

WHAT IS A CORPORATE CRISIS?

AN OGILVYPR DEFINITION

Crisis - \ˈkri-sēs/n, pl cri-sēs/ˈkri-sez\ an unstable or critical time or state of affairs in which a decisive change is pending; a paroxysmal attack of pain, distress, or disordered function. —Webster's Dictionary

As Webster's indicates, a crisis is a period of trauma, distress and inevitable change. While events triggering a corporate crisis cannot be predicted with absolute certainty, they always bring about change—often for the worse, and always involving the company's reputation, management, brand or market share. The goal of crisis management is to contain and/or prevent the impact on the various audiences that corporations must recognize; these audiences are customers, employees, communities, government, and of course, the shareholder/investment community.

Any issue of public importance is always "media-driven" and will develop into a crisis if not handled skillfully from the outset. Such issues must be anticipated whenever possible. They also must be immediately met with creative, persuasive and media-savvy responses even when they cannot be anticipated. The proper response to a crisis must be measured in view of its power to besmirch the company's business and reputation, alienate its key stakeholders and dilute or destroy its brand equity.

The precise nature of corporate crises varies dramatically among different companies and industries. However, Ogilvy PR has discerned, through its successful management of hundreds of corporate crises, eight characteristics that underlie virtually all of them.

The eight characteristics are:

1. **Surprise** that is always driven by media exposure.
2. **Insufficient Information** about the relevant facts and the emerging public perception of the issue.
3. **Escalating Flow of Events** that hampers the ability of management to understand quickly that, like it or not, they "own" the problem and must quickly articulate a persuasive response.
4. **Loss of Control** over the way the growing crisis is perceived and the impact it is beginning to have on the company.
5. **Intense Scrutiny from Outsiders/Insiders** including media, government, regulatory agencies, activist groups, key stakeholders, and most importantly, the management team itself.
6. **The Beginning of the Siege Mentality** that causes company leadership to attempt to "hide" behind the legal aspects of the crisis, rather than confront the central issues, and thereby allows the crisis to inflict more damage on the organization.
7. **Panic** that perverts and/or paralyzes the decision-making process.
8. **Issue Solved by Public Arena** in manner designed to satisfy the interests of outsiders—including the media, government, regulatory agencies and activist groups—but never the interests of the company itself.



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continued

These characteristics apply to the broad range of issues that most companies and its senior management may have to face some day. In this regard, the company must understand the connection between crisis management and ongoing issues management—the latter is a subset of the former, and is necessary to prevent or contain potential future crises.

Ogilvy PR recognizes the importance of both issues and crisis management, excels at both, and recommends both to its clients in the interests of protecting their reputation, brands and constituencies.

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<http://www.ogilvypr.com/expert-views/index.cfm>

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