

# Crisis – Can You Risk It?

## Managing In Crisis

### Techniques for Top Management

Jeremy Larken, Managing Director, OCTO

29 November 2000

#### Opportunity as well as defence

Most of us are familiar with the Chinese dichotomy – the word for ‘crisis’ covers a spectrum in Chinese between ‘fear’ and ‘opportunity’. It is an old military maxim that ‘offence is the best form of defence’. Your crisis may, in some circumstances anyway, be an opportunity – the territory attained by Deborah Pretty’s ‘Recoverers’.

Sir Michael Bishop of British Midland achieved this following the famous Kegworth air crash, even though it was well known that the aircrew had shut down the good engine in error. It was achieved by Johnson & Johnson over the spread of two Tylenol crises, even if the passage from crisis to halo was neither simple nor cheap.

Bear in mind also that the arrangements needed to manage crisis effectively are likely to serve equally well for pro-active measures such as a hostile take-over bid.

#### Look to the future – wherein lies our salvation!

A perennial difficulty for a Board is prediction. Prediction is vital but by no means easy to obtain. Crisis signals are often weak and, even if identified as such amidst many other ongoing concerns, difficult to interpret. Top management is, by definition, inclined not to be well informed when it comes to bad news.

Nothing moves more slowly than unconventional googly bad news running up a very steep incline to the Board.

The slide is from Kissinger, ‘The White House Years’ working for President Nixon.

Some ten years earlier during the Cuban Missile Crisis, possibly the nearest we have come to catastrophe in our time, ten days elapsed before President Kennedy was briefed.

#### So what are we trying to do in the crisis environment?

##### Prevention

Commonly, with the wonderful wisdom of hindsight, the signs of a sudden crisis were there for the taking in good time. Clearly this was true, for instance, in the Barings Bank disaster. We find that Boards have many admirable systems for examining aspects of their performance in a predictive way but that these tend to be indicators directly relevant mainly to operational performance and the ‘bottom line’. There is rarely even a simple system of indicators and warnings for worrying trends and impending problems from less-conventional directions.

The changes introduced under the London Stock Exchange Combined Code and the Turnbull Report should be helpful here. Listed

companies are obliged, for audit periods starting from 23 December (ie in some four week's time), to establish and categorise corporate risks, and to account for their management across the spectrum of corporate risks to shareholders in the annual report. Many companies already have the necessary measures in place. A system of indicators and warnings fits naturally into the Turnbull structure.

### Recognition. The first watershed – “have we got a crisis, and if so what is it?”

You can divide crisis into many categories, but for the purposes of our brief time together two will do: the sudden and the progressive.

As examples of sudden crises, we are talking about Piper Alpha, Exxon Valdes, product contamination, the loss of a whole Board in an air crash or by other mayhem, the KURSK affair for the Russians, last September's fuel crisis for HMG.

As examples of progressive crisis, think about Shell's Brent Spar, the consequences for BNFL of the Mox records, and the decline in Railtrack's credibility over a series of rail crashes and the subsequent revelations. For the airlines there is a burst of interest in economy passengers' health on long-haul flights. The global warming issue is a progressive crisis.

A sudden crisis (for instance the Concorde Crash at Charles De Gaulle, the Channel Tunnel fire, or indeed this recent tunnel tragedy in the Austrian Alps) will probably be into the public domain even as the Board gathers and deliberates.

With a progressive crisis, such as Brent Spar, the crucial decision is to recognise that this is, indeed, a crisis.

In either case, the strategy must be to come up from behind and regain control. But how?

### Prepare for Action

**The dangerous approach: we can't prepare for everything; so we have prepared specifically for nothing.**

- ▶ We are confident that we can handle anything that happens. So we shall get the Board and other senior executives together and find out what's really going on.
- ▶ We do have a well-prepared media relations plan and we have invited the Head of Corporate Communications to lead on the whole crisis management business.

**The sensible approach: every crisis is different but every response is not different**

Here are some of the features common to most major crises:

We need to anticipate all these problems, ensure we can get the better of them and get on with winning.

### Crisis management organisation

Have a practised crisis-management organisation that can be put in place quickly, and well-prepared facilities whereby it can function efficiently. Incline towards over-kill initially: the team and structure can be thinned down later if needs be.

It needs to look something like this:

### The top management quorum

A top management quorum needs to convene. Recognising that senior people travel a lot, only some will be available immediately.

The top group might typically number three or four, probably Board members. Their focus should be macro and future looking, and they should take much of the weight dealing with major stakeholders. It will probably include the

most senior media spokesman - such as the Chairman or CEO. Specific direction to the crisis management operations team should take the form of *the what*, but not *the how* - ie, they must strive to keep above the detail of practical implementation. As soon as possible this group should come out of permanent session; they will have much else to do. Thereafter, periodic planned briefings are recommended to a prepared agenda.

### The executive team

The executive team, which must be excellently informed, should develop and execute plans to regain the initiative and bring matters under control. It needs an operations room, probably a conference room near the Board Room with some pre-fitted special features. It needs to have ample communications facilities, the majority of which should, ideally, be sited in an adjacent room. Thought needs to be given to the layout of the room, in particular such details as table sizes and shapes, the layout of information presentations and of communications.

### Someone must be in executive charge

There must be someone senior, competent and practised to take charge of the crisis management team, and a pre-planned mechanism for clearing major decisions efficiently. Probably only two or three senior managers will combine the aptitude and availability for the task. This Executive Group Leader may therefore be a Board member, and will certainly be associated closely with the top group. This person needs a good overview position in the operations room.

### Information management

From the first, information is a crucial commodity. We need to gain an excellent understanding of the situation quickly and sustain this. The aim is to be the best-informed people in town, and trusted also as the source of the best, most reliable and timely information in town. We need to communicate

quickly and effectively with stakeholders, the media being particularly important as both a stakeholder and an opinion spinner for other stakeholders.

Good information forms the basis for briefing the board. This is in itself a core skill which under tight time pressure must take place to a disciplined agenda.

In addition, a successful resolution requires timely and high-quality briefing of key stakeholders and media, recognising again the dual role of the media. For this the crisis team needs to compile an arsenal of high quality, *not* high volume, information. For instance, analysis of the critical issues, distillation of the key messages, assessment of stakeholder perspectives, and assessment of reputation risks.

We frequently encounter a very weak understanding of this absolutely key element of successful crisis management. It is most unlikely that the company's conventional communications and information management systems will be equal to the demands of a serious crisis.

No commercial company could or should feel able to resource specialist crisis communications teams on any military or blue-lights model. Nor is it any good putting such a task in the hands of secretaries and junior managers and hope they will cope. They will not know how to tune the communications systems to manage the deluge of incoming information. They will not have the experience to produce the vital information gold nuggets from the overload of information silt, trivia and irrelevance.

Therefore you probably need to look to senior managers to manage information and present it to the decision makers effectively. You will notice an Information Management Group over here to the left of the Operations Team. These two or three people will probably be senior people. Dedicated communications teams can then disseminate the core messages to the media, customers, relatives and other such groups. Designated directors and senior

managers can be delegated to engage with specific key stake-holders.

### Detailed and expert support

You will see a range of subsidiary groups. Those shown here are illustrative – they need to be established to meet the circumstances. Many can be predicted and involved in exercises using representative scenarios. Leaders of these groups, often departmental heads, certainly need to be involved in exercise work.

Experts have a vital role in crisis but they also need to be controlled. Remember that experts are generally single-issue people. It is a sign of a weak crisis management organisation if experts are calling the shots.

### A shift system?

For companies with world-wide footprints the crisis may well be a 24-hour per day affair - at least for a time. You will therefore need at least two shifts to run the Executive Group. A picture of the potential magnitude of the task begins to emerge – bearing in mind that efforts to conduct business as usual will be as crucial as the management of the crisis itself.

### Finding the high-level resources

There will not be enough, but one must do one's best.

A solution we recommend is to train a large cadre of senior managers (a FTSE 100 plc recently opted for 30) and train them to populate the Executive Group.

We find that there is a direct relationship between the calibre of the managers selected for such training and the quantity and intensity of the training required. Predictably, able people adapt very readily to the crisis management requirements. Equally, they find crisis management skills a very valuable addition to their inventory of general management requirements.

The other virtue of this kind of preparation is that it demonstrates quickly those with a real aptitude for the business, and hence candidates for the key roles, such as Executive Group Leader. Also it exposes, and relatively kindly, those people who are unlikely to contribute or indeed cope in the crisis environment.

### Strategic Decision-making

Decision-making in a crisis is a topic on which we generalise only with great caution. High quality, but usually incomplete, information must be transformed into creative and often courageous decisions. Past case-studies offer guidance, but must be stripped back to the core principles if the wrong conclusions are not to be drawn.

OCTO's primary recommendation here is to ensure that your Board level crisis manual offers a stimulus rather than a substitute for thought. Brief and pertinent, it should encourage the right way to think into a crisis, rather than offer procedural responses for anything other than the most mundane non-crises.

A ubiquitous success criteria for your crisis team is to present stakeholders with a favourable view of your company's situation, strategy and actions and to secure their early confidence and trust. The public may or may not be a direct stakeholder; but public attitudes, if articulate and forceful, may influence stakeholders – possibly the Government.

### Leadership

I would like to finish on the topic of leadership. Crisis management is a line-management business. It is intimately and intricately involved with media relations, but do not invite the Corporate Communications Department to run the crisis – it is the same as suggesting Alistair Campbell should have run the fuel crisis. Ultimately your PR advisers are experts and like all experts they have a conditioned agenda – that is their job. Moreover the Corporate Communications Department will be heavily overburdened during the crisis itself

just doing its job. In the event it will almost certainly need augmentation simply to cope.

Crisis is notorious for creating internal dissension. If this occurs at the top of a company, the tensions can be terrific and the effects will multiply as they descend.

Lastly, remember that your own staff constitute an important stakeholder. If your people believe in the company, are proud to belong and are kept well informed, they should prove important ambassadors in addition to their status as a vital short, and long-term asset. If alienated, they can be a serious liability and a source of damaging leaks. Much Greenpeace information during the Brent Spar affair came from within Shell.

These are exemplary circumstances where effective leadership can lift you out of the mire and move mountains. Spare a thought for the rail industry today.