Managing Issues, Risks & Crises: A Strategic Approach to Communication Chaos

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When You Hear The Word Crisis – What Comes To Mind?
“Credo Quia Impossible”
(I believe it because it is impossible)
Can You Remember Any Crisis Events From The Last Year?
Global Crisis Events 2013
(no particular order)

• Bangladesh Factory Collapse (1100 deaths)
• NSA Snowden Whistleblower
• Syria’s Civil War (125,000+ deaths)
• Boston Marathon Bombing (5 deaths/280 injured/$70 million in donations)
• Carnival Cruise Ship -- #cruisefromhell (4,200 stranded for five days)
• Typhoon Haiyan (Philippines – 6,000 deaths/$1.5 billion)
• Obamacare launch
• Asiana San Francisco Crash (3 deaths/180 injured)
Canadian Crisis Events of 2013

- Rob Ford
- Lac Megantic Train Derailment (47 deaths -- $50 million in insurance claims)
- Alberta Floods (4 deaths -- $1.7 billion damages)
- Cronut Burgers (200+ ill)
- Blackberry
- Senate Spending Scandal
How Many Have This In Your Home?
And In Your Trunk?
STUFF HAPPENS!

YOU NEED TO BE PREPARED
Organizational Crisis Truths

• It’s not a matter of “if” but “when”
• Most organizations aren’t prepared
• Crisis response time has been reduced to minutes (thanks to SM)
• Goal is to get back on the horse
  o Get to a ‘New Normal’
• “We were unprepared. We did not grasp the magnitude of the threat that had been gathering over a considerable period of time. This was a failure of policy, management, capability and, above all, a failure of imagination.”

»Thomas H. Kean (Chair)
The Cost of Crisis

- **Exxon Valdez**
  - Clean up: $2 billion
  - Lawsuits and legal costs: $5 billion

- **1998 Ice Storm**
  - Deaths: 45 (Can/US)
  - Insured Loss: $1.2 billion

- **Walkerton**
  - Deaths: 7 residents
  - Remediation/legal: $155 million

- **SARS**
  - Deaths: 44 people
  - Economic impact (Toronto): $1.5 - 2 billion

- **Maple Leaf Foods**
  - Deaths: 23 people
  - Response/Recovery: $30 million
  - Market Value Depletion: $136 million
  - Lawsuits and Legal Costs: $25 million +
### World’s Costliest Disasters Since 1965

- **Earthquake and tsunami, Japan (2011)**: $1.5 Trillion
- Kobe earthquake, Japan (1995)
- Sichuan earthquake, China (2008)
- Irpinia earthquake, Italy (1980)
- Hurricane Andrew, US (1992)
- Yangtze River floods, China (1998)
- Great Floods, US (1993)
- Tangshan earthquake, China (1976)
- Spitak earthquake, Armenia (1988)
- River floods, China (1996)
- Kalimantan forest fires, Indonesia (1982-83)
- Niigata earthquake, Japan (2004)
- Eastern floods, China (1991)
- River Arno floods, Italy (1966)

**Economic Loss as a % of GDP during year of disaster**

- 4.1
- 1.9
- 1.0
- 0.6
- 1.9
- 2.6
- 0.4
- 3.0
- 0.3
- 3.7
- 1.9
- 2.8
- 0.3
- 0.3
- 3.6
- 2.7
- 0.2

**$1.5 Trillion**

(From The Economist)
The Cost of Crisis

- **Annual insured costs**
  - Man-made disasters: $6.0 billion
  - Natural catastrophes: $14 billion
- Annual insured costs: $10-60 billion
A Definitional Framework

• The crisis continuum:
  o cause (incident) and effect (survivability)
  o Vary in degree and probability
  o All share the threat of causing damage
    • Physical and financial
  o Overwhelming majority start small and internal and are left uncheck/unnoticed.

• Therefore should be defined as:
  “an event, large or small, that can suddenly disrupt an organization’s ability to efficiently and effectively achieve its mission.”
So What’s The Difference?

- Issue
- Risk
- Crisis
Decision Matrix

- Risk
- Crisis
- Noise/Signal
- Issue

Criticality (Time)
SIRMC Process

Issues Management

Identification
Assessment/Likelihood
Evaluation/Impact
Prioritization
Ownership/Responsibility
Planning/Implementation
Monitoring/Reporting
The SIRCMC

• Issue Identification
• Assess Likelihood of IRC
• Evaluate the Impact
• Prioritize
• Assign Responsibility/Ownership
• Plan for/Implement Corrective Action
• Continually Monitor
• Report
A Message From
Michael McCain
Objective: To get into the field quickly, and then over time, to assess how Canadians were responding to MLF’s crisis communications strategies.

Five Phases Conducted by Leger Marketing:
- August 27-September 2, 2008
- September 26-29, 2008
- January 8-12, 2009
- February 27 – March 3, 2009 (post WR)***
- May 26 – May 31, 2009

Representative survey (N=1500+) reflective of age, gender and province – total participants 7,721.

Margin of error for a sample of this size is +/- 2.1% 19 times out 20.

Used the same 10 questions for each survey
GO x PH x Impact

![Bar Chart]

- **Overall GO**
- **GO/P/S**
- **GO/P/DS**
- **GO/DP/S**
- **GO/DP/DS**

<table>
<thead>
<tr>
<th>Month</th>
<th>Overall GO</th>
<th>GO/P/S</th>
<th>GO/P/DS</th>
<th>GO/DP/S</th>
<th>GO/DP/DS</th>
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<tr>
<td>Aug/Sept</td>
<td>59</td>
<td>50</td>
<td>36</td>
<td>23</td>
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<tr>
<td>September</td>
<td>73</td>
<td>62</td>
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<tr>
<td>January</td>
<td>90</td>
<td>79</td>
<td>63</td>
<td>34</td>
<td>22</td>
</tr>
</tbody>
</table>
Reputation Capital Restored

Recall

Lawsuit Settled

Market Cap  Aug 1/08  $1.43 billion  ✔
            Jan 26/09  $1.57 billion  ✔
The Path To Preparedness

1. A systematic crisis management system
2. A focused crisis leader
3. A desire to learn from previous crisis events
4. Developing and fine-tuning a crisis mindset
5. Strong relationships with key stakeholders
6. A strategic and managed approach to public relations
7. Advancing preparedness beyond the basics
So What Does Mean For Your Company or Your Clients?

- They need to recognize that they are now in a pre-crisis state -- Crises happen everyday
  - Crisis/Reputation Dashboard
- They need to develop a crisis issues anticipation system – assassin teams
  - Issues tracking
- They need to develop strong relationships with their priority publics
  - Ongoing stakeholder tracking surveys
  - Measurable public relations programs
- They need to anticipate, prepare and practice (and practice and practice…)
- They need to be ready to communicate…now (make sure that you have organizational managers that have been trained, evaluated and are ready to go).
  - Spokesperson testing
- They need to live their values – honesty, transparency, safety
  - Internal engagement surveys
- They need to realize that a crisis plan is necessary but not sufficient!
So What Can You Do Today?

- Recognize that you are in a “pre-crisis” state
- Ready your SM resiliency
- Focus on Issues & Reputational Risks
- Develop strong relationships with influencers
- \( C \int (A+P^2) \)
- Test your spokesperson(s)
- Test your #crisismanagement systems
- Live your values: honesty, authenticity, transparency & safety
- Be empathetic -- say you’re sorry!
Thank You

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