

What sort
of leader
are you in a

crisis?

When you're
in the thick
of it, it's not
just what
you do – *it's
how
you do it*

STORY BY ALISON BOLEYN

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"We know what happened with [Cambridge Analytica] *but I'm asking you.*"

Congresswoman Anna Eshoo, questioning
Facebook CEO Mark Zuckerberg, April 2018

WHEN MARK ZUCKERBERG was summoned to testify on Capitol Hill in April, Facebook assembled a team of experts to coach him. The social media giant's CEO was on the Hill to be quizzed on news that Cambridge Analytica – the data analysis firm that worked on Donald Trump's 2016 presidential campaign – had used data harvested from up to 87 million Facebook users without their consent. The experts, which included a former special assistant to then president George W. Bush, wanted to ensure he spoke with forthrightness and humility, tolerated interruptions and rebukes and, it seems, answered uninformed questions without eye-rolling. ("Mr Zuckerberg... how do you sustain a business model in which users don't pay for your service?" "Senator, we run ads.") With research indicating 49 per cent of an organisation's reputation lands with its CEO, Facebook wanted its face to be a little more... human.

A data scandal is just one of a number of threats to a company's reputation and profitability. There's also the product failure. The sexual harassment scandal. The ad campaign that offends more people than it was ever intended to reach. The environmental disaster. The careless tweet. With broadcast capabilities in the hands of anyone with a phone – and social media frothing to opine – the chance of doing something wrong for all to see is at an all-time high.

It can be an expensive exercise. At the banking royal commission in April, revelations that AMP had repeatedly misled the Australian Securities and Investments Commission over fees charged to clients for services they did not receive wiped about \$1.3 billion off the financial services company's market capitalisation in a week. It also saw the exit of CEO Craig Meller and chair Catherine Brenner.

Then there are threats outside a CEO's control, such as a natural disaster (Queensland businesses claimed more than \$733 million in damages after 2017's Cyclone Debbie), white nationalists wielding your make of torches (as happened to US company Tiki Brand during 2017's Charlottesville rally) or Kylie Jenner devaluing your platform with a single tweet (cost to Snapchat in February: \$1.7 billion in share value). "We live in a world of humans and humans are naturally fallible," says Ava Lawler, managing director of the Australian arm of public relations agency Weber Shandwick. "Mistakes will be made."

Still, "the widely repeated idea that 'crisis is inevitable' is unhelpful," says crisis consultant Tony Jaques. "Companies can – and should – be taking real steps to prevent crises rather than saying, 'They're inevitable; we'll do our best.'" He says organisations must identify the crises that are "natural" to their business, the industry-specific worst-possible cases that keep CEOs awake at night – a contamination scare for a food manufacturer or a leak for a chemical plant.

"It doesn't have to be on every news bulletin for something to be a crisis," says issues management expert Sue Cato. "It's about understanding what is 'mission-critical'. A crisis could be a fight on a board where there's disagreement on strategy. It could be a major cultural issue, a loss of confidence in your CEO or you've worked out your direct reports have no vision." A crisis, adds the Cato & Clegg partner, "can manifest in ways that can be very public or very quiet but it's no less a threat for your business".

The crisis-management mistake Cato most often confronts is denial. "If you know you have a problem, deal with it. If you know the right answer, make the call. Because if you ignore it or put it off or hope it will go away, generally the bruise is bigger and the healing longer." She laments "cookie-cutter" crisis plans that consist of "pieces of paper with phone numbers on them and no proper risk analysis". Lawler, too, encounters plans delivered from an overseas office and formulated years earlier. "The individuals change, the contact details change, the issues and crises change. Part of this is being alert to the hot topics of the day and identifying where there might be risk areas and policy gaps."

Cato proposes leaders ask themselves the hard questions: "Do I have ongoing bullying, sexual harassment or other issues I need to think about? Do I have any disaffected staff – ex or current – who've come to me with a problem I've done nothing about?"

Jaques, director of management training and consulting firm Issue Outcomes and author of *Crisis Proofing: How to Save Your Company from Disaster*, refers to "smouldering crises" where staff warnings are ignored – even blocked – through lack of formal mechanisms or a cultural aversion to open, retaliation-free communication.

"Good companies have risk-analysis plans, a risk register and a current-issue register," says Cato. "Early identification and training people to know when to escalate is critical."

Jaques advises companies to schedule two drills a year, where the designated crisis-management team role-plays a scenario. Participants often complain they don't have enough information, he says, "but crises, by definition, are messy. If there was a plan you could follow step by step, it wouldn't be a crisis."

"Even one crackingly good drill will show people where they thought they had a plan but weren't really prepared,"

says Cato. "I did one the other day and out of it came 30 action points."

Jaques quotes University of Oxford research that found the share price of companies with a good plan in place fell less and recovered faster following a crisis. "Twelve months after the incident they were, on average, seven per cent above where they had been when the crisis struck. Whereas the average share price of companies without a plan was about 15 per cent below the pre-crisis level." Lawler recommends the plan be accessible via mobile or the cloud in case the crisis includes an IT failure.



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"I am a for-profit business.

I am not hiding from that."

Mylan CEO Heather Bresch, defending the 500 per cent price increase of anaphylaxis treatment EpiPen in 2016

Jaques recalls what was once known as "the golden hour", a precious pocket of time in which to coordinate a company's crisis response before any action is expected. But since the advent of mobile phones and social media, "it's literally minutes," he says. Lawler describes a crisis steering committee that includes crisis communicators, senior executives and a working group that fits the crisis: logistics if it's a truck accident; IT if it's a data issue. "It's about understanding all the issue's touchpoints and everybody understanding their jobs," says Cato. "Somebody is getting the statement ready, someone else is talking to the regulators, someone's telling the board, someone is dealing with emergency services." The moment there's a situation, there's a phone number everyone dials "and they come to that call with as much information as they can within 10 minutes, half an hour max".

You do a "deep dive", continues Cato, "because if you don't know what ailment you're treating, you could make it worse. You have to quickly find the person who's the most reliable source of information, your safe pair of hands." She knows "instinctively" who that is. "People behave differently in a crisis situation. Some are unbelievably calm and forensic and, for others, it absolutely floors them. Their title is irrelevant. It's all about how someone emotionally, psychologically responds to extraordinary pressure." And a steady presence in one type of crisis might fall apart in another.

It took Facebook four days to issue a statement after the Cambridge Analytica scandal broke in March but Jaques says, "There's always something thoughtful and empathic you can say in the first five minutes." To open, state what happened as you know it: "We believe what occurred was as follows." That's important because false stories are already starting to spread." Then apologise, show empathy and share what you're doing: "We're cooperating fully with the authorities. We'll make sure every step is taken."

Lawyers may caution against apologising but failing to do so can destroy a brand. The United States Consumer Product Safety Commission is currently suing Britax after the company refused to recall or repair its B.O.B. jogging strollers following more than 200 complaints about them tipping and reports of 97 injuries – at least 50 to young children. The company argues that misuse is to blame, rather than any defect. "The reality," says Jaques, "is that once you get into court saying there's nothing wrong with that stroller, you've already lost in the court of public opinion."

How to successfully manage a social media crisis

Digital marketing strategist Raz Chorev outlines the fundamentals.

What is the most common mistake you see leaders make during a social media crisis?

Staying silent or responding elsewhere. It's best to have a conversation with people before it becomes a catastrophe – and the place to do it is where the other party is present.

How do you effectively monitor social media outside your own assets?

There are hundreds of software solutions, from a simple Google Alert to more sophisticated packages like Sprout Social, Hootsuite, Brandwatch and Mention. There are many more that don't get the market recognition but are just as good, such as Sysomos, Adobe Social, Sprinklr and Percolate.

Can you walk us through an escalation plan?

It's about assessing the message; if you can't add value

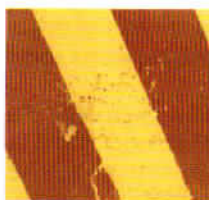
then you at least thank the poster. If they have the facts wrong, gently correct them. If the facts are correct, you take reasonable action to address the issue and advise the unhappy customer you're doing so. If the comment comes from what we call a "dedicated complainer" and you can't resolve the issue or if it's from a "wannabe comedian", you'd let the post stand and continue to monitor.

So it's acceptable for a brand not to respond to a negative post?

Not every comment needs a response. It's okay sometimes to ignore it and see where it leads. In many cases, the conversation may die or not even start. Since everyone now is a commentator and a sharer, there will be many negative comments or tweets or posts or whatever other means of broadcasting one's feelings. Not every piece of negativity is a cause for panic.

Should all companies have a social media presence, including CEOs?

In my opinion, not every company or person should be "on" social media. A presence on a social channel should have a purpose first and until you have a purpose, there's little benefit in having a presence. However, all companies should monitor social media and track comments on their brand, products and services, employees and, of course, leaders.



"Our lawyers tell us it's not our fault.

But we feel like it's our fault and we are going to act like it's our own fault."

• Then BP America chair James Ross, on the oil spill off Huntington Beach, California, in 1990

So who does what in a crisis and should the CEO always be its public face? When Jaques counsels that a company should "speak with one voice", he is referring to the tone of the messaging, not that there should be a single spokesperson. "Sadly, some CEOs have well-matured egos that make them think they're good at everything. They need somebody saying, 'Don't do this.'" Cato agrees: "I've known fantastic CEOs who should never be in front of a TV camera, ever."

But broadly speaking, says Cato, if the issue is operational, the CEO makes the statement; if it's cultural or reputational, it's the board – an expectation that has emerged in the past 20 to 30 years.

Crisis planning includes designating an operational team who will steer the business in the midst of upheaval. KFC UK was applauded for its funny social media management when it ran out of chicken in February. But a week after the chicken outage, stores ran out of gravy – the marketing was clever but the logistics issue remained unfixed.

Jaques emphasises that the risks to an organisation after a crisis – inquiries, litigation, talent exodus – can exceed the crisis itself. He quotes University of Melbourne statistics that one in four organisations struck by crisis go out of business.

Cato is more sanguine – "Sailing close to the wind has an amazing ability to get people to focus on what really matters" – while Lawler sees a social shift. "There is a growing acceptance from the public that organisations will make mistakes," she says. "People are more tolerant but they also better understand what good crisis communication is so they are less forgiving of the way an organisation has handled an issue."

In 2014, after the recall of 30 million vehicles following deaths linked to a faulty ignition switch, General Motors CEO Mary Barra put into words what no other chief executive had been known to express. "I never want to put this behind us," she said. "I want to keep this painful experience permanently in our collective memories." Rather than simply moving past a crisis, it should govern every step. ■

The future of crisis management

Crisis simulation software lets companies experience an incident before disaster strikes.

Its set-up has been likened to *Choose Your Own Adventure* for the corporate world, where the "adventure" is a fiendishly designed social media nightmare that escalates in real time.

In 2010, as a robust way to stress-test crisis plans and those tasked to enact them, PR agency Weber Shandwick launched Firebell, the first software tool to allow interactive, real-time role-playing of social media crises.

After identifying risks and preparing a crisis-communication plan with a business, the public relations company devises a "crisis", complete with antagonists, activists, stakeholders and what it calls "a string of critical nano-moments". It mocks up news reports, while

Firebell replicates social channels. Then it gets the team into a room. "It's hard to understand how you need to step up until you've experienced the circumstances firsthand," says Ava Lawler, the firm's managing director in Australia.

The crisis unfolds in real time. When the CEO makes a statement – should it be a YouTube video and should it even be the CEO? – the Firebell operator adjusts the conversation on "Facebook" and adapts "tweets" so the room can see the statement's impact.

"Inaccuracies might be inserted into the Twittersphere," says Lawler. "You need to be alert to that and respond, because when you are in a crisis, facts are your greatest friend."

It's a sweat-inducing exercise with multiple choices, competing deadlines and human frailty. "Ultimately," says Lawler, "we're here to coach our clients through this so they're better equipped."



Taking responsibility

The reaction of BHP Billiton CEO Andrew Mackenzie to 2015's Samarco crisis was swift and heartfelt.

In south-eastern Brazil, when a tailings dam co-owned by the mining company ruptured and killed 19 people, Mackenzie addressed the media that same afternoon.

Two days later, he flew to the disaster site to apologise to residents, developing on the plane a five-step recovery plan that

prioritised humanitarian aid and the safety of two other dams.

In those first days, everybody at his organisation – "for all the right motives" – wanted to help. "I just said, 'Stop. The way that 99.9 per cent of people at BHP can help with the crisis is to do their jobs even better. I need more productivity and more safety.'"

Mackenzie never attempted to shift responsibility to the local subsidiary, Samarco, and he established early there would be no prevaricating. He also quietly and voluntarily forfeited his \$5.5 million bonus for that year. Crises, he said, are where leaders are most able to learn and "a lot of it is going to be learning in real time".