Crisis Management Strategies

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Abstract

This paper discusses the different facets of crisis as experienced within the pharmaceutical industry but which are also prevalent throughout other industries. It highlights the importance of early identification and management of crises and issues, which in return are strongly intertwined with a fundamental positive internal corporate climate. A corporate philosophy should always embrace crisis management with the attitude of 'when' and not 'if'; therefore, a company should act today and not tomorrow once a crisis is on its doorstep. Preparation is of utmost importance and there are several items that can be addressed even before a crisis has arisen. Further, this paper also provides guidance on how to deal with the media, what to do and what not to do, and how to appoint the appropriate spokesperson. In this era of fast exchange of information, crisis, which previously may have stayed behind corporate doors, may not do so any longer. Image is very important and should therefore not be risked. Crisis and issue management should therefore be integrated in every company's philosophy and standard operating procedures.

When looking back in history it is noticeable that news has gradually changed with time. What may have remained behind corporate doors or was just local news decades ago, can sometimes now appear in the public domain even before a company has had the opportunity to communicate it internally.

The pharmaceutical world has faced several issues and crises over the last 10 years and a number of large companies have been involved. Unfortunately, the pharmaceutical industry is even more prone to the occurrence of crises due to the fact it operates in the care sector. According to the Institute for Crisis Management, the pharmaceutical industry hit the 'top ten' in 1999 and has not been listed lower than number five since then.[1] With the huge growth and still increasing advances in communication, no business will escape the quick spread of both rumours and real issues. It is necessary to be prepared for issues and crises these days and a proper issue and crisis plan is expected during regulatory inspections.

Many issues and crises lead to substantial material damage. The extent of non-material damage is strongly dependent on the behaviour of the organisation during the issue or crisis. A careful and well-structured communication usually reduces the social damage and preserves the confidence of clients, the company's own staff and the public. Bad communication about an issue or crisis can cast doubt on more aspects of the organisation than just the event itself. An image carefully built over many years can be damaged thoroughly in a few hours or days. The aim of this article is to provide a first impression of what a crisis entails and its relationship with management and the decision-making processes.

1. Issues and Crises

Several definitions of what constitutes a crisis exist. Most common, however, are wordings which underline the inability of an organisation to have a major influence on its course and the speed with which the flow of events escalates during a crisis.

A crisis is a major, abrupt and often unexpected event that has a potentially negative outcome for an organisation and its employees, products, services, financial situation and reputation. An issue is generally of lesser magnitude than a crisis. It still requires urgent attention, but does not pose the question of major values to a company but may precipitate a crisis.

Although proper handling may prevent an issue from becoming a crisis, external factors have a huge influence. For instance, at the time of a disaster such as a plane crash, a product recall may not get the attention of the media escalating it into a crisis. If the amount of news is low, relatively small events may boost a lot of media attention. To tailor your reaction accordingly it is important to recognise the difference between bad publicity, an issue and a crisis.

2. Causes of Issues, Crises and Lessons Learned so Far

A great variety of items may provoke an issue or a crisis, for example: the environmental pollution of the Rhine in 1986 (Sandoz);[2] the Green Peace campaign against Shell and the Brent Spar in 1995;[3] an explosion; a fire; personnel kidnap; a hostile bid; and a product-related disaster, like the under-reporting of adverse drug reactions during protocol 321 with triazolam (Halcion®; Upjohn)[4,5] and the cerivastatin (Baycol®/Lipobay®; Bayer) deaths due to severe rhabdomyolysis.[6] But there may also be unintentional product contamination such as fragments of glass in bottles of Heineken beer (1993), benzene contamination in Perrier water (1990)[7] and tosylchloramide sodium (Halamid®) in baby food of Nutricia (1993).[8] In addition, there is

the example of intentional tampering of paracetamol (acetaminophen) [Tylenol®; Johnson & Johnson] in 1982, when cyanide appeared in its capsules, killing seven people in Chicago.[9] No organisation seems to be immune. The occurrence of crisis is no longer a matter of 'if', but 'when'.

Improved methods and speed of communication increase the vulnerability of an organisation to 'bad' news. Moreover, an enhanced public awareness and an intensified pressure on regulatory authorities acknowledging their responsibility ensure that issues or crises nowadays often have more impact than they may have had in the past.

3. Why Crisis Management

The main goal of crisis management is to take structured steps and precautions to ensure that the (potential) negative results of an issue or crisis on both the name and the image of the organisation are controlled and limited as much as possible. It is suggested that the erosion of a company's reputation is the greatest danger in a crisis.[10] Only a handful of pharmaceutical companies have learnt from the past of other organisations and unfortunately their true character comes to light during a crisis.[11] Reasons for such are numerous, but are often due to what is referred to as 'crisis negation'. Crisis negation is a tendency of higher management to ignore the possibility that an issue or crisis might happen to their organisation. It is argued that those who reached the 'top' by being successful find it hard to consider something with a potential negative impact.

4. How to Prepare

Proper crisis preparation cannot be fabricated from communication nodes, software and special teams, but depends on far more fundamental conditions such as a positive internal climate. Competence in 'climate management' has proved to be as important as competence in technological knowledge to increase productivity and work satisfaction.[12] Four elements are critical to ensure the climate is positive: the crisis philosophy, policy,

procedures in place and the preparedness to meet the media (the '4 Ps').

A sound crisis philosophy is driven from the top and focuses not solely on event handling, but also on outcome management.

The crisis policy is determined by the way the organisation actively tries to prevent issues and crises and how it responds internally to potential signs of issues and crises. Illustrative in this context are codes of conduct, a quality assurance system, active dialogues with authorities and the development and maintenance of a network with, for instance, authorities and media. With these policies, organisations demonstrate that they take responsibility for their business and increase confidence that they will act responsibly in case of any issue or crisis. An effective network has often proven to be crucial. It is important to have access to both internal and external experts who are familiar with the product and to have standard procedures in place to prevent harm. For that same reason, access to and a good relationship with one or more key reporters from the writing press, radio and television are essential to know who to go to if you need them. In addition, authorities have more confidence in a company that communicates openly about any doubts and issues before there are problems, either perceived or real. Also an open relationship with patient groups and consumers has proven to be helpful and supportive to counteract any negative news. Innogenetics, a bio-technology company situated in Belgium, distributed a nicely presented and well thought through news journal explaining who they are and their commitment to the community. ICI chemicals (now known as Huntsman Holland BV), with their well-known, large, unattractive chemicals storage tanks near Rozenburg in The Netherlands, asked local artists to decorate the tanks, making them acceptable and contributing to the local social life.

An issue and crisis plan, the procedure ensuring that there is adequate guidance to ensure that appropriate actions are taken, is essential. The existence of an issue and crisis procedure is asked for in any

inspection conducted by a European agency. The European Agency for the Evaluation of Medicinal Products (EMEA) has its own 'Crisis Management Plan for Centrally Authorised Products'.[13] The Plan describes a strategy which should be implemented for the rapid and efficient handling of crisis situations in liaison with the Committee for Proprietary Medicinal Products (CPMP), the Rapporteur, competent authorities of the Member States, the European Commission and Marketing Authorisation Holders (MAH).[13]

Like in any other standard operating procedure (SOP), standard elements such as the scope, definitions, tasks, responsibilities and authority for certain actions need to be described. Attachments should provide overviews of essential contacts such as names, addresses and contact numbers of the members of the crisis team (including after hours as issues and crises always seem to happen at odd moments). Moreover, contact details of relevant external authorities, including the insurance company (some require notification within a set timeframe) are essential.

As no issue or crisis is alike, an issue and crisis plan will always be a high level document and therefore should in principle be concise. At the time of an issue or crisis there is no time to read a lengthy document, and too much detail may hamper adequate actions. Its main function is to buy time necessary for more crucial activities and to ensure an optimal communication and reporting structure. Issue and crisis plans require regular updates ensuring the information in the procedure is current. Further attachments may be helpful with instructions for the receptionists, checklists and other aids. The critical issue in most companies is to determine who is responsible for what, including the authority to make decisions during all stages of the crisis. Delegation should occur before there is a need for such as in a crisis.[14] Not so much during an issue, but during a crisis when the outside world is driving you, the lack of someone being able to make decisions is one of the worst things to an organisation.

Decision-making is therefore the very essence of crisis management.[15]

Finally, there is the need to prepare to meet the media. Valuable time is lost when you cannot afford to waste time and have not planned in advance. Fact sheets about the company and its products, and annual reports, pictures of plants, spokesperson and press lists, divided by interest groups, are the bare minimum. Therefore, attention should be given to both the communicative and operational components of an initial response towards the media in case of a crisis.

5. The Crisis

A crisis is characterised by a flow of events, often with the press involved, and initially little time to collect facts. Organisations are bombarded with questions as to how it could have happened, why no precautions were taken and what they are going to do about it. Those questions are typical the questions any person will pose if something happens affecting their core values like family, environment or trust.

To those involved, it often seems that everyone outside the organisation is suddenly an expert and no one cares about the facts or your feelings. Following the capsizing of the Herald of Free Enterprise outside the harbour of Zeebrugge in Belgium in 1994, after sailing out with the bow doors still open, the following was a comment in a court report: "Full investigation into the circumstances of the disaster leads inexorably to the conclusion that the underlying or cardinal faults lay higher up in the company. The Board of Directors did not appreciate their responsibility for the safe management of their ships. They did not apply their minds to the question: What orders should be given for the safety or our ships?"[16]

Perceptions of the truth and not fact are driving factors in the initial period of full coverage.

The public typically needs someone to blame. There is often misunderstanding about the role of the media during these situations. The media try to get answers to the questions that the public wants to hear. If the organisation is not able to provide the media with acceptable answers, they will continue to search or go somewhere else. Responsible media organisations are not interested in misleading their readers and, as indicated earlier, a good relationship and understanding of their needs will benefit the company. After the initial phase of full coverage, gradually facts will become available and over time the media attention will usually fade out (figure 1). Although no crisis is alike, ten golden rules nearly always apply:

- create and empower a crisis team
- define the real problem as soon as possible
- create focus
- resist combative instinct
- assume the worst
- consider short-term sacrifice
- plan for the best possible outcome
- choose an articulate spokesperson
- hold back complete trust
- gather all information at a central point.

Often the spokesperson is the (near) highest person in rank within an organisation. Although this may seem logical, there are arguments against this approach. Executives thrive on success and not failure and often cannot withstand a combative instinct either in wording or body language. Moreover, it is crucial that the spokesperson creates empathy and reassurance. Not all high-ranking leaders necessarily have these capabilities. In addition, having a non-executive spokesperson allows for the correction of miscommunications.
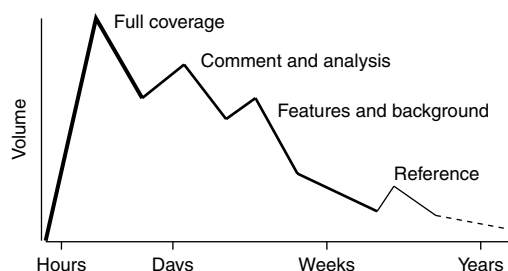

Fig. 1. Phases of media exposure.

However, if the decision is made that the chief executive officer (CEO) is (also) going to be a spokesperson during any crisis situation, make sure the spokesperson and the CEO are on the same page that is they understand their roles and have been trained to face the media.

6. Communication and the Media

Freedom of speech is a constitutional principle of a democracy. In crisis situations, interaction with the media, locally or globally, is therefore nearly unavoidable and requires careful consideration.

Apart from the necessity of having a fact sheet that provides the correct and essential information on the company itself, a basic statement needs to be prepared within the first few hours after the event. The first 24 hours of a crisis are therefore very important. Even if no further information is available, such a document is a bare necessity. It shows commitment and establishes what is known or not known and what steps need to be taken at that point in time. If they are well-composed and address essential questions in a satisfying way, responsible media organisations will use the documents provided. It is not in their interest to deliver incorrect information. Further information should be released when more news and facts become available. Always stick to the facts and never go 'off the record'. Press conferences might be unavoidable. In preparation for such, the composition of a so-called 'question and answer' (Q&A) list is advisable. A Q&A list is composed of all questions which an organisation can think could be asked. It is best to perform this exercise with a diverse team derived from several functions and layers in the organisation. Be prepared for the worst questions and try to step into the shoes of those outside your organisation. The preparation of answers to the questions facilitates the preparation for any press conference and press release. Needless to say, if time allows, media training for those facing the media is recommended.

Sometimes organisations are reluctant to communicate for a variety of reasons, such as:

- not all facts are yet available
- a desire to avoid panic
- lack of an appropriate spokesperson
- fear for legal implications
- fear for revealing proprietary information
- or simply inexperience.

However, justified each of the above may be; non-communication in the majority of crisis situations may evoke the wrong impression to the outside world and will seldom be justified.

When the Tylenol® capsules contaminated with cyanide caused the deaths of consumers in the US, the future for Johnson & Johnson did not look good, especially after a major story in the *New York Times*. However, the way the company handled this crisis has become a textbook on corporate responsibility and has even been referred to as 'the Tylenol® textbook'[17] and 'the gold standard'.[18]

7. Follow-Up

Following the issue or crisis, the writing and communication of a summary report is important. Not only does it provide the opportunity to learn from what went right and what went wrong, it also forms the start of the improvement of the issue and crisis plan, or its composition. Although dry runs with your procedure will be extremely valuable, the real-life situation will always teach you more. Marketing activities need to rebuild any potential loss of market share or trust.

What is often forgotten is the need to reassure the company's own staff. They usually have been under a lot of pressure too and may have lost their trust in management, products and preventative measures.

8. Conclusion

Inevitably, from time to time every company will face minor or major issues and crisis situations. Although the future may look solid enough today, dangers lurk. Pharmaceutical companies and their products are under more scrutiny than many other industries. The reason for this is that pharmaceutical

products have a high potential impact on core values such as the health of yourself and your loved ones. Therefore, a company should always strive for a climate consisting of the right philosophy and policies, have the right procedures in place and be prepared to meet the media. Preparation for such is critical to protect the image of the company and to minimise damage. Moreover, correct handling of issues may prevent them from becoming a crisis.

Taking on a situation as significant as a crisis requires several important attributes, such as having an articulate spokesperson who will be able to convey empathy and the will to communicate in a truthful way, as an organisation is expected to have intellectual, moral, social, emotional and political virtues. Moral virtues include leadership courage, clever utilisation of resources, honesty, truth telling and promise keeping.[19]

Acknowledgements

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