Making Decisions During A Corporate Crisis

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The word “crisis” originates from the Greek krisis, which translates, literally, as “decision.” When public companies are faced with crises, decisions must be made about how best to communicate this information to shareholders, the investment community, the media and the public at large.

However, just as there’s good stress (cardio exercise) and bad stress (anxiety), good cholesterol and bad, there are also two distinct types of crisis. A company seeing their tires blow out and being forced to issue a national recall is a corporate fiasco. A company unexpectedly showing interest in buying your business, which could result in potentially wonderful things for you and your investors, creates a corporate emergency of a very different caliber.

For the purpose of this article, let’s focus on how best to respond to bad situations and public relations nightmares. When crises occur—and they will—most often they fall into one of the following categories: poor financial performance; product liabilities/recalls, disasters and accidents; regulatory issues; change in executive management; advisory committee, or board, environmental problems; or public dissatisfaction with the company as voiced by employees, shareholders, consumers or competitors.

In our information-driven, 24/7 media culture, news travels quickly. If the most you’ve ever done to date regarding establishing a crisis communication plan is sketch a few notes on a napkin—it’s time to recognize that the best time to plan for a crisis is before it occurs. If the perception is that a CEO is not on top of a crisis, he or she will no longer be considered the leading source of information and will quickly lose control of corporate messaging. When faced with a crisis, it is imperative to take charge, act immediately and be as forthright as possible. It is equally important to remember that acknowledging a problem is not the same as taking blame. If a rule of good corporate governance is to praise in public and chastise in private, your public response should focus on positive, forward-thinking solutions rather than the assignment of culpability.

Describe the material event as thoroughly as possible in a stand-alone press release issued over wire services. The press release should be relatively comprehensive, rather than referring shareholders and the media to more detailed information in an 8-K filing. A good idea, too, is to hold a conference call to address any and all shareholder questions, with information about the call included in the press release. This gets the message out that the company is being proactive, is not afraid of fielding tough questions, and will hopefully ensure consistency of messaging.

We all face crises at different times. To be as effective as possible when a crisis occurs, keep in mind the following factors and strategies:

- The buck stops with you. Assure your investing public that someone is concerned about the problem and that that somebody is you.
- Openly take responsibility for resolving the crisis.
- Gather all the facts. Base your response to the media and the investing public strictly on those facts.
- Consult a media-relations specialist.
- Keep your staff informed by assigning only designated representatives or a single representative, in addition to yourself, to answer public questions as a way of ensuring consistency of messaging.
- Do not wait to announce bad news. Do not allow yourself to be placed in a defensive position, reacting to

damaging information revealed by others (a journalist or a competitor). This will undermine management’s credibility.

- Allow the media and internet to help you. During crisis situations, some companies become paralyzed by an immobilizing fear that results in the dreaded “no comment.” This stance can do serious damage because it encourages people to believe the worst. In dealing with the media, offer the confirmed facts. If you do not have an answer to a given question, assure the reporter that the company is on top of the situation and that it is working on resolving the problem.

Crises can be overcome. If fact, neither crises nor accounting fiascos but business strategy missteps remain the primary drivers of decline in shareholder value. Even with the bankruptcies and corporate scandals that have dominated the headlines for much of the this past decade, the top three reasons for decline in shareholder value remain: (1) management losing touch with the marketplace, (2) failure to institute a strong business strategy and (3) neglecting to leverage brand assets. Be assured that the investing public and press are more concerned with the company’s well-measured reaction to a crisis than with speedy solutions.

Most important, every public company should have in place a crisis communications plan. And should you find yourself in a period of corporate uncertainty, remember the immortal words of British statesman Lord Denis Healey: “Follow the First Law of Holes: if you are in one, stop digging.