privacy rules.

Finally, one best practice that is used by many companies is to provide the crisis manager and core team with wallet-sized cards that contain key contact information. This is especially useful for personnel crisis managers who travel alone, especially to high-risk countries.

Ability to Communicate Quickly

The best crisis management plan in the world, the best crisis manager and team, the most up-to-date directory of key personnel, are meaningless if the company cannot communicate with the people and resources it needs to manage the crisis. Being able to communicate quickly and clearly is the most important part of the execution phase. Natural disasters in particular can cause landline, Internet, and cell phone service to be disrupted. What is a company to do in this situation? It cannot reach its employees. It cannot reach some or all of senior management. It cannot even contact the National Guard. And this is precisely what occurred during the first days after Hurricane Katrina. Big companies can afford to have alternate means of communication such as satellite phones, area codes out of their locations, sophisticated IT "work around," and even access to local media outlets. And their crisis management plans lay these procedures out ahead of time. Small companies simply do not have the resources to do this. The best advice to them is to start with the assumption that communications may be disrupted for some time and devise a strategy for working through this, even if it is only to include in its directory home phone and cell phone numbers for their employees and crisis management team. Toll-free phone numbers with recorded messages may also work.

> A plan is only as good as its execution and, absent a crisis, it is difficult to predict whether the plan will work unless it is tested in some capacity.

Communication Strategy

While not every crisis triggers widespread media or other attention outside the company, many do. Moreover, the tendency of many business people is to overlook the fact that the media is not the only stakeholder with which they need to communicate. For example, if a senior executive is involved in an airline accident, but the details are yet to be known, the family is going to be desperately looking for information. If the executive heads a public company, the shareholders and the Market may be looking for information. Add to this list the employees. Each of these stakeholders, and probably others, has a legitimate need for information, which may be immediate. Crafting the information they receive, how it is delivered, and ensuring consistency among the various communications—the communication strategy—is critical to the successful management of the crisis. Admittedly, internal or external communications experts may handle this. Indeed, when they do, they are crisis managers. Having a good crisis manager, who has a broader view of the situation, participate in the development of the communication strategy and oversee its execution, will only enhance the communication strategy. Communcation strategies will be discussed more fully later in this article.

Policies and Procedures

Having certain procedures or protocols ahead of time greatly facilitates immediate action. Indeed, this proverbial wheel need not be invented when it is too late. We have already discussed checklists for international travel and natural disasters. Other examples of such procedures can address a wide array of situations from responding to bomb threats or faux anthrax threats, to even extreme situations like kidnapping or incidence of extortion. The list is endless, and again, not every company needs a library of procedures and protocols. The dirty secret is that standard operating procedures and protocols are only guidelines and, if the crisis manager has not internalized them beforehand, pulling them out then mulling through them before acting may be problematic. The value of having good protocols and procedures is that the crisis manager and his or her team, spent the time developing them and understanding them to the point that they can hit the ground running, and refer to these documents to audit their actions as opposed to a rote tool of instruction.

Remaining Elements

As to points seven through ten on the list above, let's start with training and testing. Not all companies can afford extensive training of their crisis management personnel or testing of the plans, or at least certain procedures [*e.g.*, responding

to a massive natural disaster]. However, internal personnel who work in the relevant functional areas can easily conduct a lot of this training. In any event, training of crisis management personnel, at least in terms of the process, by definition makes for a more effective response effort. And a qualified crisis manager can easily do this training. The military has a term for it "Train as you fight."

Similarly, not every company can test its crisis management plan. Unfortunately, a plan is only as good as its execution and, absent a crisis, it is difficult to predict whether the plan will work unless it is tested in some capacity. For example, one Fortune 500 company ran mock scenarios involving a natural disaster and another involving a pandemic. Senior management, the crisis manager, and his team, which included the critical functional areas, representatives from the business units, and even local government agencies that would respond to such crises all participated. These were highly successful events, if only because they further educated the major constituents on the crisis management process, which led to plan improvements, as well as refined the planning for the specific matters at hand. Once again, not every company can afford to do this nor is there a need to do so. At the same time, even a simple exercise that is designed to bring together the crisis management team can prove useful.

Monitoring the crisis management plan is another name for making sure it is current. This is especially important for the directory of key crisis management personnel and organizations. Even in smaller companies things change, people take on new responsibilities or leave the company, etc. A good crisis manager will periodically review the directory and any procedures or protocols to ensure they are current.

Finally, an area that is generally overlooked by almost every discipline, including crisis management, is conducting a "lessons learned" session after an unusual event. For whatever reason, maybe it is inertia, or people are simply over-worked and lack the time, or both, people refuse to take the time to review their response to a particular matter and determine out what they can do better. It is no more complex than this: doing a lesson learned can lead to an improved process the next time around. As Six Sigma teaches, this is nothing more than "continuous improvement"—which is the same concept good companies employ to make their more standard operations and procedures effective.

Crisis Communication—All Different; All the Same

One of the most important areas of crisis management is effective communications, especially with the media. It is difficult to generalize because each crisis is unique. However, there are certain common elements to any crisis that allow for a set of "rules" that, in my experience, will lead to effective communications, which do not create or worsen ancillary problems, specifically legal issues. It is important to note that some of these recommendations are controversial, and not everyone in the crisis management field agrees with them. All I can say is that in my experience, with minor exceptions, they have proved to be effective. The rules:

1. **Gather the facts as quickly and accurately as you can before you make any substantive statement.** In a crisis situation, as in most things in life, the company is never going to have all the facts. However, by its very nature, a crisis generally requires a prompt response, even if it is to say you have just been informed of the situation, you appreciate its seriousness, and you are diligently investigating the circumstances and will get back to whomever when you have sufficient information. This is an area where the crisis manager can be especially effective. He or she can coordinate the various sources of information quickly, synthesize them into a reasonably coherent picture, and communicate the situation to senior management if the crisis manager is not one and the same. This effort can lead to a coherent message, even if it is only an interim one that is subject to change. Having said this, communicating substantively without a reasonable understanding of the facts can be worse than not communicating in the first instance. This is where judgment, experience, and common sense come into play. And this is why having a crisis manager internally or available externally is so important.
2. **Do not overreact or exaggerate.** One of the lessons I learned from the Avian Flu scare of a few years ago is that the company needs to be measured in its approach, especially where there is significant uncertainty that the underlying event or situation will occur. To do otherwise would have unnecessarily panicked the employees, which no company wants. In the case of the Avian Flu, there was no question that if the virus mutated to the point where it passed from human-to-human, the consequences worldwide would be rapid and devastating. See, for example, the Great Panic of 1917-18, where more than 40 million people worldwide died because of the misnamed Spanish Flu. However, there were no reported cases of human-to-human passing, and are still none, or at least the reported cases are anecdotal. Nevertheless, the Center for Disease Control, the Worldwide Health Organization, and other agencies were extremely concerned about education and prevention techniques and flooded the world with information, protocols, and advisories. So, what is the crisis manager to do in this situation: apparent low risk of occurrence with a high mortality rate? The answer is to lay out the facts dispassionately and honestly, educate the employees and other constituents on what to look for, report, etc., and design procedures for keeping the employees as safe as possible and keep the business operational in the event of a pandemic. Indeed, the Avian Flu was front-page news for months and most of the employees were aware of it. By showing that management was sensitive to the situation and was making a concerted effort to do all it reasonably could under the circumstances to protect its employees and its business, sent a powerful message. Not an easy task for sure; but doing nothing under the circumstances would have been foolhardy. In short, avoid the "sky is falling" mentality in any crisis situation, but be honest with your employees, educate, and plan for it reasonably.

3. **Understand the stakeholders who have a direct interest in the matter,** recognizing that their interests may not be congruent, but your message and interaction must be consistent as reasonably possible. For example, plaintiffs' lawyers may be lurking; any number of government agencies (*e.g.* Federal Aviation Administration, Consumer Protection Agency, Environmental Protection Agency and State counterparts); shareholders, employees, customers, suppliers, the list goes on. The point is that if you do not identify early who these stakeholders are and their interests, the communication strategy will ultimately fail because it will not take into account the missing stakeholders' interests and potential influence on what happens to your company. Is this easy? No. It can be very difficult, especially when several of the stakeholders have interests opposed to the company's. For example, a company has experienced several major accidents with a general aviation product. The FAA is conducting an investigation as to whether there should be a grounding of all planes with the component and a recall. Customers are wondering whether they should stop doing business with the company. Plaintiffs' lawyers are lining up to sue the company. Employees are worried about whether they are going to lose their jobs if production is cut back. If the company is public, the shareholders are concerned and, if they were not concerned before, the board and senior management are concerned. Insurance carriers are wondering whether grounding and recall costs are covered by insurance, as well as how to limit their losses arising from lawsuits. And of course, the general and aviation media are all over the situation.

   Each one of these stakeholders has an interest in the matter and can even influence its outcome, yet their interests are not necessarily congruent with the company's interests in all cases. As such, this crisis cries out for a consistent communication strategy that is able to satisfy each constituent without creating unnecessary problems in other areas. Complicated? You bet. But, if the company has the right crisis manager and cross-functional team coordinating communications, it can be done properly. Indeed, companies with good crisis management programs do it all the time.

4. **Coordinate communications through a central clearing house to enhance consistency and reduce the risk of harmful statements.** Yes, several disciplines need to contribute, including the lawyers and communications experts, but someone who has the widest grasp of the situation and its implications needs to be the final arbiter on what is communicated to ensure consistent and effective messaging. A good crisis manager can do this. If done right, this need not be a cumbersome process. But it takes discipline and support from senior management to be successful.

> A crisis is no time to sacrifice credibility, quite the contrary. Now is when your company may really need it. And nothing influences credibility more than having a fix for the problem.

5. **There are times when admitting that the company made a mistake can pay huge dividends.** Understand this: there are occasions when the potential legal implications are outweighed by the need to protect the company's brand. In other words, many crisis situations may involve more than legal exposure; they may threaten the very life of the business. See, for example, the Toyota and Boeing situations of recent years discussed previously. Depending on the circumstances, both interests can be satisfied. There will be times; however, when the business concerns outweigh the legal and hard decisions will need to be made. For example, in the Avian Flu context, certain OSHA workplace rules were impractical and counterproductive. In other words, strict compliance with certain OSHA requirements would have impeded business continuity with no corresponding benefit to employees, especially those who would be working from home. I am not suggesting a blatant flouting of the law. What I am suggesting, and this goes to an earlier point, is that a crisis situation may force the company to make hard choices, especially where the welfare of the employees and the health of the business are involved.

6. **Yes, there are times that "no comment" is appropriate, but in my experience, they are extremely rare,** especially in this age of instant communications when others will put out the story for you or will be monitoring social media to see what you have to say. Bluntly put, silence often implies guilt or lack of compassion or both. And the longer the silence, the worse it gets. Even in the context of litigation, simply saying no comment has negative connotations. This is better: "We intend to defend this lawsuit vigorously and expect to prevail in the courts. Because litigation is pending, on the advice of counsel and out of respect for the court, we will refrain from further public comment at this time." Or, in the case of some other form of crisis: "We have just learned of this serious situation and are investigating it. Our hearts go out to the victims and their families. As soon as we have a better understanding of the incident, we will advise you accordingly." Your employees, shareholders, customers, suppliers, the community, anyone who has a stake in the matter are going to want to know at least two things: 1) is the company aware of what is going on, that is, are you in control of the situation; and 2) do you have a reasonable plan to address the situation. Silence gets you very little here. A measured, meaning statement, with similar follow on statements, if necessary, can prove invaluable.

7. **If you are going to admit a mistake, have the solution ready and communicate it.** Saying you made a mistake is a first step; identifying the solution or at least that you are taking steps to work on a solution, reinforces your commitment and credibility. Any businessperson will tell you that they constantly strive for credibility with the customers, suppliers, regulators and the like. A crisis is no time to sacrifice credibility, quite the contrary. Now is when your company may really need it. And nothing influences credibility more than having a fix for the problem. It also may have the benefit of the influential stakeholders (*e.g.*, the government) turning their focus to solving the problem. This does not mean that the company may not have to pay some sort of penalty, but in my experience, it is generally less than if no solution is provided.
8. **As discussed above, credibility is critical in any crisis situation.** If you are going to say something, always be truthful, and if you do not have all the facts, say so. History abounds with companies and officials who have made false statements that are eventually disproven. In this day of instant communications, it is almost impossible to hide the facts. Once contrary facts come out, the company's credibility will take a severe beating and the "punishment" may turn out to be worse than the "crime." Stated another way, if you know something,

Checklist

A. Planning
   1. Is the company prepared to respond promptly and effectively to crisis situations?
   2. Has it done a risk assessment of crisis events that can be reasonably anticipated?
   3. Has it designed a plan or process for managing such crises?
   4. Is the plan simple?
   5. Is it flexible?
   6. Are standard policies and procedures in place?
   7. Has the plan been tested?
   8. Is the plan current?
   9. Does senior management support the crisis manager and core team?
   10. Do the employees understand the plan and support it?
   11. Is senior management prepared to take ownership of the crisis?
   12. Does the plan address appropriate family interests?

B. The Crisis Management Team
   1. Has a crisis manager been identified?
      a. Does he or she have a good working knowledge of the company?
      b. Does this person possess the other qualities important for successful crisis management?
      c. Does the crisis manager have the necessary training?
      d. If not a member of senior management, does the crisis manager have direct reporting responsibility to senior management?
      e. Is the crisis manager empowered to take immediate steps to manage the crisis in the event senior management is not able to get involved?
   2. Is there a core crisis management team that identifies the critical internal and external personnel necessary to assist the crisis manager?
      a. Do the members of the team understand their roles and responsibilities?
      b. Does the core team include the right disciplines [e.g., legal, HR, operations, communications, security]
      c. Do the team members have minimal training and/or experience dealing with crisis situations?
      d. Do they understand the crisis management plan?
      e. Have additional functions and organizations inside and outside the company been identified to supplement the core team?

C. Directory/Communications
   1. Is there a directory of key internal and external personnel and organizations that may be necessary to manage a crisis?
      a. Telephone numbers and addresses?
      b. Emergency contact numbers for employees?
      c. Available in electronic and hard copy form with back up?
   2. Is the directory being periodically reviewed to ensure the contact information is current?

D. Execution
   1. Has the company understood enough about the underlying facts to implement the plan?
   2. Has the crisis manager [and team] been promptly assembled?
   3. Does the core team need to be expanded?
   4. Has senior management been notified? The board?
   5. Have the key stakeholders, that is, those who can influence, or otherwise have a valid interest in the company's response, been identified and their interests understood?
   6. Does the company have an effective communication strategy?
      a. Has a member of management been identified to be the spokesperson, commensurate with the level of the crisis?
      b. Is there a coherent and consistent message?
      c. Is the message accurate under the circumstances?
      d. Is the company using social media to get its message out?
      e. Are employees, suppliers, and customers, if necessary, etc., being kept informed?
      f. Is the crisis manager keeping track of the communications to ensure consistency and accuracy?

E. Is there a business continuity plan?

F. Other
   1. Are lessons learned being performed after testing or crisis events?
   2. If legal implications are triggered, is someone monitoring communications for privilege purposes?

say so; if you do not know, making it up is a recipe for eventual disaster.

9. **Be candid and honest with your employees.** Similarly, in addressing any crisis situation with your employees, candor and honesty are important. They will be relying on you to help them get through the crisis. You need them to embrace your plan for how to handle the situation. For example, trying to hide the fact that the mortality rate for Avian Flu was in the 50 percent range would have been foolish, especially because the media publicity on this point was widespread. Being honest with the employees, by laying out a reasonable plan to minimize the risks to them and their families, recognizing the complexity of the situation, was the better approach. Employees are not stupid, they appreciate honesty from their employers and they will understand the fact that the company is doing its reasonable best to help them. This is the only way in my experience to deal with them in a crisis situation. Keeping them in the dark or not being candid with them may work in some instances; but as a general proposition, neither does.
10. **Get your version of the facts out early and if necessary use social media to convey the message.** If your story is a good one, and negative publicity is rampant across the Internet, prompt action to counter it with the truth is generally helpful. The various social media outlets provide a fast and efficient way to get the company's message to those who need to receive it. In fairness, the other option is to make the assumption that social media has a short term attention span and eventually it will move on to other things. A judgment call for sure, but consideration should at least be given to using social media.
11. **Identify a spokesperson for direct communications with the media, employees and the like commensurate with the severity of the crisis.** If it is a big deal, the stakeholders will want to hear from a senior person. Boeing again presents the classic case here. The CEO not only led the "crisis management" process, but he was a visible (if cautiously exposed) spokesperson for the company, which helped (the most effective part of the process was that he had a plan for how to fix the problem) allay concerns in several important circles, starting with the Market. The point is: if the crisis is serious enough, senior management needs to be the face of the company, if only to demonstrate concern. Of course, this presents risks if the spokesperson is not adept at dealing with the media, and not all are. But how to prepare senior executives to speak to the media is a subject for another time.
12. **If people have suffered from some harm caused by your business, products, etc., even if you are not at fault, showing compassion for the victims is important.** This is another controversial area. My perspective is relatively simple, and born of experience. Expressing compassion for victims or expressing condolences does not admit guilt or responsibility. And it costs nothing to do it. Aside from being the responsible thing to do, it can temper the anger of the public or the individuals involved, creating one less problem.
13. **Recognize that no matter how effective your communications are, you may never be fully able to win the publicity battle.** Fighting with the media is generally a losing battle for obvious reasons. State your position and then move to managing the crisis in a reasonable and responsible manner.

In sum, effective crisis communications requires skill, judgment, and a healthy dose of common sense and even risk taking. Attempting such communications without an experienced crisis manager or communications discipline greatly increases the risk of worsening the situation.

Critical to Success Factors (CTS)

Borrowing from the lexicon of Six Sigma, in summary, there are at least ten critical factors to a successful crisis management plan in my experience.

1. Leadership—the crisis manager and core crisis management team
2. Senior management support
3. A coherent and reliable communication strategy
4. Rapid, timely, and accurate communication across all levels of the organization and externally
5. Plans and procedures
6. Prior planning and preparation
7. Flexibility
8. Training
9. Testing
10. Monitoring and continuous improvement including lessons learned

Summary

Crises can arise for businesses or organizations of all sizes and shapes. Very few are immune from such situations, yet often management ignores this fact, not necessarily because they are insensitive to such situations occurring, but because they suffer from cognitive dissonance, which is another way of saying: they cannot bring themselves to recognize that bad things can happen, and thus conclude there is no need to plan for them. And when they do occur, depending on their severity, they can have a devastating impact on employees or the business, and often both. Companies that are unprepared for such situations can find themselves unable to respond effectively, which leads to dire consequences that could have easily been avoided or at least mitigated. Not every business or organization, however, needs an elaborate crisis management plan or process. What they do need, however, is a plan that is commensurate with the realistic risks that their employees and operation face. And developing such a plan, including identifying at least one person—internally or externally—who can successfully manage the crisis need not be an expensive or time-consuming exercise. Indeed, an effective crisis management plan can prevent the very type of losses that businesses and other organizations seek to avoid in the normal course of operations. Crisis management is not separate and apart from a business; it is another tool for sustaining the business.

Hopefully, this article and checklist will provide interested businesses with practical ideas on how they can improve their company and organization's ability to respond effectively to crisis situations. Returning to a central theme of this article, think of it and the checklist as a menu from which interested businesses can select procedures and processes that fit their companies' needs in this important area. IDQ