

## Crisis management and strategic communication

In recent years, businesses have been faced with an array of novel crises. Today's environment of 24/7 connectedness, combined with a societal breakdown in trust, puts pressure on companies to respond quickly and transparently to unprecedented events. To best preserve and enhance corporate reputations when crises inevitably arise, high-performing boards and management teams are focused on crisis preparedness through a variety of efforts.

On November 21, 2022, Lead Director Network (LDN) members discussed crisis management through strategic communication with guest Richard Levick, chair and CEO of the public relations firm LEVICK. Participants shared perspectives on how an expanding and evolving crisis landscape is changing the way companies prepare for, lead through, and communicate to stakeholders during and following a crisis event.

This *Summary of Themes* provides a brief overview of the meeting. It uses the term "lead director" to refer interchangeably to the titles lead director, presiding director, and non-executive chair, unless otherwise stated.

*For a full list of meeting participants, please see page 4.*

Underscoring the "trust-free zone" that companies operate in today, Mr. Levick said, "When a crisis hits, a CEO statement focusing on concern for shareholders and customers used to buy companies a couple of days to sort through things. That no longer exists—there is no instant trust." Considering these circumstances, one lead director asked, "What's the best way boards can build muscles to prepare for crises?" Mr. Levick urged members to consider several good practices to assist in preparing for and managing during a crisis:

- **Develop a plan and practice the response before a crisis occurs.** The goal of crisis simulation should not be to identify every type of crisis that might occur. Rather, as Mr. Levick suggested, "the objective is to get instincts and gain comfort. Crises are not typically when we are at our best; it takes practice." He said that tabletop exercises should be conducted with a small team to streamline decision-making. While there are varying approaches to including the board, one member noted, "I insist that tabletop exercises involving crisis include the full board, if for no other reason than to understand how and who is responsible for alerting the board. All crises are different, but I've found great value in board involvement and understanding how the process works."

- **Identify internal and external crisis response resources.** Cross-functional coordination is one of the keys to success both before and during a crisis. Mr. Levick stressed the importance of eliminating any existing silos internally: *“From human resources to public relations to branding to legal, your teams need to know and trust each other.”* He also pointed to the value of spending time with external advisers before a crisis occurs: *“It’s difficult to make big decisions where there is no preexisting relationship and little information flow. Use peacetime wisely to build trust with your crisis team.”*
- **When crisis hits, be clear about who is in charge.** One member shared an experience of crisis directly involving the CEO’s behavior: *“We had a situation of bad behavior with our CEO, which resulted in his termination. But an issue we ran into was that the CEO hired the PR firm—so who did they work for?”* Mr. Levick responded, *“When hired, one of the most delicate questions is, Who are we representing: the CEO or the company? Sometimes it’s not clear that there will be a separation and, as matters proceed, it’s important to identify who is the path to the board if the CEO is implicated in or responsible for the situation.”*
- **Get ahead of difficult decisions.** Mr. Levick emphasized the importance of making difficult decisions—for example, dismissing senior executives or pulling a product from shelves before regulators or the public demand it. *“Nothing makes crisis go away faster than pulling a product or apologizing. Sacrifice is essential,”* he said, adding that boards that press the issue of profitability during a crisis may be missing the bigger picture.
- **Institute continuous media tracking.** Without proactive media tracking—both traditional and social—a crisis narrative could develop without a company’s knowledge. Mr. Levick shared an example of a damaging video that went viral over the weekend when the company was not monitoring social media; by the time the company was made aware of the video, it had been shared millions of times. *“Social media must be monitored 24/7. Crisis is not like wine—it never gets better with age,”* he said.
- **Enlist third parties to support your narrative.** Because of the shift to social media, the *“four horsemen of traditional reputation management—public relations, advertising, lobbying, and political action committees—no longer control the narrative,”* Mr. Levick said. He noted, *“We don’t control the conversation anymore, so it is important to have unimpeachable third parties to help get your narrative out.”*
- **Rethink leadership skill sets.** While CEOs have historically been chosen for their strategic and business expertise and experience, today’s environment requires that CEOs and leadership teams possess strong communication and crisis response abilities. When thinking about CEO succession, Mr. Levick suggests that boards *“spend more time on crisis questions, knowing that you will be in a crisis some day and the CEO will have to handle it. Ask for past examples of key takeaways, how they worked with the board, and how they plan to prepare.”*

## About this document

*Summary of Themes* reflects the network's use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments made before and during meetings are not attributed to individuals or corporations. Guests, however, have given permission for their remarks to be attributed. Comments by guests and network members are shown in italics.

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## Meeting participants

- Marcela Donadio, Lead Independent Director, Marathon Oil Corp.
- Paulett Eberhart, Former Lead Independent Director, Anadarko Petroleum Corp.
- Curt Espeland, Lead Independent Director, Lincoln Electric Holdings, Inc.
- Anne Gates, Non-Executive Chair, Tapestry, Inc.
- Fritz Henderson, Lead Independent Director, Marriott International, Inc.
- David Herzog, Lead Director, DXC Technology
- Glenn Hubbard, Non-Executive Chair, MetLife, Inc.
- Steve Leer, Lead Independent Director, Parsons Corp.
- Les Lyles, Non-Executive Chair, KBR, Inc.
- Jay Morse, Lead Non-Executive Chair, AES Corp.
- Bob Murley, Non-Executive Chair, Stericycle
- Suzanne Nimocks, Lead Independent Director, Brookfield Infrastructure Partners, LP
- Chuck Noski, Lead Independent Director, Booking Holdings, Inc.
- Joe Reece, Lead Independent Director, NCR Corp. and Non-Executive Chair, Compass Materials International, Inc.
- Pam Reeve, Non-Executive Chair, American Tower
- Pat Russo, Non-Executive Chair, Hewlett Packard Enterprise and Lead Director, General Motors
- Ted Samuels, Lead Director, Bristol-Meyers Squibb