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Strengthening Corporate Trust In Times of Crisis (Part 1)

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All too often when large companies and organizations fix mistakes and cope with disaster, embarrassment, and difficulty, a familiar pattern of initial behaviors occurs that actually generates more adverse results and more serious ethical lapses.

This article, appearing in two parts, suggests a rather extensive template for use in forecasting and pre-empting those opportunities for unethical, or at the very least, questionable behavior by management and others in times of crisis.

Part II contains specific templates for regaining public trust and confidence, and repairing whatever ethical damage has occurred.

Early on in crisis there are far too few acts of corporate courage, especially at the highest levels. Relatively quickly an all-too-familiar pattern resurfaces: confusion, contradiction, and avoidance that is marked by denial, victim confusion, arrogance, search for the guilty, fear of the media, and management by whining, rather than prompt, positive, ethical action.

There are seven early spontaneous management behaviors that crisis and ethics management strategists must plan against.

All organizations have vulnerabilities that create ethical dilemmas—bad loans; faulty financial strategies; rogue employees and bosses; fraud; foolishness; the landfill to be sited or closed; the labor agreement that's getting tougher to negotiate; the sudden appearance of a new tax provision in an otherwise benign piece of legislation; a product recall; a kickback scandal; saying too much; buying too much; selling too much; blowing something up; burning something down; allowing something to leak, seep, smoke, or stink—and critics who grow stronger with every newly revealed, often self-inflicted mistake.

The bigger the enterprise, the greater is the potential for large-scale problems or collections of scattered adverse events being gathered into a pattern of negative, often unethical behavior.

Leaning in the wrong direction

There are seven early spontaneous management reactions that crisis and ethics management strategists must plan against. If these behaviors occur and go unaddressed, management will quickly multitask itself into long-term difficulty driven by the questionable ethics of these actions. These behaviors will be mirrored in others who are simply reflecting the unethical or questionable behaviors and attitudes of their bosses.

1. Denial — Refusal to accept that something bad has happened; that there may be victims or other direct effects that require prompt public acknowledgement. There is denial that it is really serious; denial that the media or public have any real stake or interest in whatever the problem happens to be; denial that it should take anyone's time in the organization except those in top management specifically tasked to deal with it;

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denial that the problem is of any particular consequence to the organization provided no one talks about it except those directly involved.

Typical management responses are: "Let's not overreact." "Let's keep it to ourselves." "We don't need to tell the people in public affairs and public relations just yet. They'll just blab it all over." "If we don't talk, no one will know."

2. Victim Confusion — Irritable reaction to reporters, employees, angry neighbors, and victims' families when they ask for help, information, explanation, or apology.

"Hey! We're victims too," says management.

Symptoms include time-wasting explanations of what a good corporate citizen we have been, how we have contributed to the opera, the community, and the schools. "We don't deserve to be treated this badly." "Mistakes can happen, even to the best of companies." "We're only human." "People make mistakes."

When these behaviors don't pass the community, media, or victim 'straight face' test, or are criticized or laughed at, a stream of defensive threats follows:

- "There is risk in everything humans do."
- "We've only known about this problem for the last two years."
- "There aren't even any government standards to cover it. Until there are standards, how can we be expected to comply?"
- "If the government enforces this regulation, it will destroy our competitiveness."
- "If we have to close this plant, it's their fault."
- "It's the only decision we can make."
- "If we are forced to address this problem to this level, many more will suffer needlessly."

3. Testosterosis — Looking for ways to hit back rather than to deal with the problem. It is marked by refusing to give in; refusing to respect those who may have a difference of opinion or a legitimate issue; manifesting disrespect for critics, victims, families, angry employees, and neighbors.

Because there is so much at stake, there is often extraordinary negative energy inside the executive circle. That is what testosterosis really is, an attack of negative adrenaline. Another definitive testosterosis indicator is the use of military terminology—"enemy," "beach head," "attack," "counterattack," "retreat," "truce." This builds a macho atmosphere. This emotional mentality sets the stage for predictable errors, omissions, and mistakes.

4. Arrogance — A reluctance to apologize, express concern or empathy, or to take appropriate responsibility because, as is often said, "If we do that, we'll be liable," or, "We'll look like sissies," or, "We'll set bad precedents," or, "There'll be copycats," or, "We'll legitimize the bad actions of people who don't like us anyway."

It is conspicuous by a contempt for adversaries, sometimes even for victims, and almost always for the news media. It is corrosive. It incites more powerful negative responses.

5. Search for the Guilty — Shifting blame away while digging into the organization to look for traitors, turncoats, troublemakers, those who push back or make mistakes.

The news media and employees probably would be shocked to learn how much energy is often diverted to the search for "guilty" individuals and to finding others to blame.

6. Fear of the Media — As it becomes clear that the problem is at least partly real, the media and victims begin asking, "What did you know, and when did you know it?" "What have you done, and when did you do it?" along with other humiliating, embarrassing, and damaging questions such as, "What have you done and why?" "What do you refuse to do and why?" and "How many victims will it take to get action?" There are no good answers because the organization's leaders have stalled for so long.

Those in public affairs and media relations know this phase has begun when they hear comments like, "There they go again, just attacking business like always," or when the Communications Department manager or director is asked why his/her "friends" in the media have once again intentionally misunderstood their business. Orders are issued to "stop the story," "ban reporters," "keep employees from talking to the press," "call the publisher," and to "reconsider the advertising policy" (yes, some executives still think this way).

7. ***Management by whining about*** — Shuffling around, head down, whining and complaining about bad luck, the people that wield power undeservedly, being misunderstood by the media, and why we "aren't getting credit" for what we have already contributed to society.

Self-talk prevails. When the decision is made to finally move ahead, the corporation focuses on its own pain. This makes victims, employees, neighbors, government officials, and the media even angrier. Here are some of my favorite whiny management phrases:

- "Who appointed the media to deal with this?"
- "We can't be competitive if the media gives away our secrets."
- "This is our business and no one else's."
- "How can reporters do a story without all the facts?"

Fear is the most difficult human emotion to dispel. When there are physical injuries or death, or threat of further serious injuries, it may be impossible to do more than attempt to reduce the fear.

- "It's just harassment and personal media attacks."
- "Aren't reporters interested in the truth?"
- "The media are a bunch of liberal zealots."
- "It's the only way these creeps can raise money for their cause."

Community vs. Corporate Priorities: A Powerful Paradox

The key to understanding why corporate reputation is so easily threatened is to comprehend the different priorities communities and individuals set versus the corporation. On a day-to-day basis, companies and organizations tend to operate around what is in their economic and operational best interest. So long as the community and/or individuals are unaffected, there is little difficulty. However, when a crisis situation occurs, it is the community's value system that predominates.

The corporation or organization that refuses to acknowledge, abide by, accept, and operate in response to the community's value system is the corporation or organization whose reputation, ability to operate, and, perhaps, even future survival is threatened.

Remember the community's definition of a value.

A community value is a personal protective belief. It is something that cannot be changed without the participation and permission of the community or the individuals directly involved.

Figure 1 simply but dramatically illustrates the community's priorities versus corporate priorities. When a crisis occurs, the corporation or organization must immediately adopt the community's priorities until such time as the community gives *its* permission to the company or organization to resume its normal method of operations.

Companies wishing to maintain good relationships with constituents will recognize the power of these community values and expectations and build corporate operational values and behaviors around these community priorities. — *JEL*

Figure 1

Community Priorities ↓		Corporate Priorities ↑
1	Health and Safety	**7**
2	Natural Environment	**6**
3	Social Environment	**5**
4	Cultural Environment	**4**
5	Technical Considerations	**3**
6	Financial Considerations	**2**
7	Economic Considerations	**1**

Typical management responses are: 'Let's not over-react.' 'Let's keep it to ourselves.' 'We don't need to tell the people in public affairs and public relations just yet.'

Building/rebuilding trust and credibility

The first casualties in a crisis are often trust and credibility. America's current fiscal and economic woes are the result of failed moral and ethical leadership. This very public and pervasive situation illustrates how quickly and deeply trust can be damaged.

Credibility is conferred by others based on an individual's or organization's past behavior. When bad things happen, past behavior will be used to predict future actions. When past behaviors have been good and helpful, and current and future behaviors don't match those expectations, there is a loss of credibility.

Trust is the absence of fear. Fear results from unexpected injury caused by circumstances or by someone or something that was previously trusted. Fear is the most difficult human emotion to dispel. When there are physical injuries or death, threatening circumstances, or threat of further serious injuries, it may be impossible to do more than attempt to reduce the fear. Left unaddressed, fear is corrosive, creating frustration, anger, then retribution. There are seven trust-building, fear-reducing, credibility-fixing behaviors:

- Provide advance information.
- Ask for input.
- Listen carefully.
- Bring victims/involuntary participants into the decision-making process.
- Demonstrate that you have heard, i.e., change your plans.
- Stay in touch.
- Speak in plain language.

What follows is a study of one company's failure to protect and enhance corporate trust in a crisis. Entirely fictitious, the content in this case study was culled from real cases, real problems, and real circumstances where people suffered injury and death, and from the behaviors of the executives involved.

BurgerMax: A fictional case study in crisis response

On a Wednesday afternoon at about 1:30 p.m., the first seven-year old patient was admitted to St. Mary's Emergency Room suffering from a very unusual but unmistakable set of symptoms. This child was the victim of a severe form of E. coli, a bacterial contaminant commonly found in meat products and undercooked food. That same afternoon, a number of patients of various ages were admitted to St. Mary's with symptoms of food poisoning or food-born illness. Other emergency rooms across the city were experiencing similar circumstances. It was determined by early evening that what these patients had in common was they had eaten a meal that day, or the previous evening, at a BurgerMax fast food restaurant.

On an anonymous tip from a hospital emergency room worker to the local ABC affiliate, the story broke on the ten o-clock evening news.

The timeline

Events unrolled as follows:

Day One: Customers and the media call to ask about those who were getting sick. BurgerMax denies any responsibility and refuses to talk with the families except through an attorney. Intense media speculation forces the company to make public statements and to issue a news release. Company officials call in the department of health.

Day Two: Continued media speculation forces BurgerMax to acknowledge that something that happened in their ovens might be the cause. "If it was our burgers," more than likely, the company said, "it was the fault of the supplier who provided contaminated meat." The company cautions the media to be responsible and not to start a panic. The U.S. Department of Agriculture (USDA) is already examining the supplier's facilities. Other countries have made similar announcements.

***Day Three*:** The first deaths are reported. Many departments of health suggest shutting down all BurgerMax restaurants for inspection and decontamination. The company agrees to shut down the three restaurants where identifiable victims had eaten. Families of the victims hold news conferences demanding that BurgerMax take responsibility. BurgerMax runs full page ads.

The theme of these advertisements is: "Don't panic." "It's just an isolated incident." "We follow the law." "Come on down and enjoy a MammothMax."

BurgerMax releases a statement condemning meat inspection programs. "This might not have happened had there been more qualified inspectors." "It's an industry-wide problem."

Day Four: Two more children die. The department of health reports that cooking temperatures were probably too low to kill the bacteria. BurgerMax says, "We followed all approved procedures," "Food safety is our number one concern," "If the meat had not been contaminated by our suppliers, there would not have been problems in our restaurants."

Day Five: Another death. BurgerMax announces it will sponsor an international study of food safety. It contributes $100,000, declaring that meat inspection is a "government problem that needs to be promptly addressed." Two former employees, speaking anonymously, suggest that they may have, "cut a corner or two," especially during busy times. "Managers just looked the other way."

Day Six: Two more deaths. The families of the first victims announce litigation against BurgerMax and demand criminal investigations. The company announces a plan to help victim families obtain assistance more easily and suggests that they come to the company rather than to government agencies, the news media, or attorneys.

Stall and delay

An analysis of this case shows that through the crisis, BurgerMax displayed the following behaviors. The company:

1. Stalled and delayed in getting information to the victims and to the public.
2. Never had a good grasp on exactly what information would be useful to the victims:
   - ◊ What to do if you are experiencing symptoms.
   - ◊ How to get more information about E. coli.
   - ◊ Exactly what BurgerMax was going to do to make the situation right.
3. Only looked internally for expertise. It didn't seek help from external resources.
4. Rejected recommendations for an advisory board.
5. Blamed consultants, government, and suppliers for what was ultimately its own responsibility.
6. Listened with a corporate ear. It heard only the financial markets.
7. Responded financially first. "This will cost a lot of money." Promised to help but then delayed payments.
8. Had little or no follow-up with victims. It concentrated follow-up efforts with the government, but only because the company was required to do so.
9. Relied on technical language to support its position that suppliers contaminated the meat and also to explain why it wasn't adequately prepared to manage this crisis. It seemed to have no understanding of the risks associated with this bacterial strain. It maintained that the problem was not its fault. It appeared to be testing its legal defense strategy through the news media.
10. Never considered the victims as BurgerMax victims, but rather as victims of faulty government inspection systems and non-compliant suppliers. It ignored the fact that its employees felt like victims as well.
11. Probably lied about what it knew and when it had crucial information. At the very least, it hid behind legal definitions rather than be forthcoming early in the scenario.

When past behaviors have been good and helpful, and current and future behaviors don't match those expectations, there is a loss of credibility.

By comparison, companies in a crisis foster trust and credibility when they:

1. Talk openly.
2. Reveal what the public should know, even if they don't ask.
3. Explain problems, delays, and changes quickly.
4. Answer all questions, even those that victims would not think to ask.
5. Cooperate with the media.
6. Demonstrate that victims and employees have a higher priority.
7. Respect and seek to work with victims and opponents.

In Part II, we present a further analysis contrasting what BurgerMax actually did versus what was expected by the community, and what is is ethically and morally acceptable. ❏