



The Walden Group

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Critical Corporate Advice -- How to Handle a Corporate Crisis

By Marcia Horowitz, @2005 Rubenstein Associates, Inc.

Crisis communications has become the catchword for dealing with the swarm of negative developments ailing so much of corporate America in the past few years. From FDA problems, to product liability and employee-related lawsuits, to changes in leadership, companies must communicate these significant events to the many audiences important to them. Obviously, public companies have SEC disclosure obligations and their own unique set of priorities, ranging from informing their shareholders in a timely way to dealing with press inquiries. However, whether you are a small, private company needing to rally support from your customers, vendors, or employees, or a large healthcare conglomerate facing the recall of a product line or sudden drop in financial performance, there are a number of do's and don'ts which apply to virtually all situations.

DO

- **Prepare in advance** - create a "crisis" team designated to swing into action when an adverse event occurs. Though team members vary depending on the company, most would include a representative of management, legal, public relations, and human resources.
- **Identify audiences you need to communicate with** – create a list of employees, vendors, media, advertisers, major stockholders, etc. so that you can communicate with them in a timely way in the event of a major development.
- **Keep your messages consistent** - format and level of detail may vary, but you can't vary the main content.
- **Wait until you know the facts before reacting in a knee jerk fashion** - telling everyone you didn't do anything wrong and finding out later you did can compound the problem. Often the cover-up is worse than the crime.
- **Create a media policy in advance** - make sure employees know that all press inquiries must be channeled through one or two designated spokespeople at the company - remind them of this periodically and re-issue the policy at the time of a negative occurrence.
- **Prepare written responses** - this insures everyone speaking on behalf of the company is speaking from the same page and saying the same thing.

Some Recent Healthcare Industry "Crisis"

- Safety issues relating to Celebrex and other drugs
- Anti-trust issues surrounding group purchasing organizations
- Shipments of certain stents after learning of high failure rates
- Allegations of kickbacks to physicians and Medicare fraud
- Receipt of FDA warning letter

- **Ask the question, "What's the right thing to do?"** instead of "What should we say?"
- **Get out the bad news quickly** and avoid the "water torture" of trickling bad news apt to draw out the problem longer.
- **Be cautious on how one uses "on/off the record,"** and/or "background" with reporters - set the ground rules before you talk since reporters' interpretations of these concepts differ widely.
- **Set up a mechanism for communicating with employees** so that they can be kept abreast of developments - from e-mail blasts to town meetings. The first ground of defense is your staff.
- **Provide a resource for fielding inquiries from your key audiences** - an individual, a phone number and/or a website are effective means for understanding what people are thinking and reacting appropriately.
- **Train spokespeople so they communicate effectively** and can field challenging questions.
- **Build a reservoir of goodwill** with employees, community, customers, etc. through charitable donations and volunteer work, for example. You may need it in bad times.

DON'T

- **Decide you can hide the truth**
- **Take a bunker mentality** - engage the issue, don't automatically say "no comment" and hope the problem will go away; it projects a presumption of guilt.
- **Make up answers when you are not sure**
- **Bully reporters, even if they are being hostile.** It's not a level playing field - they control the ink.
- **Believe that a story in the media can be killed if you know the right people**

In the area of healthcare, ranging from hospitals to medical device companies, it is particularly important that the entity conduct itself as a caring, compassionate institution. Public safety comes first and information must be forthcoming. If a problem arises, internal investigations and/or external investigations by disinterested third parties must be launched immediately. A mechanism for disseminating that information must be put in place. If a mistake was made, admit it and apologize. Obviously, legal considerations are a factor in cases of potential wrongdoing, but no company can be criticized for telling the truth.

Fortunately, everyone roots for the underdog, and the turn-around story of a company getting back on its feet after a crisis is almost as popular as the story when it fell on its face. It just takes some time and patience.

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