

# BusinessDay



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STEPHEN BARTHOLOMEUSZ BLACKSTONE'S IRONY PAGE 2

IF THE UNEXPECTED HAPPENS... WHO YOU GONNA CALL?

## CRISIS BUSTERS

Crisis? What crisis? Companies ignoring the risks and realities of crises are the least likely to cope, writes **Vanessa Burrow**.

**I**T WAS just a snippet. But the radio announcer definitely said "poison". And when the phone rings, you know the news is not good. At least three people have been taken to hospital. They're in a critical condition and they'd all been taking XYZ pain medication. The journalist on the phone wants answers. "What is the company doing? Why weren't proper precautions taken? Who's to blame?"

Emergency procedures, written up last year, are floating through your brain and there's the sudden thought — what's happened to our share price?

You had been hoping for a quiet afternoon... Even in this mock scenario, organised by crisis management consultants, there's a rush of adrenaline as you and your team hurriedly prepare a statement.

But the reality is, just last month a competitor was almost ruined in a similar incident. Your company doesn't want to be caught napping.

Ross Campbell, who runs Melbourne-based crisis management consultancy Ross Campbell & Associates, says his company stages hundreds of such scenarios a year to help clients prepare for a potential disaster.

"Some of them are very small situations," he says. "Others are full-scale exercises."

The biggest productions involve emergency services, lawyers, actors playing family members and journalists, and, in some cases, "injured" people complete with make-up and props.

"If you came upon them, you would think it's the real thing," Campbell says.

It's symbolic of the prominence crisis management — and its cousin issues management — has acquired. It's a hot business, and more and more people are jumping in.

While practitioners admit they're "brought in through the back door", they also command fees approaching \$1000 an hour.

Melbourne crisis management practitioner Michael Smith says it all started about eight years ago, as companies braced themselves for Y2K.

Of course, all the world's computers didn't crash and the world awoke on January 1, 2000, as usual.

But the preparation that went into Y2K showed a higher level of crisis planning was possible and acquainted executives with a previously mystified area.

"Everyone had to have a plan for a crisis that never happened," says Smith, a former journalist and editor of *The Age* who founded Inside Public Relations in 2001. "Crisis management is a much broader and more detailed industry than it was a decade ago and much more specialised."

The Public Relations Institute of Australia estimates there are about 10,000 public relations practitioners in the country, and the ranks are growing by 10 to 15 per cent each year. Many of those people will work in crisis or issues management and every year, thousands of students enrol in university public relations courses, hoping to get

a slice of the action. But why this increased demand for crisis management services? And what's at stake?

Robina Xavier, acting head of the Queensland University of Technology's advertising, marketing and public relations school, says research suggests about 8 to 15 per cent of a company's share price is based on reputation.

"Clearly that's at risk during a crisis," she says. But depending on the extent of the crisis, there's also the risk of extended negative publicity, a product being "killed off", or even government intervention.

AWB is a recent case of crisis management gone wrong. The wheat exporter's share price dropped from a record high near \$6.50 in early 2006 to a record low under \$2.50 as it became clear the company had paid about \$300 million in kickbacks to Saddam Hussein's regime — and lied about it.

According to US-based crisis management consultant Peter Sandman, who was initially hired by the company in December 2005, simply apologising could have spared AWB some of its pain.

"If AWB had apologised thoroughly, sincerely, and skilfully for what it did wrong, I think the public would have been much more willing to take note of the mitigating factors and forgive the company," he says.

"Blame typically happens on a see-saw. That is, how much you blame me for something I did wrong depends largely on how much I blame myself. If I emphasise how bad I was and how sorry I am, you tend to see all the more clearly the mitigating factors."

AWB's Sandman-inspired apology letters never surfaced — at least not until the company was forced to make them public during the Cole inquiry. But by then it was too late to apologise.

"The fundamental problem was, they were in the wrong, and they were never prepared to admit it," says RMIT University adjunct professor in communications Noel Turnbull.

"The 'Sandman' approach of apologising actually works. You have to face up to reality and accept responsibility. It's a pity AWB didn't take Sandman's advice."

In the end, despite any mitigating factors, AWB's reputation was trampled, and only in recent weeks has the share price again touched \$4.

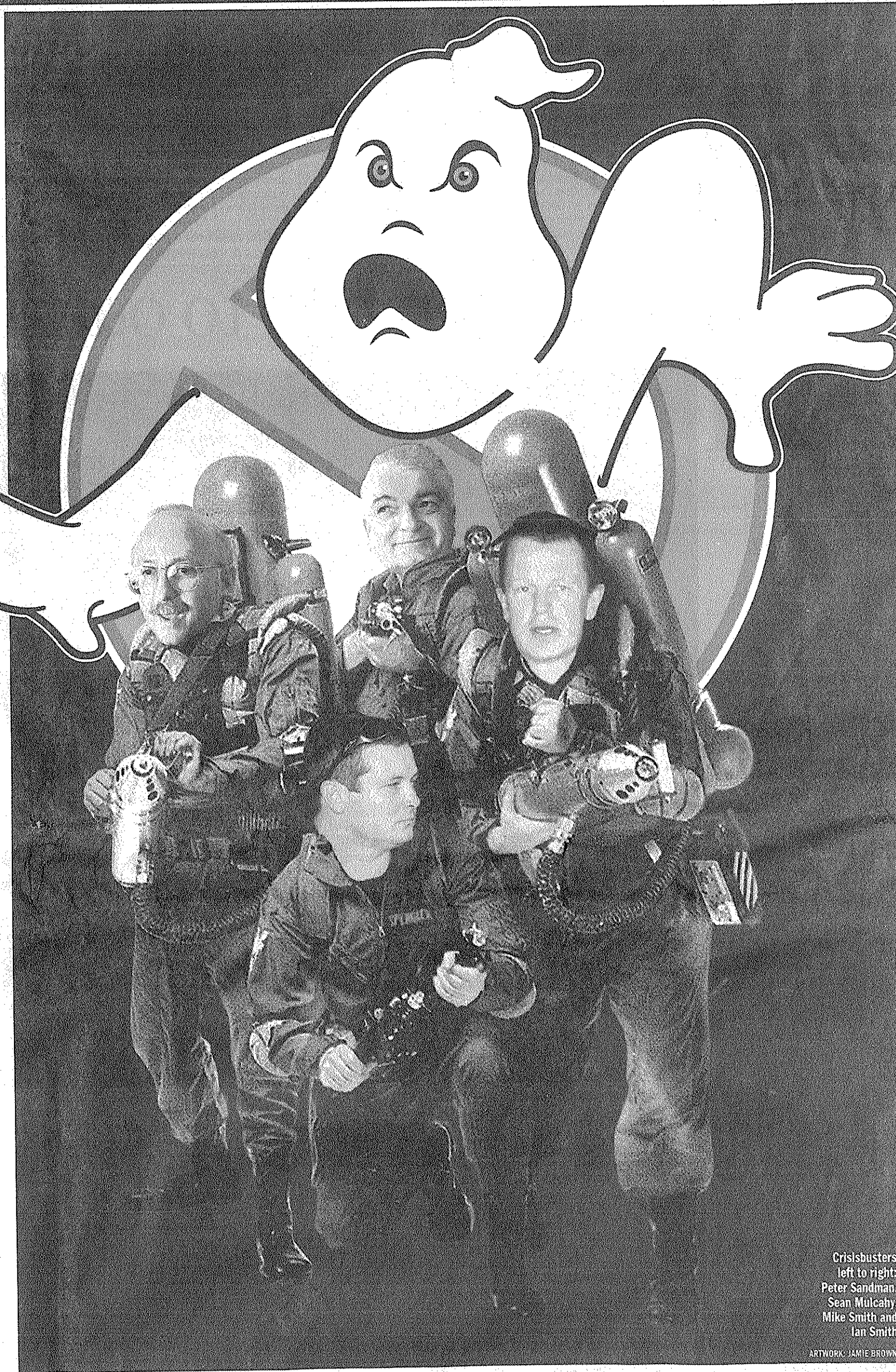
National Australia Bank also faced external scrutiny when it was discovered four rogue currency traders had cost the bank \$360 million.

In a performance-driven culture, the four men took excessive risks, pushed the boundaries of the law, and eventually ended up in jail.

The scandal claimed the scalp of former chief executive Frank Cicutto and prompted extensive changes to the board.

NAB media relations manager Brandon Phillips, who was part of a team that won an award for their crisis management strategy, says the \$360 million loss never jeopardised the bank financially.

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Crisisbusters left to right: Peter Sandman, Sean Mulcahy, Mike Smith and Ian Smith

ARTWORK: JAMIE BROWN

### CASE STUDY QANTAS

**The failed takeover of Qantas**  
**WHEN?** Late 2006 to May 2007.  
**WHAT HAPPENED?** Airline Partners Australia consortium, made up of Alco Finance Group, Alco Equity Partners, Macquarie Bank, Texas Pacific Group and Onex, offered \$5.45 a share for the airline, or more if it acquired 100 per cent of the company. The board, including chairman Margaret Jackson, endorsed the offer. However the deal collapsed when APA failed to

secure 50 per cent of Qantas by a deadline. There was talk the share price would collapse. **WHAT WAS DONE?** When the deal collapsed, Qantas swiftly returned to a business-as-usual scenario, began a television advertising campaign and moved to soothe staff. **WHO CONSULTED?** Ian Smith, Gavin Anderson & Company. **WHAT WAS THE RESULT?** Chairman Margaret Jackson announced she would resign after this year's annual meeting



Geoff Dixon and Margaret Jackson.

In November, Qantas was re-rated by the market and the share price has stayed above APA's offer price.

### CASE STUDY NAB

**NAB's rogue traders**  
**WHEN?** Late 2003, early 2004.  
**WHAT HAPPENED?** Thanks to an internal whistleblower, National Australia Bank discovered four of its foreign currency traders had been making unauthorised trades and covering them up. They had lost \$360 million of the bank's money. **WHAT WAS DONE?** After the wrongdoing had been investigated, NAB's crisis management team made an internal, independent report (and the

Australian Prudential Regulation Authority report) publicly available. On the resignation of Frank Cicutto, new chief executive John Stewart became available to media. **WHO CONSULTED?** Former NAB general manager group, corporate affairs, Robert Hadler, current group media manager Brandon Phillips and team. **WHAT WAS THE RESULT?** The four traders were jailed for a variety of terms. The last two were sentenced in July 2006.



Rogue trader David Bullen

National Australia Bank won an investor relations award for best crisis management in 2004.

### CASE STUDY MICHELLE LESLIE

**Michelle Leslie jailed in Bali**  
**WHEN?** Began August 2005.  
**WHAT HAPPENED?** The Australian model was arrested on her way to a dance party in Kuta, Bali, for allegedly possessing two ecstasy tablets. She was facing a maximum 15-year jail sentence. The arrest came soon after Schapelle Corby was sentenced to 20 years' jail for importing a large quantity of cannabis into Bali and the Bali Nine were arrested for smuggling heroin.

**WHAT WAS DONE?** After a false start or two, Leslie hired a crisis management team. She began wearing a traditional Muslim headscarf and said she was a Muslim. She revoked a statement drawn up by a Balinese lawyer that said she was addicted to ecstasy. **WHO CONSULTED?** Frontline Crisis Management's Sean Mulcahy and Ross Hill. **WHAT WAS THE RESULT?** Leslie was sentenced to three months



Michelle Leslie

jail. As she had already served the time, she was deported but was criticised for abandoning the hijab on her return.