

Feature Story

10 Crises That Lie Around the Next Corner—and How They Got There
by Eric Dezenhall & John Weber

Directors can expect trouble from journalists who know little about your company, employees who may know too much, and bloggers who sometimes know nothing at all.

*Think you have plenty of expertise in public relations and crisis management? Well, you probably don't, according to the authors of *Damage Control*. Eric Dezenhall, founder and CEO of a namesake consulting firm in Washington, D.C., and John Weber, the outfit's president, say that most of the conventional wisdom about how PR can save a company under a cloud is wrong. Most surprising, they talk down the extent to which Johnson & Johnson's Tylenol strategy can be adapted to win over the public. Beloved though it is by boards and B-schools, J&J's decision to be forthright and truthful worked only because the perpetrator was clearly an outside sociopath. When a faulty product, for instance, is the perceived perp, a company needs to do something very different to save itself from PR disaster, the authors say. They also describe how Martha Stewart pulled off her comeback, take a swipe at companies that try to buy their critics' approval with cash, argue that preaching to the choir makes a lot of sense, and spell out why some apologies work and others don't. In the chapter excerpted here, Dezenhall and Weber identify trends that they say are leading to a new batch of crises.*

Crisis management is chiefly the art of dealing with the insistent “now” of a pressing problem or issue; it calls for quick thinking and strong leadership over mind-numbing scenario-planning. But this doesn't mean that savvy companies and the people entrusted with protecting them shouldn't be looking around the bend. In a crisis, an understanding of the prevailing culture, context, and societal expectations can determine success or failure. Board members and executives need to know, or at least have an educated guess about, what awaits them in the years ahead. Here are 10 key trends that are shaping tomorrow's crisis environment.

1. Corporate Mission Creep

Milton Friedman's famous assertion that “the business of business is business”—not to self-consciously make the world a better place—is out of vogue in corporate boardrooms. Companies of all types, but especially the large multinationals, are committing to a host of social, civic, health, and environmental responsibilities that far exceed their obligation to follow the law and maximize shareholder value. For heavy industries, such as chemicals and energy, these commitments are de rigueur, and it is arguable that they help preclude unwanted regulation and grow new markets. Global goliaths such as GE, IBM, and Microsoft believe it is imperative that they be perceived as societal problem-solvers. But determining where this ever-expanding corporate responsibility stops is getting fuzzier and fuzzier. Does responsibility for “solving the obesity crisis” lie with

overindulging and lethargic consumers or with food and beverage companies? Who is responsible for creating public infrastructure in developing nations—their governments or the foreign companies extracting their resources? Are pharmaceutical companies in business to make new medicines or to reverse Africa's AIDS epidemic? David Henderson of the Institute of Economic Affairs in London warns, "It is not through transforming enterprise goals and conduct, in the ways suggested by CSR [corporate social responsibility] adherents, that the business contribution to the general welfare can be improved, but through actions by governments that would serve to reinforce the primary role of business." In the coming years, crisis managers will need to multitask across the sometimes contradictory goals of defining and promoting the company's contributions to the public good while ensuring that the true engine of prosperity and quality of life—free markets—is allowed to flourish.

2. The Demise of Science

Science was once the domain of ivy-walled institutions and government test labs. The "scientific method"—the studious process of formulating a theory, testing it against hard metrics, and submitting it to a rigorous review by independent peers—meant everything. And until fairly recently, when a silver-haired scientist in a white lab coat went on TV to say product X was safe, then it was safe. No more. In the future, anyone with a test tube and a blog will claim scientific standing. Special-interest groups will work with private labs to release their own findings, bypassing the once-hallowed process of peer review and journal publication. Long-established scientific institutions, of course, won't disappear, but they will be intellectually downsized—just one voice in a sea of never-ending dissension. Risk-benefit assessment—the process of weighing the evidence of potential harm against the societal benefits of a product or practice—will take a backseat to the Precautionary Principle, the "better safe than sorry" movement. Industry-aligned scientists—indeed, any type of corporately funded research—will per se be deemed tainted and suspect simply because of their association with "profit-driven business." Already, "medical silencing" tactics range from websites outing researchers who have worked with industry to violent threats directed at scientists involved with animal testing to new policies at scientific journals that bar research submissions from anyone receiving money from corporations. "Sound science" was for many years the one arena where business could take its case and win on the facts. In the future, don't count on it.

3. Outspent and Outgunned

As recently as 20 years ago, large companies could easily outspend whatever opposition they were facing: Hire the best lobbyists, best lawyers, and best PR people and a favorable deal would be cut somehow. In the future, the opposite will be true. Already environmental nongovernmental organizations (NGOs) alone have billions of dollars in assets, with the top 10 exceeding \$3 billion in collective revenues. According to one NGO watchdog, the top 13 U.S. and European NGOs boast nearly 20 million members and 162 offices across every continent. The trial bar, enriched by massive tobacco, silicon-breast-implant, and asbestos settlements (among others), has also amassed a war chest well into the tens of billions of dollars, which enables it to fund surrogate attacks on business and invest heavily in profitable relationships with state attorneys general, legislators, and public officials at all levels of government. Throw in the unions, which

are focusing their wealth and talent less on organizing than on launching “corporate campaigns” designed to achieve concessions by turning public and media sentiment against targeted companies, and it is clear that in terms of money and influence, the balance of power is shifting. David will become Goliath.

4. Is Junior Covering Your Crisis?

The news media of the future will be characterized by too few reporters with too little training chasing too many stories. And more and more businesses will be burned in the process. Why? Because money, not public-service journalism, is king in newsrooms today. It started when big companies such as Disney, General Electric, and Time Warner bought ABC, NBC, and CNN, respectively, and turned up the pressure to transform news reporting into a profit-making enterprise. Once considered to be treasured (and pampered) jewels in the corporate portfolio, news executives were ordered to make a buck for the company like everyone else. Concurrently, massive changes in consumer lifestyles and technology via the Internet were swiftly reshaping how people got their news. As a result, network-TV audiences, as well as daily newspaper readership, are shrinking rapidly. Fewer viewers and readers mean less advertising revenue. Less revenue means less money to pay experienced, generally older reporters and to cover the costs of dispatching news crews. Fewer, younger, and less experienced reporters, and less money available to do thorough research, will increasingly result in stories that are poorly reported and produced primarily because they are cheap, easy, and visual. And this will create enormous opportunities for mischief, misrepresentation, and malfeasance because someone has the video and a story they don’t want to spend any more money on to check for accuracy.

5. Wall Street war zone

“Follow the money” has long been a truism for anyone tracking politics or the affairs of business. In the future, crises and controversies will increasingly follow the money to Wall Street. First of all, it is not lost on business detractors that access to capital is the lifeblood of business. Shut that access down and a corporation suffocates. This vulnerability has also not been lost on animal-rights extremists who, through violence and intimidation, have gone after Wall Street bankers and traders and already demonstrated they can make them back off from doing business with animal-research companies. Wall Street is also “going green,” embracing environmentally sound investment funds. One major investment bank has retained the Rainbow Action Network—no friend to chemical, timber, and resource-extraction industries—to advise it on environmental issues. With about 50% of Americans owning some type of stock, even if only through mutual funds, the views, behavior, and influence of Wall Street will push the environment further and further into the crisis-management spotlight in the coming decades.

6. Everyone’s a pundit

Of course, no discussion of the future is complete without a nod to the Internet and its teeming horde of bloggers. And it is hard not to buy in to the hyperbole that “the mainstream media” is dead or dying, to be replaced by thousands of pajama-clad computer jockeys opining from their home offices. The stunning power of bloggers—

whether to bring down Dan Rather and Trent Lott or drive the ascension of presidential candidate Howard Dean—cannot be denied. But it can be overstated. What is clear is that punditry, including punditry on breaking crises, has been democratized. As InstaPundit's Glenn Reynolds has observed, "Millions of Americans who were once in awe of the punditocracy now realize that anyone can do this stuff—and that many unknowns can do it better than the lords of the profession." So within hours, if not sooner, of your crisis going public, assume that the blogosphere will be on you like a swarm of angry bees. Indeed, InstaPundit's tongue-in-cheek slogan is "Ahead of the curve since 30 minutes ago." But as Christine Rosen, a fellow at the Ethics and Public Policy Center, counters, "The blogosphere, at its worst, values timeliness over thought.... It's nothing more than old-fashioned techno-utopianism to assume that the blogosphere could adequately supersede the old media order [and] to believe that traditional institutions can be easily and casually jettisoned." Blogging will continue to be an influential and, at times, decisive voice in the public debate about business crises and controversy. But it will add to, and not supplant, the still-dominant mainstream media.

7. Make 'em laugh

Forty years ago, the news was delivered via the gray pages of daily newspapers and the somber baritone voices of broadcasters such as Walter Cronkite. Today large chunks of the American public are getting their news from comedians. And that's no joke. Far more young people are watching *The Daily Show With Jon Stewart*, *The Colbert Report*, or *Real Time With Bill Maher* than any of the evening network-news reports. The place where ambitious politicians announce their run for office, or tarnished celebrities go to roll out their redemption tours, is not the mainstream press but Jay Leno or David Letterman. It is the latest installment in the continued blurring between news and entertainment. And it raises the question of not only what is fact and what is satire, but to what extent viewers even care about the distinction. However, only in the rarest of cases will these forums represent opportunities for corporations to "get their messages out." For good reason, perhaps, companies are notoriously bad at humor. Only the hippest of executives would feel comfortable in these formats, and they'd better be prepared for the host and audience to laugh at them, not with them. More likely, these shows will continue to provide a crude but telling barometer as to how deeply a corporate crisis has worked its way into the public consciousness. As *Newsweek's* Gloria Borger has put it, the trajectory of today's gaffes is from "YouTube to the *Washington Post* to a punch line on the late-night shows." If they're laughing at your crisis, that's about as bad as it can get.

8. Your brand is a target

The power of today's most prominent brands will increasingly become a two-way street. Big companies spend millions and sometimes years brand-building, and the result is a name, symbol, or icon that is meaningful to consumers, reinforces key benefits, and is recognized worldwide. To some businesses, their brands are their most valuable assets. They can also quickly become liabilities, in that anti-corporate campaigners have discovered that the best way to promote their issues is to associate them with a well-known brand. Concerned over the outsourcing of U.S. manufacturing jobs overseas? Attack Nike. Have a beef with hormones in meat? Protest McDonald's. Angry over global-warming policies? Boycott Exxon Mobil. And it's not just corporate brands that

are under attack. Product brands are also targeted. Environmental groups went after Teflon cookware to generate controversy about an industrial chemical used by DuPont and several other manufacturers. Conservative groups called on their supporters to stop buying Crest toothpaste over objections to Procter & Gamble's advertisements in gay publications. Experience varies widely regarding how much impact these so-called naming-and-shaming campaigns actually have. Rarely is the impact on product sales and share price significant over the long haul, though it happens on occasion. More typically, where they really hurt is customer relations, employee morale, the ability to recruit young, liberal-minded college graduates, and the corporate costs of dealing with the negative publicity. In the future, corporate and product brands will increasingly need to couple their promotional campaigns with brand-defense programs to mitigate efforts to turn a high-profile asset into a platform for conflict.

9. Protecting intellectual property

Software, entertainment, and pharmaceuticals. Three massive, high-growth industries in which the United States still maintains a world leadership position. Three knowledge-based sectors where the proprietary science, engineering, and creativity that goes into the development of products is far more valuable than their easily copied output—be it a pill, a download, or a DVD. It would seem a no-brainer that, at a minimum domestically, and even abroad, both government decision-makers and the public would appreciate that everyone is well served when intellectual property is respected and protected. Not so. First, all three of these types of products are relatively easy and cheap to manufacture. Illegally copying a song or movie, or sharing software, takes a matter of minutes. Second, people tend to view theft against big corporations as victimless crimes. No one sheds a tear when big business is ripped off. Third, in an “open source” culture defined primarily by a free and unregulated Internet, a whole new generation is used to getting something for nothing. In a world where the public, media, and activists perceive a stark and heart-wrenching gap between the haves and have-nots, companies in these businesses and others will be increasingly pressured to share their knowledge at a reduced return. The highest level of communications savvy will be required to draw the distinction between an appropriate degree of altruism and killing the golden goose.

10. The porous corporation

Attacks from within can be as devastating as external threats to a company. It's hard to admit, but your own employees can sometimes be your worst enemies. Traditionally, this has tended to take three forms: the thief, who steals secrets or cavorts with competitors; the whistleblower, often a disgruntled employee who is lionized in the media for “exposing injustice” but is motivated chiefly by the millions he or she may receive for running to federal officials; the kiss-and-tell manager who pens a business book or sits down with *Forbes* to spin his or her tenure at the top. The future, however, will increasingly feature a new character, the digital busybody. Whether through the busybody's personal blog, his MySpace conversations, his YouTube video, or his simply posting sensitive corporate documents on the Internet, the 15 minutes of fame he'll collect will be achieved by way of the secretive act of outing his employer. If you thought e-mail created confidentiality issues, you ain't seen nothing yet. Already executives are

complaining that their supposedly confidential presentations are being discussed by industry bloggers before the meeting is over—literally. A brave new world indeed.

The pressure all these trends—and many others—will place on large, highly visible companies will most likely lead to a new type of crisis manager. We are already seeing the emergence of a standing corporate troubleshooter. Their titles vary, and they are less and less likely to come from PR departments. More often they are lawyers by training or have deep experience in politics. Their mission is not so much to improve the company's image as to avoid problems before they occur, or to make them go away as fast as possible. Call it damage control.

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Corporate Board Member
