

Bad news happens. It's not always a crisis.

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The company president is arrested. A disgruntled employee shoots three colleagues. Safety concerns lead to a massive product recall. Activists target your company for a boycott. A crusading attorney general sues you. Your largest union goes on strike.

Time for the public relations department to pull out the crisis management plan? Well, maybe not so fast.

Crisis management has become one of the hottest specialties in the communications field. Indeed, most corporate public relations managers, especially in the healthcare industry, devote significant resources to their crisis management plans, and for good reason. Mismanaging a public response to a crisis carries terrible consequences, for the manager's company and career.

The problem is that all the attention on crisis management has escalated the concept of a corporate crisis to cover almost any kind of negative event. By reacting to every negative event in crisis mode, communications managers risk creating a self-fulfilling prophecy: treating a negative event as a crisis can turn it into a crisis, even if it is simply bad news.

A true corporate crisis is an event or set of circumstances so disastrous that the company's entire reputation is jeopardized; the future of product, a brand or even the company itself may be threatened. Think about the Exxon-Valdez oil spill, the Union Carbide Bhopal accident and the Tylenol tampering.

Of course, a negative event doesn't have to be of such magnitude to constitute a crisis. For instance, with the obvious exception of the tobacco industry, a *bona fide* corporate crisis emerges any time a company's products are found to harm its customers. Consider the recent pet food recall, the *E. coli* cases linked to spinach and a fast-food chain, or, classically, the Tylenol crisis of 1982.

But what about the examples cited at the start of this article? Bad news, certainly. Negative consequences, of course. But crises? Not necessarily. Dealing with these kinds of events responsibly and effectively requires the communications manager to understand how a crisis differs from an emergency or a controversy.

Emergencies are unexpected but usually discrete negative events that require urgent responses. Natural and man-made disasters or tragedies, industrial accidents, severe financial, legal or regulatory setbacks, accusations of corporate malfeasance — all qualify as emergencies. Outcomes are generally predictable. Consequences, while serious, are not dire. Media attention is intense but brief.

Controversies are ongoing disputes in which a company becomes a high-profile target of a special interest or activist group. Strikes, lawsuits, protests, boycotts and hostile accusations are all features of modern corporate controversies. Consequences are usually limited, and attention from the mainstream news media tends to be sporadic.

Corporate crises are emergencies or controversies that have escalated beyond managers' ability to control developments, either because of human failure or the force of external events. Outcomes are highly unpredictable, consequences are dire and media attention is both intense and lasting.

Communications managers should think of controversies, emergencies and crises as different points on the spectrum of bad publicity. Response plans for all three types of events should come from the same playbook, which, for convenience, can even be titled "Crisis Management." But the first step in crafting a response is properly classifying the negative event.

Accurately classifying an event as a controversy, emergency or crisis enables you to select the proper tone for your response. This, in turn, helps you decide whether, when and how to convey authority, accountability, defensiveness, remorse, sorrow, contrition, righteousness or some other sentiment. Choosing a tone appropriate to the nature of a negative event will also help guide your choice of language, which is important because words convey, and elicit, emotion. And that's important because in times of stress, companies — like people — are judged less on the basis of facts than feelings.

When faced with bad news, it is not uncommon for communications managers to launch immediately into crisis mode. Some do it out of panic or inexperience; others from a misguided sense of corporate battle lust and the adrenaline rush of managing a “war room.” Whatever the reason, working in crisis mode inevitably sends an unmistakable message that your company is, in fact, facing a crisis. And there’s nothing like a crisis to set off the classic media feeding frenzy.

Business reporters can smell crisis mode like sharks can smell blood, and the response is similar. Suddenly, news reports are filled with terms such as “high stakes” and “questionable future” and “matter of time.” Your company’s actions and executives are scrutinized and second guessed by media-appointed experts on cable talk shows. Bloggers start predicting your company’s demise. Politicians pile on.

Now you really have a crisis — one of your own making, because a negative event that could have been manageable has spun out of control.

Communications managers who overuse the term “crisis” also risk being seen as the boy who cried wolf. If every bad event is treated as a crisis, what happens when there really is a crisis, when the future of your company is truly at stake? Will you get the corporate support you need to control the company’s response, or will the delays of battle-weary colleagues thwart your efforts at damage control?

A crisis is a situation with a strong possibility of a highly undesirable outcome. With good management, it is a condition that companies should rarely, if ever, face. While prudence dictates crisis preparedness, the trend to label every emergency and controversy a crisis invites the very result that communications managers should fear most.

Sidebar

WHAT ARE THE POTENTIAL CONSEQUENCES OF A CRISIS? Simply put, there are three potential outcomes to a crisis:

1. The company is “punished” to the extent of being put out of business
2. The company is “paroled” but put on a long or a short leash by government and/or regulatory agencies
3. The company is “praised”

The degree to which a company is punished, paroled or praised is strongly related to the quality of crisis communications planning within the organization.

Similarly, a crisis can affect a company’s bottom line in six ways:

1. Contamination, tampering or recalls may require you to stop selling your product.
2. Disparaging reports or activist attacks can cause consumers to question your products and as a result, they may stop buying them.
3. If you’re prohibited from selling your products or if consumers question your reputation, you may lose the loyalty of your marginal customers who may turn to competing products/categories ... and you may lose these sales forever.
4. Legislation, regulation and negotiation resulting from a crisis can increase your cost of production.
5. Increased concerns about your creditworthiness among bankers and investors, who may increase your financing costs.
6. Most serious of all – but highly unlikely – is a crisis of such magnitude that you are forced out of business.

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