

# Crisis Management

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Agway, headquartered in Syracuse, NY, is the largest agricultural cooperative in the Northeastern United States with over 300 franchised and company owned retailers of garden, pet and farm supplies. They also sell California grown frozen strawberries – or so they thought.

On April 3<sup>rd</sup>, to their surprise, Agway discovered that the California grown frozen strawberries they had purchased were part of a shipment from Andrew & Williamson. Andrew & Williamson were under investigation for their connection to foreign strawberries mislabeled as being grown in California and suspected of causing hepatitis A in Michigan. Agway had not received any notice of a recall from the government or their suppliers, nor did they receive any complaints from their retail customers.

Agway though had a crisis management plan to execute. They notified their internal organization and immediately notified the press of a voluntary recall. They sent 200,000 postcards directly to their customers notifying them of the problem, identified the lot numbers recalled. Agway even extended the recall to all frozen strawberries customers had purchased since July 1996 and provided their customers with a telephone number and contact information. “We took this voluntary action in the interest of our customers’ well being and to preserve the trust they have placed in Agway” said Don Schalk, vice president of Agway Retail Services. On April 11<sup>th</sup>, they sent out an update and a reminder. The crisis not only passed, but by executing their plan, it was hardly noticed.

Compare Agway’s rapid reaction to that of Jack in the Box (e-coli bacteria) or Denny’s, Shoney’s or Avis’ (race relations). Acting like a Deer caught in a car’s headlights in the early hours of a crisis does nothing to alleviate or minimize the damages or the cost of solving the problem.

According to the Institute for Crisis Management 65 percent of the crises companies face are of the “smoldering” variety. In other words most are problems companies are aware of that could erupt and therefore are caused by management. Only 35 percent are of the “sudden” variety – the kind we hear most about and can learn from because they are dealt with in full view of the public.

Just as a franchisor has to manage the franchise system by planning and providing direction to the company owned and franchised locations, they must plan for and manage the system through the unexpected crisis. Most professionals agree that the existence of a working crisis plan and its successful implementation must be viewed as important to the survival of the franchise system.

According to Mike Swenson, President of Barkley & Evergreen Public Relations in Kansas City, "You have to be prepared". "Failure is not an option in any crisis situation". Swenson recommends a few simple rules to deal with the media taken from Barkley and Evergreen's Crisis Management service called CrisisTRAK<sup>sm</sup>.

- Have updated company information readily available including, number of franchisees, number of company owned locations, profiles of company executives and key franchisees, and information concerning the systems products and services.
- Keep the telephone numbers of key influentials readily available including those of management, your crisis management advisors, key vendors, franchisees, the press and anyone else you might possibly need in a crisis.
- Practice your crisis communication plan and schedule annual training exercises.
- Speak with a single voice. Use only one spokesman. Make certain that the franchisees receive training in crisis management and that they understand how to execute the company's plan, including calling the correct contact person at franchisor headquarters and their responses, if any, to the press.
- Be open, honest and factual with the media.
- Let the media know when you will be communicating with them.
- Keep your message simple. Make certain that everyone can clearly understand and follow the situation.
- Use a steady hand – never panic.

The cornerstone of any good crisis management program is the ability to execute your plan. "In most crisis situations, the timing is unpredictable. Certainly in the fast food business, it is crucial that we have an effective and efficient crisis communication program in place and ready to execute", said Nancy Robertson, Director of Corporate Communications at Sonic Industries. "To proactively address crisis communications, our Crisis Management Team methodically went through foreseeable crisis scenarios and developed a performance matrix which, at any given time, will give us a plan to carry out so that we're not developing a plan as a crisis occurs," said Robertson.

Sheila Dressman, Marketing Operations Manager with Cellular One "believes its just good common sense to do crisis training". "When challenging situations occur, you have enough going on around you, so it's that much more important to have some of the 'basics in place" said Dressman.

According to Mike Swenson, a critical component of Barkley & Evergreen's CrisisTRAK<sup>sm</sup> service is the 24-hour, seven days a week 800 number that its clients call to begin to execute their crisis management plan. "CrisisTRAK<sup>sm</sup> enables our clients to focus on critical immediacies of their crisis management program while relying on the CrisisTRAK<sup>sm</sup> team to begin the process of notification, management and execution," said Swenson.

Speed, honesty and a plan you can execute are all central to an effective crisis management program. Singular in importance in valuing a company's trademark is its reputation. And, unfortunately, the damage from a poorly handled crisis can cause long lasting and often permanent damage to a company's reputation and its marks.