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## PERSPECTIVE

## Navigating organizational crises: communication, accountability

### DR. T ON SECURITIES

*In the case of public companies, disclosure obligations may include making an 8-K filing or updating other periodic reports.*

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Regardless of size, industry, product, service or entity type (corporation, nonprofit, partnership, foundation or education institution), all organizations will encounter a crisis at one point or another in their evolution. Most organizations will experience crisis at least once every few years. Crises can hit on a number of fronts, including CEO upheavals, sexual harassment scandals, restatement of financials, major lawsuits or board resignations. It is critically important for a management team to develop appropriate crisis management plans in advance to avoid having to address a crisis situation when the organization is already in the midst of it. The board of directors also has a responsibility to instigate questions around crisis management and then review and vet developed plans as part of its oversight function.

Generally speaking, each crisis situation typically has a trigger that then results in the need to assess and react on two dimensions: accountability and communication. The speed at which an organization is able to execute a crisis management plan in the face of a crisis and the organization's proficiency in demonstrating its effectiveness on these dimensions is critically important to maintaining its reputation. Once the basic navigational system is in place to manage the crisis, the board of directors must continuously engage with the management team and organization to ensure such system remains operational through any challenging times.

### Accountability

Accountability in a crisis situation is the foundational dimension of any good crisis management plan. An organization that desires to effectively manage a crisis will do so with an

adherence to accountability of process and reaction. The best way for an organization to be accountable in the face of a potential crisis is to have a plan that clearly identifies the process and the people necessary to steer the organization through a particular crisis trigger. An organization cannot predict the details of any particular crisis that will hit so the plan does not have to have every detail outlined; a high-level roadmap is sufficient. The process and people may vary depending on the type of crisis so it is important to think through potential scenarios and contingencies to ensure the right team is assembled in advance and that each team member is aware of their responsibilities in the wake of a crisis. Any process outlined should align with the organization's existing corporate governance structure and should be specific enough to factor in timing considerations but flexible enough to allow for adjustments as needed in the midst of a crisis. Such accountability to process enables proper accountability of reaction by providing an organization with the opportunity to properly assess before reacting.

### Communication

Once a crisis hits and the plan for addressing the crisis is initiated, the key working team needs to determine the "why" and "what" before any communication is disseminated. The other key decision is determining to whom such communication needs to be made. Presumably, the management team and board have already been made aware of any pending crisis but other stakeholders need to be considered, including employees, shareholders, suppliers, customers and the general public. Other stakeholders, depending on the crisis, may include the media, emergency responders, government officials and regulators. Depending on the crisis trigger and depending on whether there is an offering or other action or event happening, legal counsel will likely need to be consulted to ensure there are no restrictions around what can or should be communicated. Legal counsel can also advise on

any legal notification requirements including insurance, as well as any contractual commitments that may be impaired as a result of the crisis. In the case of public companies, disclosure obligations may include making an 8-K filing or updating other periodic reports. These disclosure obligations have specific requirements and time frames that must be adhered to so it is important to involve legal counsel who can identify any critical disclosure obligations.

The most critical factors in any communication strategy during a crisis are accuracy and transparency. By restricting communications to only known facts, this will ensure that an organization can remain consistent in its messaging throughout the crisis. Transparency involves relaying facts as they are received in a timely manner to assure all stakeholders that the organization is handling the crisis effectively. Adhering to this principle will also reduce overall liability by avoiding premature statements.

In addition to the communication strategy and the rollout of that strategy is a spokesperson for the organization that is charged with communicating the messages. This person should be well respected within and outside the organization, as well as well-trained in establishing the proper tone throughout the crisis cycle. Having the right team that can simultaneously address the operational response and the communication issues is a critical first step to any successful management of a crisis.

### The Role of the Board

Once the organization has established a crisis management system, it is the duty of the board of the directors to ensure that the system is appropriate for managing crises and that such system can be executed effectively. Directors can satisfy this duty by undertaking the following actions as they relate to crisis management:

- Evaluate the crisis management strategy to confirm alignment between the crisis objectives, the strategy, the crisis team roles and the communication plan.

- Help management identify those crisis situations where the board should be notified and play a larger role in ensuring successful execution. This would typically entail crises that could result in significant strategic, reputational or business impacts.

- Once a crisis occurs, the board should initiate its oversight function and collect feedback internally and externally as to how the organization is handling the crisis situation. Such data collection will be important for revising and expanding the crisis management strategy for future crises.

- During a crisis, the board should focus on strategic, cultural and reputational impacts and do its best to mitigate any negative results for the organization.

- If a crisis involves the CEO, the board may need to be ready to take action.

- Once a crisis is over, gather all relevant data and impact points to assess what needs to be revised and help management improve the plan accordingly.

### Conclusion

Regardless of what crisis situation an organization is encountering, a plan that is grounded in accountability and communication will make a huge difference in an organization's ability to tackle any adverse impacts resulting from a crisis. The board of directors serves a useful function in crisis situations by providing important oversight, soliciting feedback during a crisis and offering guidance to help an organization navigate successfully.

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