

Crisis Leadership

A Board Level Perspective on Managing Corporate Reputation

Helen Shannon, Director, OCTO

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As we well know in major hazard industry, our worst emergency scenarios can also turn into major corporate crises, events that can make or break the company. In one sense, the corporate crisis can be seen as a natural extension of the emergency, but crises can arise in many guises and from many different causes. Whatever the cause, the crisis dynamic, once rolling, is remorseless and places unprecedented pressures and demands on individuals and on the organisation.

In today's climate, the ability to manage successfully through a corporate crisis is simultaneously a key element of corporate governance and - as Dr Deborah Pretty's article explains - a critical element in establishing and maintaining corporate reputation.

Recent research by Oxford Metrica into the aftermath of twenty-five corporate disasters for publicly-owned companies identifies a number of common factors:

- ▶ Share-holder value drops rapidly in the immediate aftermath of a crisis;
- ▶ Companies tend to fall into the category of recoverers or non-recoverers;
- ▶ Recovery of share-holder value appears to be related directly to the perceived ability of the management team in dealing with the crisis;

So if we want to be a recoverer, we have to manage our crisis well.

In OCTO, we use the following definition of crisis, influenced in no small part by the Chinese definition whereby the character for Crisis sits in the balance between the two extremes of 'Danger' and 'Opportunity'.

Bhopal, Exxon Valdez, Brent Spar are all well-known case studies, offering many valuable lessons. Perhaps less well known are the answers to the questions 'Who owned the oil in the Sea Empress environmental disaster at Milford Haven?' and 'Who contaminated the beaches of California in an incident similar in impact to that of Exxon Valdez?' Both were well-managed crises, exemplified by the expectation that many readers will not immediately recall the answers, whereas most of us will quickly list Union Carbide, Exxon and Shell in the first three. One common theme linking the two successful companies was that both were extremely well prepared.

The first principle in crisis management is that it is **different** from routine management. Although well within the grasp of most senior managers, crisis requires a distinctive inventory of skills. Ensuring a cadre of senior managers with the ability to think and operate in crisis situations is essential if crises are to be circumvented and indeed turned into business opportunity.

Top management must concentrate on protecting reputation

Short term financial performance always suffers in a crisis, but companies can survive this, re-build their position, and indeed build upon it, provided

that reputation is maintained. Reputation management is a vital key. In the current climate of spin that pervades our politics and media coverage, one of the most vital lessons here is that cynicism and spin must play no part in developing crisis strategy. Reality on the other hand is a valuable guide. Directors' primary focus is stakeholders, on the business side represented primarily by key shareholders and also investment analysts. However the interests of customers, regulators, victims, employees, and a whole range of legitimate stakeholders must be weighed and managed with sensitivity. Ultimately, companies must be a safe pair of hands and good corporate citizens, and be seen to be so.

So how do we protect reputation?

It is essential that the company is seen to be responsive and in control. It must demonstrate a set of values that the community can respect, showing overall priority for human life and well-being above that of financial performance. It is essential to manage this whole process systematically. This in no way detracts from the path of good principle. On the contrary, faced with huge media pressures, potentially aggressive single-issue pressure group attention, and a frequently well-intentioned but poorly-informed public response to technical and scientific issues, it is vital to identify the pitfalls in advance and manage an honest way through them. Early admission of mistakes is for instance a hugely effective way to diffuse accusations of deceit. The public, and indeed the media, do not expect perfection in their judgement of good reputation, just integrity and that basically safe pair of hands.

Finally, the role of the CEO can be crucial. A famous example was provided by Sir Michael Bishop, CEO of British Midland Airways at the time of the Kegworth air crash. By contrast, the Chairman of Union Carbide at the Bhopal disaster was arrested on arrival in Delhi. The best role for the CEO or representative director is a matter of judgement and sensitivity. Case studies offer good insights, when placed in context.

Lastly, remember that your own people are vital stakeholders. If they believe in the company, are proud to belong and are kept well informed, they

should prove important ambassadors. 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.

So what does this mean for the crisis leadership team?

The crisis response organisation needs to be carefully thought through and substantial. It is a common fallacy that crisis is so variable in form that only the loosest of prepared structures is needed.

Crisis variants have many common characteristics. All point towards a need for fast, effective strategic decisions and speed and flexibility in implementation. Precision in defining the organisation and writing mandates with the utmost clarity is a recipe for empowerment and flexibility.

The crisis management organisation must be line-management driven. It is not satisfactory to put it in the hands of one department. Specialists will be crucial contributors in crisis, but they are by nature single-issue creatures. Crisis at its worst (for which one must prepare) will affect the fortunes of the group/company as a whole, possibly its very continuance in its present form. This is not an expert or departmental matter. Excessive dependence on experts in crisis is a signal of weak line management and an expectation of flawed strategic direction in the event. Remember corporate communications departments, although vital, are specialists too.

Information management is a crucial function

A really accomplished crisis centre provides the board with structured, relevant information as a basis for critical, strategic decision-making.

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 in their own right and an opinion spinner for other stakeholders.

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

In addition, a successful resolution must be underpinned by 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. We need to encompass efficiently: accurate compilation and assessment of what has happened; analysis of the critical issues; distillation of the key messages; assessment of stakeholder perspectives, and assessment of reputation risks.

Is that it?

There are other essential elements of crisis preparedness: crisis early warning signals and crisis intelligence; crisis response procedures; selection and training of core staff; media, issue and stakeholder management; crisis management facilities, hardware and software. These are the facilitators of crisis management. However, success depends ultimately upon the quality of leadership throughout the organisation.

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I would like therefore to conclude on the topic of leadership. Crisis management is a line-management business, demanding line-management practical leadership. It is intimately and intricately involved with media relations, but do not invite the Corporate Communications Department to lead 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 emanates from the top of a company, it is the antithesis of leadership. Tensions can be terrific and the effects will multiply as they descend. Upwards leadership is important too: having the insight and sensitivity to anticipate such tensions, to support top management constructively, and to provide a background against which executives can give of their best are all core skill of effective crisis management teams.

Jeremy Larken, OCTO's MD, reminds us that practical leadership in crisis is not imposed, it is desired. Crisis leaders display clear strategic vision, open-mindedness and judgement. They are respected by their teams, who are empowered, practised, well resourced, well cared for, and excellently informed. Accustomed to adversity and uncertainty alike, crisis leaders generate reasoned optimism. Luck favours their prepared minds; they know when to take risks and when to do nothing, and they spot the openings to create opportunity against the odds.

Helen Shannon joined OCTO as a director in 1997, specializing in crisis and emergency management systems. Previous career as a plant manager, regulator and business manager in the chemical and oil industry. Extensive experience in developing crisis response systems in nuclear, pharmaceutical, utilities and service industries. For more information visit www.OCTO.uk.com

(Answers: Texaco, BP)