

EFFECTIVE CRISIS MANAGEMENT:

Grace Under Pressure

by Maryann A. Waryjas

By definition, crises are large-scale, unexpected, serious, negative developments. They are likely to create instant chaos, regardless of how well your company is managed under normal business conditions.

A crisis is an event which has the potential to fundamentally change an organization. It is a concrete threat to the well-being, credibility, reputation, and possibly even the existence, of a business. It is the call on Friday afternoon that informs you that the state department of health believes your product has sickened tens of thousands of people. It is the static-filled call from overseas telling you that your organization's state-of-the-art refinery is currently a fireball. It is the call from one of your outlying offices telling you that 12 F.B.I. agents in nylon jackets have arrived to execute a search warrant. True crises attract attention from seemingly every corner of the world demanding answers yesterday.

Crisis management, then, is the task of minimizing the deleterious effects of a serious crisis event using limited resources under extreme time constraints. While damage control is the most obvious aspect of crisis management, its true essence goes far beyond "putting out fires." The essence of crisis management is cultivating the potential successes lurking among the pitfalls through careful planning, decisive execution, and good luck.

Where do you start?

Don't Be Blind. Don't Live in Denial

Crisis management requires careful and thoughtful planning for a disaster that might not even be predictable given the history or complexity of your business. Many organizations must begin by overcoming the blindness that overconfidence can create. Steven Fink surveyed *Fortune* 500 CEO's for his book *Crisis Management* and found that 89% of those who responded felt that crises in business were inevitable. Of that same group, 50% admitted they did not have a plan for dealing with crises but 97% still felt confident they would respond well in a crisis. This overconfidence is created in part by the success that most top managers experience in their careers. It is also fueled by a lack of imagination. When one surveys the landscape of potential crises, the need for greater planning and humility becomes clear.

Stages of Crisis Management

Stage One -- Pre-Crisis

The pre-crisis stage of crisis management is the most effort intensive and also the most important. The buzzwords here are planning and prevention. Relying on wisdom, experience or savvy alone is a formula for disaster. Preparation and forethought are the foundation of effective crisis management. Planning creates routine which in turn saves precious time.

Identify Potential Crises -- They *Can* Happen to You

When your management team begins pre-crisis planning, you must first anticipate the kinds of crises your company and its various businesses could face. While every business has unique weaknesses, some generalizations are possible.

Natural Disasters and Accidents. Natural disasters and accidents can affect any company. Included in this category are earthquakes for the West Coast, floods for the Midwest and the East Coast, tornadoes for the South and the Midwest, hurricanes for the East and Gulf Coasts, blizzards for the North, and all of the above for international operations. Add fires, brown-outs, black-outs, explosions and crashes to the mix and you begin to scratch the surface of potential bad news.

Strikes, Boycotts and Picket-Lines. Strikes, boycotts and picket-lines present confrontational situations in which employees, a labor union or some special interest group publicly announce their dissatisfaction with the company's employee policies and practices, products, business practices or services. These are often orchestrated to maximize media attention for the protesting group.

Product Liability Crises. With 20-20 hindsight, even the best quality control procedures can be found to be flawed, or capable of being subverted. All manufacturers and distributors should be prepared for product tampering crises, product failure crises and product compromise crises. Product compromise crises result from issues relating to product quality or product safety.

Government and Other Investigations. The F.B.I. or another government agency arrives at one of the Company's offices to execute a search warrant. A disgruntled employee with a rabid attorney files a whistle-blower lawsuit alleging what at first seem to be outrageous, implausible accusations. The company's outside auditors request an independent investigation of certain material transactions or other perceived accounting irregularities. The CEO is accused of serious sexual harassment by several current and former employees. The CFO resigns under allegations of financial impropriety. None of these may ultimately be proven true -- but what if there are enough bad or questionable facts and circumstances to seriously damage the company's reputation, regardless of the ultimate outcome?

Business Crises. The results for the quarter are going to be seriously below management's or analyst's expectations. A customer who provides a material portion of the company's revenue terminates a major contract. A key supplier has filed for bankruptcy, or has shut down operations because of a strike. A disgruntled stockholder announces a proxy fight. A hostile tender offer is announced.

Stopping at the obvious crises leaves a host of pitfalls untouched. Effective prevention means brainstorming for the obscure crises, which are potentially more dangerous because of the element of surprise. As Norman R. Augustine said in his article *Managing the Crisis You Tried to Prevent*, "Tornadoes are caused by trailer parks. . . Survey the landscape continuously for 'trailer parks.' That is, make a list of everything that could attract troubles to the business, consider the possible consequences, and estimate the cost of prevention." He goes on to say that most businesspeople avoid this gloomy analysis because it is unpleasant. There will be items on a crisis list that are clearly beyond any manager's control. But sidestepping the difficult issues can lead to more grief down the line. While we cannot control the events which impact our business, we can control our response to those crises.

Move beyond the obvious and confront the weaknesses within your organization. Can you absorb the costs of litigation, the lost morale and the bruised reputation from sexual harassment claims resulting from a hostile work environment? Is your business particularly susceptible to labor unrest? Are you dependent on a key figure like a CEO or founder? How would your organization react to the loss of senior management in a plane crash? Do you have a succession plan ready?

Keep one eye on the headlines and one hand on the speed-dialer to your attorneys. Watch for both societal trends and legal trends which could impact your business, including new legal remedies, changing theories of liability and regulatory shifts. The health care industry is currently a prime focal point for government enforcement activity. Revenue recognition issues that have plagued a number of software companies are likely to bring more scrutiny to public company financial statements and the accounting standards in that industry. Civil penalties and criminal culpability for corporations are on the rise. Employment discrimination claims and environmental regulation now seem commonplace. But what are tomorrow's trends? When did the Year 2000 appear on your radar screen? How many people were surprised to learn we had such an active Antitrust Division at the Justice Department? Or that the increasing pressure to meet analysts' earnings projections might prompt the SEC and others to look ever closer at the method behind the madness of corporate financial statements?

Form a Crisis Team

Once your management team has a feel for the kinds of crises you might face, the real planning begins. The first step is forming a "Crisis Team." The Team should have

representatives from all key areas of the business as well as open slots which can be filled strategically based on the particular crisis.

Core Crisis Team Members:

CEO or a Team Leader from Senior Management
CFO
General Counsel and Outside Counsel
Compliance Officer
Senior Managers from:
 Human Resources
 Marketing and Sales
 Investor Relations
 Public Relations and Outside Public Relations Specialist
 Information Technology

Add Additional Team Members As Required:

Environmental
Plant or Facility Managers
Product Specialist

The questions which help determine who is on the Team are “What will we need?” and “Who can get it for us?” The Team Leader should be chosen based on qualities like decisiveness, knowledge of the organization and accessibility. The Team Leader will be responsible for evaluating crises and assembling the Team, filling slots with specialists and ongoing coordination throughout a crisis.

Crisis Team Info Cards

Once the Team is chosen, the next step is ensuring that no time will be lost on coordination during the crisis. Every team member and prospective team member (such as specialists), and their secretaries, should have a laminated phone list in their wallet or planner. This Crisis Team Info Card should include home and cell phone numbers for each Crisis Team member. Access to the Team is crucial when time is of the essence. If your company has a central switchboard or communications center, that office should have a disaster protocol which clearly spells out who to call and in what order to call them. A disaster phone tree should be created so that one person is not attempting to reach a host of people in record time. Put the disaster phone tree on the back of the laminated card.

Crisis Central

A central meeting place should be arranged in advance. Every company should have a “Crisis Central” identified at its headquarters. A very large conference room is often a good choice. The location must be accessible to all Team members and have access to primary and redundant communications. Missing resources only intensifies the time pressure. “Crisis Central” should have access to all necessary support equipment during the crisis. Multiple phone lines, fax machines, mobile phone units and office support personnel should be made available to the Team. Television sets and PCs with Internet access should also be provided. Depending on the nature of the crisis, in the early stages your company may be dependent on media reports for information. If the crisis is centered away from the Team’s prearranged location, communications equipment must get to the crisis site as soon as possible at any cost. You should consider having a “Local Crisis Central” which also has excellent access to primary and redundant communications. Credibility and reputation are easily lost when the people who are expected to be in control have no information to share with their constituents.

Relationships Are Important

Cultivate relationships with outside entities that you can tap during a crisis. Building goodwill and defining the expectations and parameters of a business relationship are tasks best accomplished during the routine course of business and not during a crisis. These “Crisis Partners” include the specialists you might want on the Crisis Team as well as local support personnel at business sites, including local law enforcement, fire departments and the media. Identify local sources of communications equipment near every plant site, and get the manager’s home phone number if possible. If your company is publicly traded, make sure you include your contacts at your exchange or Nasdaq. If the crisis involves injuries or property damage to individuals or other businesses, do not forget local aid organizations, especially the Red Cross. These organizations are trained to answer the crisis call and can provide care, comfort and shelter that the business cannot. Remember that the Team’s responsibilities do not end when the immediate crisis is over. Local support organizations can help with post-crisis care and counseling if those services are needed.

Do You Have a Document Handling Procedure?

Another crucial part of pre-crisis management is an efficient and effective document handling program. This program should cover all “documents” whether written, recorded or electronic. Executives must understand that litigation can be a crisis and that documents are the fuel for litigation. The smoking gun of old has been replaced all too often with the smoking e-mail. When implementing a document handling or retention program, remember the following three guidelines:

1. Ask your executives and employees to imagine each and every e-mail and other document they create on a 6 foot by 9 foot board in front of a judge or a jury, or on the front page of *The Wall Street Journal*. Do they still want to send that e-mail, or create that memo?
2. Documents intended for counsel should be marked as privileged documents and kept confidential.
3. Make sure your company has a program for the destruction of documents which are no longer active or required to be retained. The company's counsel should be actively involved in any document retention program because a complex web of regulatory requirements regarding document retention exists in every industry. Of course, any document destruction program should be appropriately suspended with the issuance or impending issuance of a subpoena.

Create a Written Plan

Finally, take all the careful planning and reduce it to a written plan complete with contingency options. Then distribute it in various forms to the potential players. Senior management, the Board of Directors and the Crisis Team should have the complete Plan. All Crisis Team members should have updated copies of the Plan at both their offices and homes. So should each plant or facility manager. In addition, copies should be kept in the field offices and all employees should know where they are kept.

Items which you may wish to include in the Plan are emergency contact lists, employee lists, the company's safety history, company recognitions and awards, a company fact sheet, key employee biographies, media lists and emergency procedure cards for different types of emergencies.

Once the plan is distributed, practice implementing the Crisis Plan. Live drills are instrumental in testing the strengths and weaknesses of your Plan and should be done at least once a year. The Plan should be reviewed at least twice a year in strategy sessions which include some investigation and modeling. Use crises affecting other companies to discuss how your organization would have responded to the same series of events. Learn from the successes and failures of others.

Note that there are potential risks inherent in the investigation and corporate soul-searching that is necessary for careful crisis management planning. The general consensus is that even internal investigations into crisis preparedness are discoverable in later litigation. Corporations therefore have to balance that risk with the risk of being unprepared for a potentially devastating crisis. In the long run, most observers agree that the need to be prepared and safeguard the integrity and credibility of the organization outweighs the potential risks of giving ammunition to potential litigants.

Stage Two -- The Crisis Hits

Recognize the Problem

The first step in beating a crisis is recognizing that you have one. While this may seem elementary, too many organizations are prone to believe that things “are not that serious” or that “it’ll blow over.” Chances are things are more serious than you think and will not blow over without proactive effort from within. Evaluate the flow of information objectively and place yourself in the role of a regulator, media representative or member of the public and ask yourself if you would see things as more serious or more lasting. Above all, do not take a “bunker” or “company under siege” mentality toward the would-be crisis. And, do not assume that you can just put your head in the sand and avoid the storm. Crisis management requires forthright communication and proactive, decisive action.

Crisis Management Keys

Do not forget that the keys to effective crisis management are decisiveness, honesty and a customer-first mentality. Focus on the people. An overused adage finds new meaning in crisis management: the devil is in the details. In a crisis, becoming obsessed with the technical details of a situation and forgetting the human aspect is a recipe for failure. Certainly the problems underlying the crisis must be solved, but long-term damage to the business is usually a result of damaged credibility, integrity and customer loyalty. One example is Intel and its Pentium crisis.

When the Crisis Breaks	
1.	The Crisis Team leader is contacted. He or she decides whether to convene the Team and institute crisis protocol.
2.	The Team leader contacts the communication center or starts the crisis phone tree to convene the Team.
3.	The Team leader contacts personnel he or she wants as additional members of the Team depending on the specific crisis.
4.	Ensure that communications with the crisis site will be in place as soon as possible.
5.	The Team leader calls the CEO to inform him or her of the crisis and the steps already taken.
6.	Turn attention to staffing the crisis center or centers, including any special equipment which must be brought from off-site.
7.	Contact Crisis Partners as needed.
8.	Consult your list of constituencies and establish a contact priority list.
9.	Once the Team is assembled, begin assessing facts and drafting a core statement for public release.
10.	Assess whether or not a Senior Manager should be dispatched to the crisis site.
11.	Immediately withdraw any scheduled, and potentially inappropriate advertising.

Intel was informed of the mathematical calculation problem with its Pentium chip by a college professor, who was politely brushed off. Seeking confirmation, the professor took his finding to the Internet and the rest is crisis history. Intel was confident of its design and responded to the allegations with nonchalance. The overwhelming negative publicity swirled around a defect that most users would never encounter. In fact, when Intel finally did offer consumers a replacement chip, few individual consumers took Intel up on the offer.

Look at the Crisis Through Your Customer's Eyes. Put Your Customers First

The Intel crisis teaches two important lessons. The first is that customer perception is often what matters most in crises and should be addressed with a customer-first mentality. This is why a Senior Manager from Marketing and Sales is essential on the Crisis Team. The second lesson is that every company should have one person or one relatively small department in charge of receiving, processing or at least reviewing customer complaints and concerns. Intel's overconfidence in its chip design led to a lack of receptiveness to their customer and a massive public relations headache.

Err on the side of caution and think of the customer first. Voluntary recalls are always better received than involuntary recalls at the hands of federal or state regulators. One conveys an image of the company as a community member and partner. The other conjures up an image of the company being dragged toward responsibility kicking and screaming. Choose the former. While cost should always be a factor in business decisions, it should not be a primary concern during a crisis. Johnson & Johnson set the standard for proactivity when it faced the tragic crisis of cyanide-laced Tylenol capsules. The company spent great resources taking out newspaper and television ads announcing its voluntary recall, pulling all its Tylenol capsules from America's shelves and redesigning the packaging to be more tamper-resistant. Within three months, through responsible and decisive action, Johnson & Johnson had regained 95% of its pre-crisis market share for Tylenol.

Decisiveness and Humility Are Key

Decisiveness is essential to effective crisis management. Time is in short supply during a crisis. Not only will the event itself usually require a fast response, but the demands on your time are intense. Information must be gathered, sorted and evaluated. People and entities you never knew existed will request information you may not even have yet. Completing the mix is the fact that huge stakes are involved in each time crunched decision, including money, jobs and sometimes even lives. The extensive planning that the organization has completed by this point is the primary time-saver. Protocols and routines maximize efficiency and promote the flow of information.

The Crisis Team should reflect decisiveness, confidence and a healthy dose of inquisitiveness and humility. The Team is not a place for politics and “yes-men.” Pick qualified people who handle stress well. Some reasonable and calculated action is better than no action. People, especially those directly affected by the crisis, will demand a response. It must be the best response possible under the circumstances.

Pick a Spokesperson from the Crisis Team

Pick one member of the Crisis Team to be the spokesperson. It can be the public relations person, the Team Leader or any other figure with the necessary attributes. But it must be one person. This concentrates distracting inquiries in one place and allows for maximum control over the flow of information made public.

Assign Responsibilities to Each Crisis Team Member

A Team member should be identified and formally charged with responsibility for one or more of the following:

- Establishing priorities
- Identifying others in the company whose special expertise may be needed
- Determining the accuracy, urgency and relevance of incoming information
- Supervising disaster control and making the decision to close a plant or other facility, recall a product or shut down a system
- Promptly notifying and providing support services for the families of the dead or injured
- Mobilizing resources to deal with claims of injury to persons or property
- Notifying customers, employees, insurance carriers, shareholders, regulatory agencies, lenders, creditors, stock markets, self-regulatory agencies and suppliers
- Establishing a hotline for the media and/or the public
- Establishing a hotline for customers and/or suppliers

- Establishing a hotline for investors
- Establishing the means for updating employees as other constituencies are notified

Issue a Statement As Soon As You Reasonably Can

Once the spokesperson is designated, that person needs to make a statement as soon as is practicable during the crisis. If the company is silent or issues a “no comment,” someone outside the organization will fill that void and the viewpoint publicized will not be the company’s. The statements a company makes during the first few hours following a crisis allow it to take control of the events instead of letting the events control the company.

Be Honest. Say You’re Sorry. Whatever You Do -- DON’T LIE!

Above all, be honest. In today’s climate of media investigation, a half-truth or concealment will not last for long. The attorneys on the Crisis Team will be reluctant to announce anything which might incur liability in post-crisis litigation. However, winning a court battle means little if your customers no longer believe in you. Balance credibility through disclosure with minimizing liability through silence. It is possible to say you are sorry, promise investigation and *not* admit fault. Deal only in the facts and avoid speculation at all costs. If you have no facts, admit it and focus on your investigative efforts. Do not assess blame even if you know fault lies with someone else (see the Schwan’s case study below for an excellent product failure example). Pointing fingers is not what the public wants. There will be time after the crisis is solved for the assessment of blame.

Norm Augustine sought the advice of Warren Buffett on how much to say and when to say it. Mr. Buffett’s advice was “pragmatic and brilliant.” “First, he said, state clearly that you do *not* know all the facts. Then promptly state the facts that you *do* know. One’s objective should be to get it right, get it quick, get it out, and get it over. You see, your problem won’t improve with age. This, needless to say, is exactly how he dealt with the crisis at Salomon Brothers. . .”

Public Relations Do's and Don'ts

“DO”	“DON’T”
● Challenge your own perceptions when deciding what to say	● Stay silent
● Put the customer first	● Adopt a “no comment” policy for major crises
● Deal only in facts	● Speculate
● Choose <i>one</i> spokesperson for the company	● Assess blame publicly during the crisis
● Develop a core statement for release and promise regular updates	● Let the media be your messenger
● Inform your constituencies	● Talk off the record -- assume anything you say will be printed or broadcast
● Dispatch a senior executive to major hot spots	● Attempt humor -- you may embarrass yourself or the company
● Withdraw any scheduled, and potentially inappropriate, advertising	● Estimate costs of damage, cleanup, containment or penalties
● Be accessible	● Place blame on any employee, equipment or contractor
● Be prepared with current information	● Make any statement about the effectiveness of any government response
● Provide a fact sheet	
● Anticipate questions	
● Rehearse quickly before any meeting with the media	

Send a Senior Manager to Major Hot Spots

The Crisis Team should promptly evaluate dispatching a member of senior management to the crisis hot spot. This provides an increased corporate presence and sense of accountability where it is needed most, an additional conduit of information for the Crisis Team, and the representation to the public and the media that the company cares. Caution should be taken that the on-sight representative not become a second spokesperson for the company without strict guidance from the Crisis Team and its spokesperson.

Inform All Members of the Board of Directors Personally

At the first sign of trouble, it is important to convey the available facts to the Board of Directors. One or two senior members of the Crisis Team should be responsible for contacting each member of the Board of Directors personally. These Crisis Team members should also have laminated cards or other access to the office, home and cell phone numbers of each Board member. If the Crisis Team has already been assembled, they should keep the Board informed with routine updates either at regular Board meetings or through confidential memoranda as the situation warrants. The Board has a duty to remain informed and can provide valuable perspective on the crisis that the Team and the company's management might lack in the trenches. This is especially the case for outside directors. It also lends credibility to management's actions during the crisis.

Notify Other Constituencies

Along with informing the Board, the Crisis Team should also distribute information to as many of its constituencies as it feels is necessary and prudent. Unfortunately, there is no general rule for who should be informed, when they should be informed and to what extent they should be informed. However, the following table is a starting point for thinking about which constituencies need to know about the crisis:

Must Notify ASAP	Notify As Soon As Practicable
Crisis Team	Media
Senior Management	Insurance Carriers
Those Directly Affected	Employees
Crisis Partners	Customers
Board of Directors	Regulatory Agencies
	Suppliers
	Shareholders
	Lenders
	Creditors
	Stock Markets
	Self-Regulatory Agencies

One member of the Crisis Team should be responsible for notifying and updating each of these constituencies.

Remember that the media should *never* be used as a messenger for the organization. The company has a duty to inform its constituents itself. The company needs to control the flow of information and personal contact is always better than finding out from the television or newspapers. Even if the company can't beat the media to the punch, personal notification is invaluable.

Withdraw Potentially Inappropriate Advertising

You do not want commercials or other advertising hyping your products or your company as you are about to begin a massive product recall. You do not want to advertise discounted airfares after one of your aircraft has been involved in a serious mishap. You do not want to advertise the quality of your customer service right after the local U.S. Attorney has announced an investigation of the company's billing practices. With 20-20 hindsight, any advertising is likely to look inappropriate or crass during a crisis. The best judgment is often to pull all advertising during the crisis, rather than give the writers of comedians' "Top Ten Lists" any food for fodder.

**Case Study:
Schwan's Sales Enterprises Inc.***

Dateline: October 7, 1994, 12:00 P.M., Marshall, Minnesota. The phone at Schwan's Sales Enterprises Inc. rings and the Minnesota Department of Health is at the other end. The bad news was that the department had found a link between confirmed cases of salmonella and the company's ice cream. A press conference from the department was imminent. The good news was that this particular company could not have been better prepared, both by careful planning and a customer-first corporate culture. Unfortunately for Schwan's, the outbreak of salmonella was not isolated. Thousands of people in 39 states had become ill -- an estimated 32,000 in Minnesota alone.

Schwan's was ranked 51st on Forbes' list of privately held companies with an estimated \$1.8 billion in annual sales in 48 states. It sells its ice cream door-to-door in old-fashioned-style trucks. When the call came in on that fateful Friday, Schwan's could not even be confirmed as the source of the salmonella outbreak because the laboratory tests would not be available until the following Monday or Tuesday. The crisis came to the doorstep of David M. Jennings, manager of public affairs for Schwan's. Proving that luck is sometimes your greatest ally, Mr. Jennings and general counsel William O. McCormack had finished reviewing and rewriting the company's crisis management manual two months earlier.

The first decision the company faced was whether to wait for the test results or believe the health department and shut down production and sales. The company did the

smart thing; they shut down and then went one step further. Jennings did not order a clean-up but instead invited the state health department, Department of Agriculture and the FDA into the plant to investigate and sent a call out to their nationwide sales offices informing them of the crisis. Then he established the crisis management team, called the "recall task force."

The task force established a consumer hotline, staffed it with the workers who would have been working in the plant, began preparations for a massive recall and notified its insurance carrier -- all within the first 24 hours. The company decided on a national recall on Saturday, October 8th. The hotline workers had a script which helped customers locate the suspected products and gave out helpful information about the symptoms and testing for salmonella. Since 99% of ice cream sales were door-to-door, reaching the affected consumers was relatively easy, and the regular salespeople handled the recall efforts.

By Tuesday, tests had confirmed that Schwan's ice cream was the source of the salmonella. On the same day, two class action lawsuits were filed against the company over the incident. But the company pushed forward. Their recall effort was comprehensive and emphasized satisfying the customer. Everything was taken back, no questions asked. The company made clear to the insurance carrier that they intended to settle with as many customers as possible, despite the fact that blame had not yet been assessed. Some customers took cash, others gift certificates and others refused compensation. According to one class action settlement, 14,648 customers settled directly with the company at a cost of \$3.55 million. Later reports set the total settlement of class

action and individual claims at more than \$20 million. Observers credit Schwan's quick and forthright response for avoiding years and possibly decades of costly litigation.

What makes the story more remarkable is that after several weeks of investigation, it was determined that ice cream mix supplied by two vendors had been hauled in tankers previously used to carry raw eggs. The company was simply not at fault. Despite their vindication, Schwan's voluntarily began efforts to beat industry health standards at their plant. Two weeks after the incident, Schwan's broke ground on a new repasturization plant, leased a fleet of tankers to haul the mix safely and established a system for testing the mix for salmonella upon its arrival at the plant. Schwan's put regaining customer confidence first.

Schwan's later sued the two vendors but did so out of the public eye. The company would not talk about the recovery litigation and specifically chose not to bring the vendors in as third parties to the customers' suits to avoid prolonging customer settlements and burdening them with the potentially nasty liability litigation. In an effort to maintain good relations with their suppliers, Schwan's entered into negotiations and the case was settled for more than \$200 million. Schwan's most likely broke even on the whole ordeal.

The entire crisis was handled decisively and with the customers' best interests first. Schwan's strategy led to less litigation and the preservation of the company's image as a caring member of their customers' community. Schwan's had planned carefully for such a crisis and stuck to their plan, guided by their customer-first corporate culture.

* This case study is taken from the following sources:

Schwan's Beats Salmonella & Possible Disaster, Corporate Legal Times, November 1995.

Salmonella-Tainted Ice Cream: How Schwan's Recovered, Corporate Legal Times, June 1998.

Stage Three -- After The Smoke Clears

Careful planning and excellent crisis management also mean not dropping the ball after the immediate crisis has passed. The Crisis Team and the company must include in their definition of “crisis” the entire event *and* its aftermath. Memories are still fresh and perspective and initiative are still as important after the spotlights dim as they were when the crisis broke. Once the initial crisis has been handled, there is a natural tendency to turn attention to details and probe the causes of the crisis. The investigations should continue in order to avoid similar crises, but the Team must not lose sight of the “human” factor within the crisis and the continuing need to focus on credibility and trust.

As time goes on, the Crisis Team should also review the Crisis Plan in light of the practical experience the members gained through the crisis. Inevitably, there will be aspects of the Plan that worked well and others that need to be revamped or eliminated and replaced altogether. Attention must also be given to post-crisis customer strategy and litigation strategy. No matter how well the Team handles the crisis, customer confidence must be re-solidified, and litigation is certain to follow any major crisis. If the Team stuck to the Plan and followed protocol, customers should have been reassured that the company was doing everything possible to respond to the crisis in a fair and forthright manner, and the company should not have admitted culpability or responsibility for the crisis during the initial stages. Sales and marketing managers must formulate prompt plans to restore customer confidence. Personal visits or phone calls to key customers should be considered. At the same time, in-house counsel and outside litigation specialists must formulate a strategy for addressing and disposing of all pending and threatened litigation. Management should also work closely with insurance carriers to minimize the company’s financial exposure from the crisis.

In the final analysis, however, the most important post-crisis advice is to learn from the events and mistakes which led to the crisis. Even if the company played no part in causing the crisis, there are still lessons to be learned to avoid similar crises and to improve upon the company’s Crisis Plan. Once the dreaded phone call comes, there is simply no substitute for careful planning, decisive customer-first action, and dedicated follow-up. When the smoke clears, the company should judge its performance not on its ability to minimize litigation or shift blame, but instead on its ability to minimize damage, find potential successes within the crisis, and build its reputation for credibility, honesty and integrity.



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