**Managing in a Crisis**

Effective business leadership is never more needed than during the difficult times of a company crisis. The way you handle tough conversations or deliver a difficult message can make or break the situation. It's essential to have crisis management strategies to improve outcomes.

In this course, you’ll discover ways of managing in a crisis, including how to manage difficult conversations and crisis communications.

**Crisis Management**

[Video description begins] *Course title: Crisis Management. The host is in the host space.* [Video description ends]

HOST: Fast, effective response is never more important than during a company crisis. Some crises can jeopardize a company's reputation, finances, and ultimately even its very survival. Others may simply disrupt normal, internal processes. But in either case, handling a crisis properly can minimize its negative impact and protect the organization's future. In this course, you'll learn crisis management principles and practical guidelines, including how to plan crisis communications, assemble a crisis management team, and issue an effective, immediate response. You'll also learn how best to resolve a crisis and bring it to a close.

**Crisis Management Principles**

[Video description begins] *Topic title: Crisis Management Principles. The host is in the host space.* [Video description ends]

HOST: A gas leak puts people's lives at risk. A sales rep posts something racist online. Perhaps an audit reveals financial irregularities. A crisis is any situation, large or small, internal or external, that poses a threat to public health or to the company's reputation or financial viability. Sometimes, these situations become major media events. Other times, they may not even generate a ripple outside of the company itself. But that doesn't make them any less of a crisis.

[Video description begins] *Dianna and Lenny are at Lenny's workstation. Lenny looks anxious.* [Video description ends]

LENNY: Oh gosh. DIANNA: What is it? LENNY: I'm getting loads of angry emails from employees who say their checks and direct deposits are wrong. DIANNA: You're kidding. LENNY: I wish.

[Video description begins] *The host is in the host space.* [Video description ends]

HOST: By its nature, a company crisis isn't something you can predict or necessarily prevent. But what companies can control is how they respond once a crisis hits. How you respond can either make an already bad situation worse or minimize negative consequences and facilitate a return to normal. An ideal response may even turn a crisis around, winning an organization greater trust and loyalty. Taking a few key actions can help you manage a crisis effectively. First, be ready to recognize a crisis when it occurs. Over confidence can lead to an oversight of an important problem or issue. Infamously, Intel Corporation paid little attention to a professor's warning about a flaw in one of its Pentium chips. The result?

The issue triggered a major public relations crisis – costing the company an estimated 475 million dollars in earnings. But most crises are smaller, often internal situations that only make the media after the facts, or not at all. Either way, responding quickly and decisively is essential. Avoid focusing only on the technical aspects of a problem; consider public perception too and monitor what's happening in the media. Today, even a small, internal crisis can hit social media and quickly get out of hand.

[Video description begins] *Back at Lenny's workstation, Dianna and Lenny continue their conversation.* [Video description ends]

DIANNA: So some people got paid too little, and others got paid too much? LENNY: That's right. This is a mess.

[Video description begins] *Dianna looks panicked.* [Video description ends]

DIANNA: Well, what do you think happened?

[Video description begins] *Lenny shakes his head.* [Video description ends]

LENNY: I have no idea. DIANNA: We've got to tell people something...

[Video description begins] *The host is in the host space.* [Video description ends]

HOST: The longer a crisis persists, the stronger the negative impression it's likely to make, and the longer it will disrupt normal business operations. Don't wait for the sky to fall. Fast, effective responses depend on proper planning and preparation before a crisis occurs. In a crisis, people look for answers, and guidance. Ensure the visibility of a strong business leader. Having someone in a position of authority, who can step into the limelight positions that person as a source of information for the media and for those affected by the crisis. Then, communicate early and often, with internal and external stakeholders. Communication is vital for rebuilding trust and heading off rumors and panic. And finally, prioritize trust over other concerns. In a crisis, issues like legal liability are relevant – but it's trust, whether among staff or customers, that's key to an organization's reputation and long-term survival. Taking quick, decisive action at the start of a crisis will help guide and protect everyone affected.

**Planning Crisis Communications**

[Video description begins] *Topic title: Planning Crisis Communications. Cory, Ali, and Lenny are in the corridor. Cory looks annoyed. He speaks to Lenny.* [Video description ends]

CORY: What's going on? My deposit is not correct, and I've got checks that are going to bounce. I'll have to pay a fortune in bank fees.

ALI: My rent's due. How am I supposed to pay it? CORY: Is the company in trouble? Have we been hacked or something? Does somebody out there have all our personal information?

[Video description begins] *The host is in the host space.* [Video description ends]

HOST: Crises unfold fast – they're times of chaos and worry. It's vital to plan as precisely as possible what and how you'll communicate before a crisis occurs. First, it's a good idea to brainstorm potential sources of crisis and plan appropriate responses. Identify any types of crisis that could affect your department and their potential consequences. Then plan and rehearse suitable responses for each type.

[Video description begins] *Dianna and Lenny are in Dianna's office.* [Video description ends]

LENNY: Suppose we ran into a situation where we couldn't pay our employees at all?

[Video description begins] *Dianna looks pensive.* [Video description ends]

DIANNA: You mean like a software glitch, or a bank deposit problem?

[Video description begins] *Lenny nods.* [Video description ends]

Everyone would be really angry. But then, probably really worried, too.

[Video description begins] *Lenny listens intently.* [Video description ends]

They'd want to know how long they'd have to wait to get paid, or wonder if the company's going under, and then they'd start worrying about their jobs. LENNY: So how would we handle that? DIANNA: I guess we would have to be honest and explain the problem. We'd need somebody at the executive level to reassure the employees the company isn't in trouble, and that it was a technical problem we are investigating.

[Video description begins] *The host is in the host space.* [Video description ends]

HOST: Whether facing a public crisis, or a smaller internal matter, you must identify the audiences that you'll need to reach. These might include the segments of your customer base affected, if any, and other interested stakeholders. If the crisis is an internal situation, determine who within the company must be notified, and how best you can reach them? The size, nature, and impact of a crisis may require a company to review and update its existing media posts. Organizations that survive a crisis the best know what they stand for before the crisis happens and confirm those values, even under duress. If the crisis is liable to attract public attention, look for proactive statements about your company that you can draw on when responding to a crisis. It's also important to check that existing posts won't compromise the company in a crisis. A joke on your web site might be OK now – but if visitors were accessing the site for news during a crisis, it could make the company appear insensitive.

[Video description begins] *Back in Dianna's office, Lenny and Dianna continue their conversation.* [Video description ends]

LENNY: We could get a message up on our internet, internal Facebook, and Twitter account to make sure everyone knows what happened and what is being done. DIANNA: We'd want to keep it internal, if we could. LENNY: If we could...

[Video description begins] *Dianna looks thoughtful. The host is in the host space.* [Video description ends]

HOST: In 2007, the Los Angeles school system encountered massive overpayments and underpayments after implementing payroll software. A teacher's union brought a lawsuit against the school district because of all the payroll problems. While these were public school systems, the lesson remains, even an internal issue can make its way into the press. It follows directly, then, to plan your internal and external communication channels. Getting your message to the audiences you need to reach may include telephoning or emailing the press, contacting important stakeholders, such as customers, distributors, employees, vendors, investors, or any others directly affected in person. And don't neglect social media or underestimate its power in shaping public perception. Finally, it's useful to plan a command center – a space where a crisis team can meet, with necessary communications equipment. Plan a backup location and equipment, in case access to your offices is unavailable. Managing a crisis means keeping your head when everyone around you may be losing theirs. Planning in advance means knowing what to do if the worst comes to pass, and when to carry out your plan.

**Assembling a Crisis Communications Team**

[Video description begins] *Topic title: Assembling a Crisis Communications Team. The host is in the host space.* [Video description ends]

HOST: Regardless of the size or nature of the crisis, it's vital to respond swiftly and if necessary, in a coordinated fashion across functional areas. This requires good teamwork and strong leadership. Following some basic guidelines helps. A crisis needs a dedicated crisis management team. Until it's resolved, handling a crisis is an organization's top priority. A dedicated team focused fully on effectively managing the situation will let the rest of the company continue operating.

[Video description begins] *Dianna and Lenny are at Lenny's workstation.* [Video description ends]

DIANNA: We need to resolve the pay situation fast, or we risk alienating everyone who's been affected. I'd like to put a team together to help us manage and resolve this as soon as possible. We need to get to the root cause quickly. LENNY: What can I do? DIANNA: You're our payroll specialist. I'd like you to focus exclusively on this for now. I'll assign your regular work to others until we get through this.

[Video description begins] *Lenny nods.* [Video description ends]

[Video description begins] *The host is in the host space.* [Video description ends]

HOST: If appropriate, include staff from multiple levels and departments on the team. You'll need people with the right expertise and authority. Include relevant department heads because they're responsible for policies and systems that can help in resolving a crisis. This may or may not include top executives, depending on the situation and level of the crisis. In cases of smaller, internal crises, the team may be limited to members from only the affected departments. But either way, they need to be kept in the loop in case things escalate.

[Video description begins] *Back at Lenny's workstation, Dianna and Lenny continue their conversation.* [Video description ends]

DIANNA: This issue has broader implications beyond just Payroll, so we need Megan involved. As our senior VP in HR, she'll need to be visible. LENNY: Should someone from Finance be on the team, too? DIANNA: Definitely. We should get Andrew. And Sharon, from legal. Just in case.

[Video description begins] *The host is in the host space.* [Video description ends]

HOST: If possible, include communications staff, who can help shape the message the team communicates. It's also prudent to include a legal representative, who can advise the team on legal liability issues. Once you've assembled the team, define a clear team leader. Strong leadership results in faster, more coordinated responses. The leader will be responsible for monitoring the situation, gathering required information, and keeping executives informed. This person will also convene meetings, assign tasks, coordinate responses, and ensure consistent messages are communicated.

[Video description begins] *Back at Lenny's workstation, Dianna and Lenny continue their conversation.* [Video description ends]

DIANNA: I'll assemble the team, and I want you to be our main contact. The staff knows and trusts you. Besides, you've been dealing with this payroll application the longest and you know what's going on the steps we're taking. LENNY: I'll prep Megan for a conference call with all employees.

[Video description begins] *Dianna smiles and nods. The host is in the host space.* [Video description ends]

HOST: Finally, appoint a spokesperson. In a major public relations crisis, it's often the company's CEO who fills this role. This makes it clear that the company is taking the situation seriously and accepting accountability at the highest level. Both are important for regaining the public's trust. For smaller, internal crises, it might make more sense for the spokesperson to be the head of the affected business area, where the situation originated. There's no rule though, and sometimes another team member is the best choice. Generally, appoint the person who has the necessary communication skills, the right expertise, and the strongest relationship with the stakeholder group affected most. With an effective crisis management team in place, your company will be able to stay on top of a crisis, adapting as events unfold and responding in the best ways possible to resolve the situation quickly and effectively.

**Issuing an Immediate Response**

[Video description begins] *Topic title: Issuing an Immediate Response. The host is in the host space.* [Video description ends]

HOST: The number one priority when a company faces a crisis is to address it as quickly as possible, gaining control over the flow of information, and showing stakeholders, and in many cases, the public, that the company is taking appropriate action. This begins the process of rebuilding trust. Facts are often uncertain or still coming in when a crisis first emerges, but a prompt, decisive response is vital. Don't wait for resolution. Also, don't withhold information – either could damage your organization's internal and external credibility. Regardless of the nature or level of the crisis, an effective, immediate response must include a few key components. First, highlight what you know and don't know. In the words of Warren Buffett, "...state clearly that you do not know all the facts. Then promptly state the facts you do know."

[Video description begins] *Megan is in the conference room. She is on a conference call.* [Video description ends]

MEGAN: We don't yet know exactly when the situation with the paychecks will be resolved, but we have confirmed the problem. There was human error in updating employee tax information changes in our new payroll software. This exposed a bug in the software that created the issue.

[Video description begins] *The host is in the host space.* [Video description ends]

HOST: Then, lay out your plan of action. Make it clear the organization is taking things seriously and is taking the necessary steps to resolve the situation with the help of relevant authorities and experts. Commit to keeping the stakeholders updated about any development and follow through.

[Video description begins] *Back in the conference room, Megan continues her conference call.* [Video description ends]

MEGAN: We've identified the root cause of the error and we're in contact with the software company to identify the steps we need to take to mitigate the situation and correct the errors. This is our main priority until the problem is corrected and resolved. As more information becomes available, we'll update everyone by e-mail and through the company's internal IM system. In the meantime, we'll be reprocessing payroll and working with our bank to expedite all transactions, as needed.

[Video description begins] *The host is in the host space.* [Video description ends]

HOST: Finally, accept responsibility, take accountability, and, if appropriate, apologize sincerely. Take any advice offered by the company's legal department on what to say or not to say. Also, being accountable and honest will help you regain trust. And show empathy for the people affected by the crisis. If an apology is appropriate, be sincere. Don't dilute your apology by giving justifications or making excuses.

[Video description begins] *Back in the conference room, Megan continues her conference call.* [Video description ends]

MEGAN: We're very sorry for the inconvenience this has created for so many of you. I know you have your own financial obligations to meet, and this puts everyone in a bind. Please bear with us. We're doing everything we can to resolve the issue quickly and effectively, with as little further disruption as possible. Please feel free to contact us with any further questions, and we'll answer them as best we can. Thank you.

[Video description begins] *Cory and Ali are in the corridor.* [Video description ends]

ALI: Well, it's still annoying, but at least they're owning it.

[Video description begins] *Cory looks displeased.* [Video description ends]

CORY: They should be. Some of us have really been slammed by this. ALI: I talked with Lenny down there and I should be able to pay my rent on time. Imagine being the one to have to tell those people who got overpaid that they're going to have money taken back on their next check.

[Video description begins] *Cory shakes his head.* [Video description ends]

CORY: I don't envy whoever gets that job.

[Video description begins] *The host is in the host space.* [Video description ends]

HOST: When responding to a crisis, do it promptly and communicate a message that contains the key components so that everyone involved knows what has happened and what actions have been taken to resolve the issue.

**Resolving and Closing a Crisis**

[Video description begins] *Topic title: Resolving and Closing a Crisis. The host is in the host space.* [Video description ends]

HOST: Once an immediate response to a company crisis has been issued, the crisis management team should turn its attention to resolving the crisis and bringing it to a successful close, allowing business operations to return to normal. This requires a specific series of directed actions, applicable to crises large and small. First, the team needs to monitor developments and issue frequent updates. In any crisis, the situation itself, and any available information, can change rapidly. The team must stay abreast of the current situation by monitoring development and keeping the stakeholders and the media, if necessary, informed. The team must adapt as the situation unfolds, creating and issuing suitable statements about any new developments or complications. Second, they must document all steps the team takes to manage and resolve the crisis. A clear record of all actions taken demonstrates that the company is following due process. This record can also mitigate any legal consequences. Third, once the situation has been successfully resolved, it's the responsibility of the team to declare a close to the crisis. Of course, its consequences may persist for some time as loose ends are tied up and damage is fully assessed. Nonetheless, once the crisis is clearly contained and mitigated, it's important to declare an official end to the situation. This allows the company to allay stakeholder concerns and begin the process of rebuilding trust.

[Video description begins] *Dianna and Lenny are in Dianna's office. Dianna listens intently.* [Video description ends]

LENNY: The accounting team and I have confirmed the information in the employee records is now accurate and updated.

[Video description begins] *Dianna nods.* [Video description ends]

The bank provided verification of the corrected financial adjustments, and I'm putting together a closing notification for all employees. I'll be glad to have this behind us. DIANNA: Well, mostly behind us. We need to make sure something like this never happens again! The software vendor fixed the bug, but I also want to layout training, or retraining, for the entire payroll staff, and see how we can best train new people in the future. Human error was the original source of the problem here. We're also going to need to closely monitor program updates and make sure everyone knows about them. LENNY: I'd like to have a backup program in place that we can revert to as sort of a fail-safe. I'm looking into other potential vendors.

[Video description begins] *Dianna nods.* [Video description ends]

If something like this happens again, we will need to consider different payroll processing software. DIANNA: Megan will be joining me this afternoon when I meet with management to officially announce the issue closed. And we'll also need to figure out how to talk to the employees about social media if something like this happens again. LENNY: Oh, yes... DIANNA: A few sarcastic comments got out on Facebook and Twitter,

[Video description begins] *Lenny nods.* [Video description ends]

and one guy even posted that this was likely a sign that the company would file for bankruptcy. His comment was shared over a thousand times. That's not good PR for the company. We need a plan to address that moving forward. LENNY: We should talk to Julie in PR. She should have some ideas for a policy or plan.

[Video description begins] *Dianna nods.* [Video description ends]

This was an internal issue that the press won't care about, but the next crisis might be of greater interest.

[Video description begins] *Dianna nods. The host is in the host space.* [Video description ends]

HOST: Finally, the team must identify lessons learned from the crisis and how it was handled. They need to review what worked and what didn't and then use those lessons to refine crisis management plans, including communication plans, as necessary. Successful organizations take proactive steps to prevent crises from happening, but a crisis can strike without warning. Once it does, how the company, its leaders and its employee's respond, what the company learns, and how it adapts moving forward are what really will make a difference in the future.

**Let's Review**

[Video description begins] *Topic title: Let's Review. The host is in the host space.* [Video description ends]

HOST: Let's review what you've learned in this course Managing a company crisis requires taking immediate, effective action. This includes planning communications and assembling a dedicated crisis team. This team is accountable for making a public response, taking appropriate action to resolve the situation, and declaring an end to the crisis. Finally, it requires applying lessons learned to strengthen the company, making it better prepared to address future crises.