How to avoid becoming the next late-night punchline

It was a shocking scene, and it achieved instant liftoff in cyberspace. For days on end in April, the video of a bloodied passenger being dragged off a United Airlines plane by his arms seemed to play in a continuous loop on the internet, social media and cable TV.

The predictable result was a full-blown reputational crisis for United – a crisis that the airline managed to make even worse by the way it responded, writes SAGE Business Researcher freelance correspondent Jonathan Broder in his report on corporate damage control.

United's CEO, Oscar Munoz, at first issued statements that either made no mention of the man who was hauled off the airliner after refusing to yield his seat to a United flight crew member, or tried to blame the passenger for the incident. Munoz also created a strong contender for the Euphemism Hall of Fame by using the term "re-accommodate" to describe the removal of passengers to make space for the flight crew. Only after an explosion of criticism and mockery did Munoz issue an apology, by which time the airline had suffered serious damage; its stock sustained a temporary loss in value of $255 million, and the fact that the ejected passenger was of Asian descent played poorly in China, where United has extensive operations.

The fiasco was a textbook case of how not to respond to a corporate crisis, Broder writes. For an equally salient example of how to master disaster, he points to Johnson & Johnson and its handling of the 1982 incident in which seven people died from taking Tylenol capsules that had been deliberately contaminated with cyanide. The drug maker promptly pulled its best-selling painkiller from the market, returned it to store shelves only after developing a tamper-proof package, and kept the public informed through an extensive media campaign. Although the affair cost the company $100 million and sent its share of the painkiller market tumbling from 37 percent to 7 percent, that share had rebounded to 30 percent a year later.

The contrasting cases of United and J&J illustrate a fundamental point about the nature of a corporate disaster. The former CEO of Lockheed Martin, Norman R. Augustine, summed it up more than two decades ago: "Almost every crisis contains within itself the seeds of success as well as the roots of failure. Finding, cultivating, and harvesting that potential success is the essence of crisis management. And the essence of crisis *mis*management is the propensity to take a bad situation and make it worse."

To help companies land on the correct side of this divide, damage-control experts have developed a number of principles that cover the full arc of a crisis, Broder writes. A key precept is to prepare rigorously by anticipating potential crises and mapping out detailed response plans, including designating specific people to fill specific roles. Another is to get the company's account of what went wrong out as soon as possible – no more than an hour after the crisis erupts, some experts advise – to gain some control over the emerging narrative.

"When you communicate quickly with the public, the more trust, credibility and good will you gain," Melissa Agnes, a Montreal-based damage control adviser, told Business Researcher. Equally important: Make sure what you say is accurate, and correct any misstatements quickly. "Just like your mother told you, honesty is always the best policy," says Erika James, dean of Emory University's Goizueta Business School.

As important as planning and speed is the need to take responsibility for the situation, show empathy for people who have been hurt by it and apologize promptly when appropriate. The worst possible response, the experts say, is one that is defensive and appears focused only on protecting the company; that communicates a message that the corporation is cold, calculating and unconcerned about the well-being of its customers or the public.

As United and other crisis-afflicted companies have discovered, the growth and omnipresence of social media have drastically shortened the amount of time it takes for news – good or bad – to travel. But the experts say that if social media can be a corporation's worst enemy, they can also be a strong ally in a crisis – if the company knows how to use them to communicate quickly and effectively. "Social media present real-time challenges and obstacles to crisis management, but they also present real-time opportunities," Agnes says. And institutions that use social media to communicate in calmer times will develop a reservoir of good will that can be tapped when storm clouds gather, she says.

The most important lesson? Put customers and the public first. "The common denominator for all companies in crisis, large or small, is people, the stakeholders," says Agnes.

Notes:

- *This blog post is based on the report Managing Corporate Crises, SAGE Business Researcher, by Jonathan Broder.*
- *The post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.*
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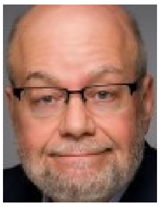

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