



## **Thinking ahead pays off during turmoil** ***From the August 13, 2007 issue of PRWeek By: Craig McGuire***

Managing a financial crisis requires careful planning and outreach. In this era of the shareholder insurrection and the vigilante blogger, any crisis can be a financial crisis. To sidestep disaster, proper planning, agility, and judgment are crucial to calming key audiences.

From activist shareholders and internal power struggles to litigation, regulatory investigations, white-collar crime, and product recalls, there is no shortage of looming threats, says Michael Claes, MD of the corporate practice at Burson-Marsteller.

Claes recently weathered the perfect storm when the board at a well-known consumer-services provider in the home/garden sector ousted its CEO amidst a sagging share price.

Burson helped execute a strategy that repurposed the long-scheduled "analyst day" as a platform for a top-to-bottom review of operations, with line-of-business leaders providing candid assessments and a three-year plan.

Though an unusual approach, this strategy leveraged proven crisis management techniques, including a thorough accounting of facts, execution of a predetermined plan, and dissemination to multiple audiences.

Ultimately, the company was sold, but shareholders did get an attractive premium. "[During] a crisis, a company must be in command of all the facts and anticipate all vulnerabilities," Claes says.

You don't have to be a financial institution to suffer financial loss, adds Larry Smith, Institute for Crisis Management president.

On the day after Christmas several years ago, Michael McDermott strode into the suburban Boston headquarters of Edgewater Technologies, one of Smith's e-commerce clients, and shot seven of his co-workers to death.

Even with no litigation, Edgewater suffered financially. The workplace was a crime scene for seven days, while costs mounted for providing emotional and financial support to the victims' families and employees.

Amid such pressure, Smith guided management with a simple formula of identifying issues, identifying audiences with a financial stake (customers, vendors, shareholders), communicating with those audiences, and addressing the media, not as an audience, but as a means to reach a key audience.

"There are no new crises," he says. "Nothing is going to happen to your company or your client that hasn't already happened to someone else, so look for what's worked."

**Kevin Ota, SVP of GCI Group's corporate practice, takes it one step further, maintaining that financial crises don't exist, at least not in a literal sense, for communicators.**

**"For PR purposes, a crisis is an issue, perception, or event that negatively affects the viability of a business," Ota says. "Of course, there are crises of a financial nature, but the PR result does not rest solely on a company's bottom line."**

**Understanding that, Ota says, a response to a Securities and Exchange Commission investigation about fraud becomes more than a financial crisis, but a plan addressing a crisis of trust and the perceived morality of a company's leadership.**

**This approach enables PR pros to develop more effective plans. "[This helps make] the business case for... planning for and executing every assignment with the understanding that there is a tangible business goal to achieve," he adds.**

Michael Geczi, EVP of corporate communications at Ashton Partners, advises to not only communicate facts, but processes.

"Explaining the process lets them know the steps we need to take in order to begin dealing with the crisis, as well as the procedures we are putting into place to ensure no mistakes are made," he says.

Crisis experts advise consulting with the legal department to avoid starting any more fires and with business leaders to build consensus. It is also important to leverage technology because it can help connect directly to audiences. And don't be cheap. But while it's important to supply funds, one can't just throw money at the problem.

Ultimately, having a plan in place can make all the difference, notes Chris Gidez, SVP and US director of crisis communications at Hill & Knowlton.

He says, "I like to quote [retired Lockheed Martin CEO] Norman Augustine who wrote, 'When preparing for a crisis, it is instructive to recall that Noah started building the ark before it began to rain.'"

## **TECHNIQUE TIPS**

### **DO**

Have a crisis comms plan in place, designating roles and responsibilities  
React quickly. Don't give a crisis the chance to gain momentum  
Identify facts and processes for recovery

### **DON'T**

Say too much or not say enough  
Evade the media. The longer the stall, the harder the fall  
Talk to anyone outside the organization until staff and partners have been briefed