



Avoid That Corporate Crisis

It's never too early to prepare for that product failure or company scandal.

A corporate disaster can strike with little or no warning. It can also start as a minor issue that is left to fester. In any case, it can affect any business or organization – large or small, domestic or global – whether run well or haphazardly. It can destroy corporations, even those that have taken generations to build. It can ruin the livelihoods of thousands of people. An absolute certainty is that when a corporate hurricane does strike, the people on the frontlines dealing with the media have only one chance of getting the intended message across.

Drop the ball and the media will be raking through your corporate remains until there's little left to

salvage. Or, of little consolation, until the next company fouls up and is under the microscope.

Accidents and errors, of course, will happen; it is how a company handles the initial wave of finger pointing that determines whether the enterprise will sink or swim. Still not convinced? Some huge potential disasters have never made it even to the news-in-brief column on the business pages – let alone the front pages – because well-trained staff have got the right message across, straight away.

“No, I'm not telling you the company involved or the nature of the crisis,” explains Jesse Green, vice president of strategy and development at Hill &

Knowlton Japan in Tokyo. “But there was an issue that had the potential to develop into a full-blown crisis, and we worked closely with that company to prevent that [from] happening. And it worked: the press covered the situation fairly, customers – existing and potential – were communicated to directly, and despite an initial sales decline, the company shortly thereafter saw a double-digit percentage increase in sales of the product in question.”

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opinion – which, anyway, has a natural tendency to condemn before hearing all the facts, Green points out – have included Livedoor Co., Ltd., Mitsubishi Motors Corp., West Japan Railway Co. and Schindler Elevator K.K.

The latest name to be added to the list is Paloma Industries Ltd., which is struggling to crisis manage the fact that 21 people died of carbon-monoxide poisoning and 30 others were injured over the space of 20 years due to allegedly botched alterations to safety devices in Paloma's home-use water heaters.

"Twenty years ago, the first [that] the public might hear of an emerging problem might have been the following day's newspaper; today, it's out in the open before lunch on day-one," observes Green. "And while a lot of foreign companies have brought their corporate culture, and compliance and governance standards with them to their Japanese operations, one look at something like Schindler shows us that some critical issues are not being dealt with. "And just because Japanese society is less litigious, it does not mean that you can relax," adds Green.

It is a feature of modern society that consumers can be characterized as demanding because they have choices; failing to meet their standards means they will simply go over to the opposition, says Kumi Sato, president of Cosmo Public Relations Corp., which has a 20-year track record of strategic communications consulting and

training, particularly in the areas of food safety and healthcare.

"In the late 1990s, the consumer's voice became more important as there were a series of crises related to food – the Snow Brand problem and E.Coli poisoning, for example – and they need to know what is being done to combat a given situation and they need updates as research continues," she says. "They get very irritated if they are kept in the dark – which can be a larger problem in Japan because a Japanese corporation will often be reluctant to take the issue outside the company, and they listen to [the] lawyer first and foremost.

"They forget who they are responsible to – the public," she emphasizes. "And, in the end, they mishandle communications, lose the trust of their customers; and when they eventually do bow and apologize, it's too late and there is no forgiveness from the other side."

Don't be defensive

A related fundamental mistake, says James R. Weeks, president and CEO of Gavin Anderson Japan, is to focus too much on defending yourself against potential liability, rather than thinking about the impact on corporate reputation and credibility.

While that might be the knee-jerk boardroom reaction, in a corporate world that is too often divided between the lawyers' fear of liability and the public relations team's desire to protect the company's reputation, companies

often suffer from siding with the lawyers and ending up apologizing too late.

"At the end of the day, success often comes down to two things," says Weeks. "First, companies and organizations of all kinds need to have crisis plans in place, with teams of trained people ready to step into the breach. It's still amazing how many companies fail to think ahead as they should.

"And second, companies need to recognize that, when a crisis hits, they're going to have to act on their feet and not rely on some fixed crisis management formula.

"You need the crisis plan, yes, but that's only half the battle. When push comes to shove, you need experienced crisis handlers who have been there before and can calmly manage the unique specifics of each unique situation," he stresses.

Weeks cites the Tylenol tampering case of 1982, in which seven people in Chicago died after taking doses of the pain-killer that had been laced with cyanide, as the crisis management case held up as the benchmark for others to follow.

"Most companies end up surviving crises," says Weeks, "But the question is how long the recovery takes – and at what expense to reputation and business performance.

"The total recall of all Tylenol products was an inspired move that smart companies have followed ever since, though with varying degrees of success," he observes.