



FIRSTSIGHT
ANALYZE. ANTICIPATE. ACT.

Preparing for the Decisive Moment
Training Seminar in Proactive Crisis Management

Preparing for the Decisive Moment

Critical Objectives

Engaging in the “Decisive Moment”

Case Studies in Crisis Management

Critical Objectives

1. **Paradigm shift:** Explore concepts and frameworks needed to help Abbott master reputational challenges
2. **Skill-building:** Acquire powerful tools to implement successful brand defense strategies

Abbott Laboratories Chinese Infant Formula Violates China National Standards, According to Tests



WORLD NEWS | January 24, 2013

Milk Scare Hits Dairy Power New Zealand

A Flexible Framework Empowers Ambassadors

▶ Flexible models are superior to formulas and scripts

Crisis Response Formula	Crisis Response Model
<ul style="list-style-type: none">• Either overly general or overfit to specific crisis or landscape• Inflexible and restrictive• Predictable, allowing attackers to base future attacks on past crisis response	<ul style="list-style-type: none">• General framework tailored to specific cases• Flexible to encourage situational awareness and leverage expert knowledge of team members• Evolves with attacker tactics, lessening element of surprise and dissuades attacks by raising potential cost to fight

Preparing for the Decisive Moment

Critical Objectives

Engaging in the “Decisive Moment”

Restoring Trust: The True Business Challenge

Engaging on the Right Level: Experts, Fear, and Outrage

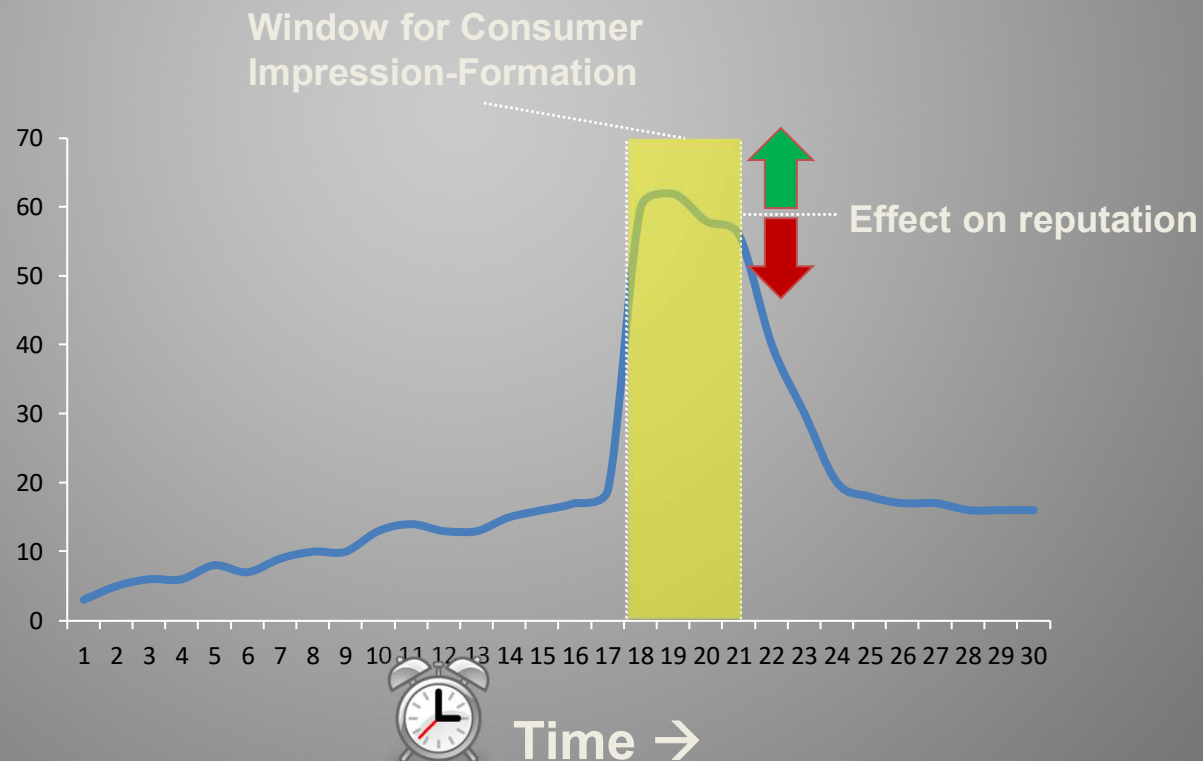
Case Studies in Crisis Management

The “Decisive Moment”: All Eyes on You

- ▶ In a crisis, managers have a matter of hours to capitalize on increased attention and optimize brand perceptions
 - Abbott wants at least as many eyes on its response as were on the original crisis event
- ▶ It is essential to prepare ahead of time for how to respond to potential crises and their unique dynamics

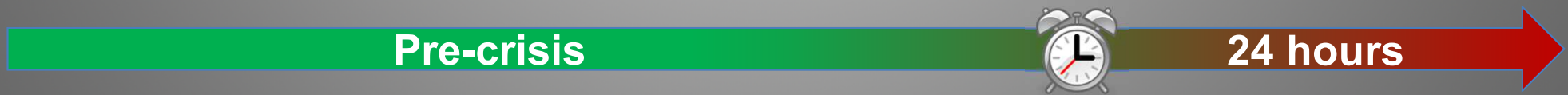


Audience Attention
(Potentiates Changes in Brand Perception)



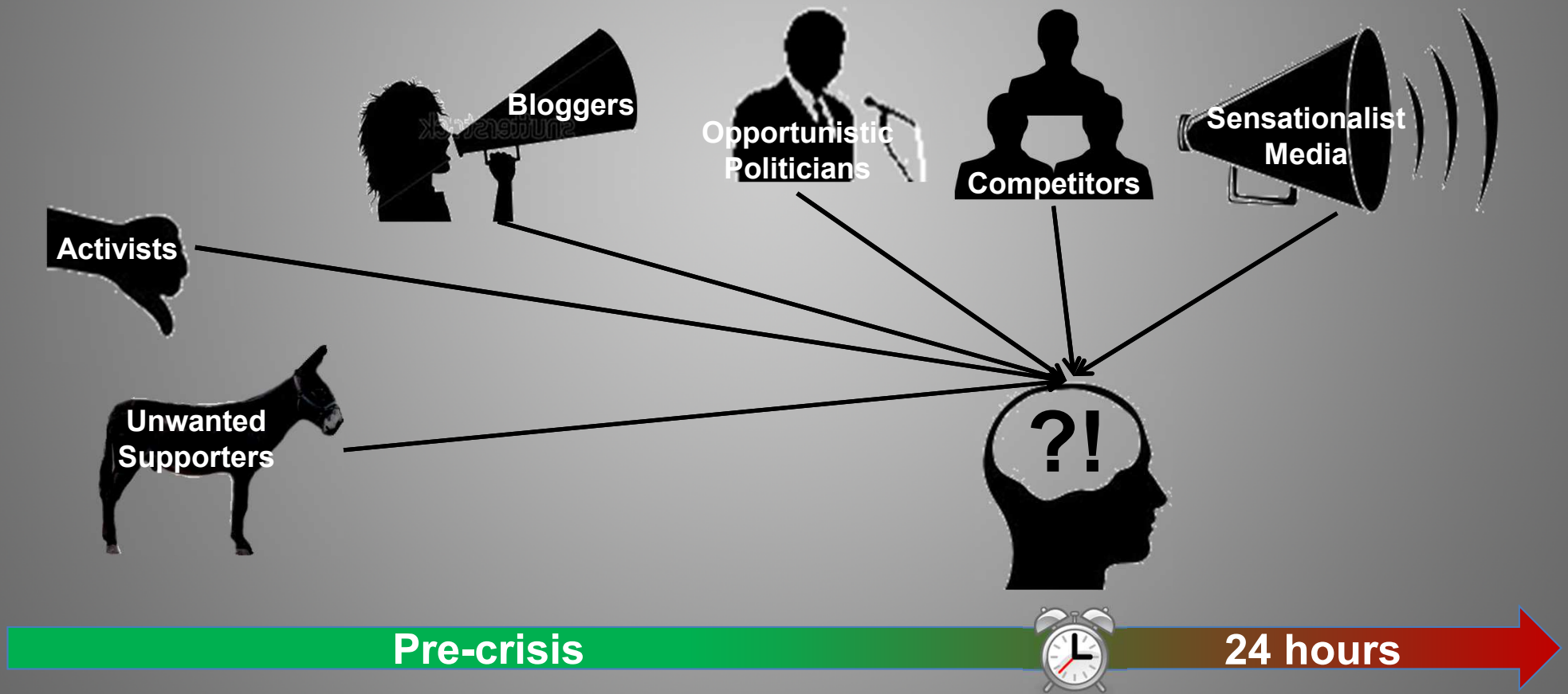
Crisis Response Forms Strong Impressions

- ▶ For many consumers, this is the first time they have thought about Abbott as a company, outside of its product lines
- ▶ This leads consumers to wonder whether they should trust Abbott as a company
- ▶ How Abbott responds in this first 24 hours will have more effect on fundamental consumer opinions than any of Abbott's advertising campaigns



“No Comment” Speaks Loudly

- ▶ Waiting for the situation to go away or explicitly refusing to comment allows this vacuum to be filled by other people
- ▶ Engagement is the only option, so preparation is essential



Balancing Engagement Speed and Quality

- ▶ **Abbott's first response will leave an indelible mark, so it needs to be as fast as possible without compromising the message**
- ▶ **In the early hours, there are many unknowns, and quality response models allow for immediate action regardless of unknowns**
 - “Whodunnit?” is not central to the immediate public response to the crisis

Article:

Why First Impressions Are Difficult to Change: Study

Rick Nauert Ph.D.

Date: 19 January 2011 Time: 03:54 AM ET

PASSING THE BLAME IS NOT AN ACCEPTABLE CRISIS RESPONSE: A LOOK AT THE TOP #FAILS IN THE NEWS TODAY

by [Melissa Agnes](#) on June 13, 2012 in [Case Studies](#), [Food for Thought](#)



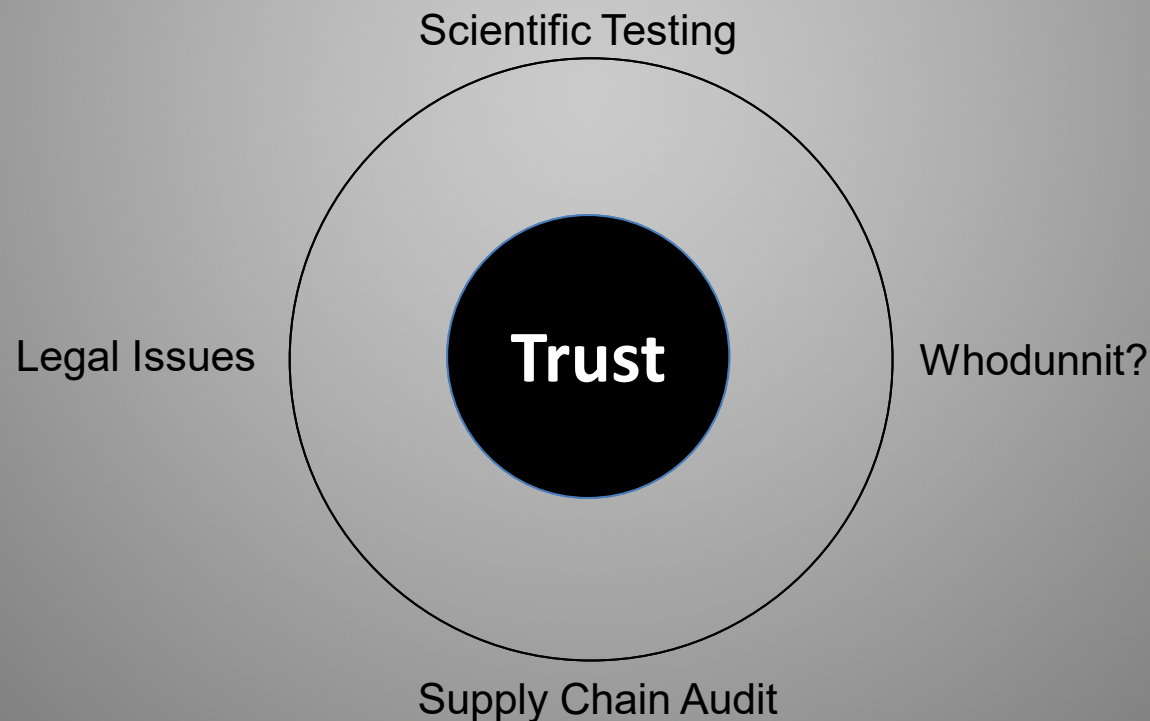
Balancing Engagement Speed and Quality

- ▶ **Abbott's crisis responses is the culmination of its preparedness activities, which enable effective engagement in the decisive moment**
 - **Intelligence:** Reduces unknowns by unearthing stakeholders and their motives
 - **Simulation:** Identifies and addresses unknowns by examining stakeholders' likely strategic plays in response to a crisis and to Abbott's response to the crisis



Restoring Trust: The True Business Challenge

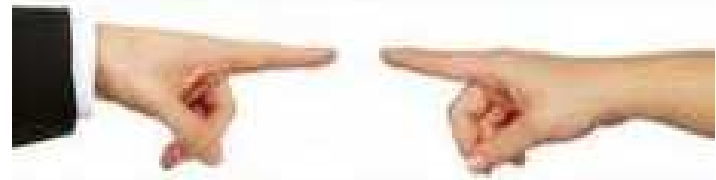
- ▶ It is essential to recognize that the core threat and opportunity of a crisis is its impact on consumer trust
- ▶ Communicating effectively in a crisis requires a shift from damage control toward restoring trust



Restoring Trust: The True Business Challenge

- ▶ The trick for brand managers is to investigate the situation objectively while considering consumers' subjective emotions in Abbott's impact analysis and outward communications

Psychology Today



Why Being Right Can Be Wrong For a Relationship

Three ways to build stronger, happier relationships in life

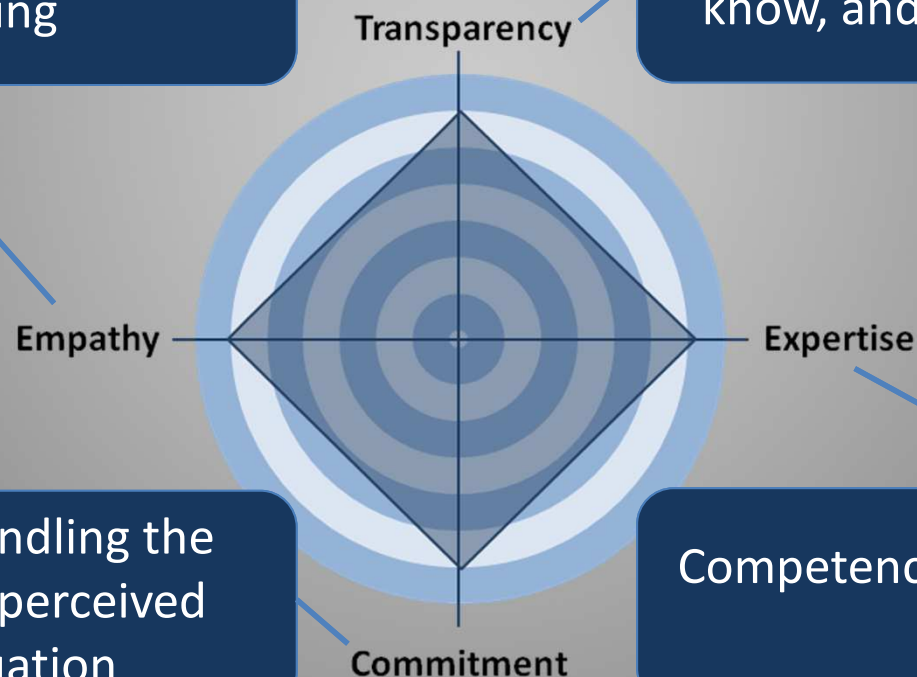
Published on April 23, 2013 by Christina Curtis in [Stop Dreaming, Start Doing](#)

Striking the Right Chords with The Trust Radar

- ▶ The “Trust Radar” encourages brand defenders to explicitly consider subjective consumer experience as a core crisis driver
 - Firms generally focus on signaling concrete expertise and commitment while treating empathy and transparency as “soft” secondary considerations

Warmth, authenticity, and perspective taking

What you do know, what you don't know, and when you will follow up



The person or team handling the situation matches the perceived severity of the situation

Competence and capability to fix the situation

Engaging on the Right Level: The Expert Trap

- ▶ Expert knowledge actually causes the expert to experience the world differently from other people

Put these people into 2 categories



1

2

Now, categorize these chicks



1

2

Journal of Experimental Psychology:
Learning, Memory, and Cognition
1987, Vol. 13, No. 4, 640-645

Copyright 1987 by the American Psychological Association, Inc.
0278-7393/87/\$00.75

Sexing Day-Old Chicks: A Case Study and Expert Systems Analysis of a Difficult Perceptual-Learning Task

Irving Biederman
State University of New York at Buffalo

Margaret M. Shiffrar
University of California at Santa Cruz

Engaging on the Right Level: The Expert Trap

- ▶ However, consumers are not experts, so it is essential to see the crisis through their eyes to identify core issues
- ▶ Focusing solely on expert analysis will lead to a crisis response that alienates non-experts

Experts – FBI Agents

“Trigger finger is removed from trigger, so the boy is not in any objective danger”

Laypersons – Media Consumers

“SWAT team is using guns to pull the crying boy away from his parents”



Engaging on the Right Level: The Expert Trap

- ▶ Using the trust radar forces experts and those working with expert intelligence to consider non-expert perceptions

Close the gap between experts and non-experts by filling in the low information environment

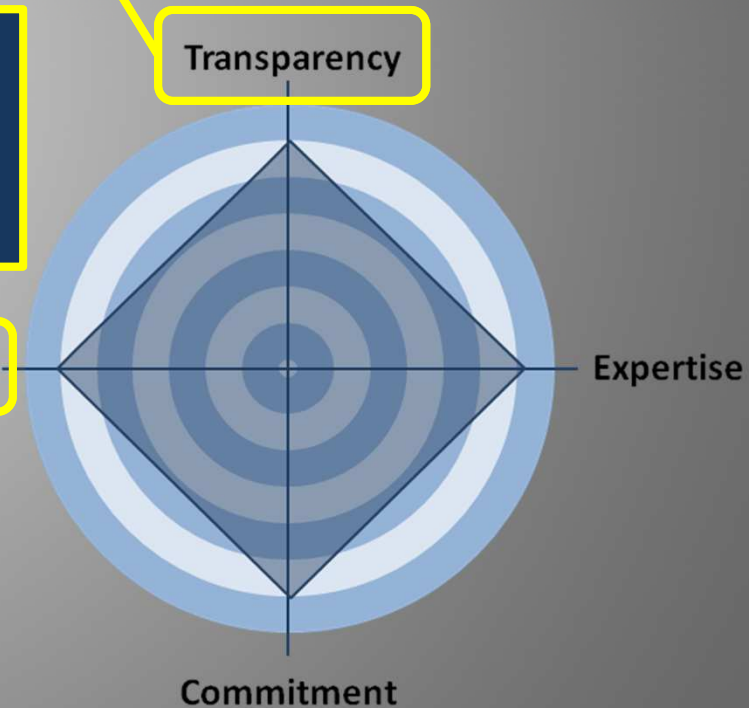
Consider how a variety of non-expert stakeholders could perceive the crisis and Abbott's response to the crisis

Empathy

Transparency

Expertise

Commitment

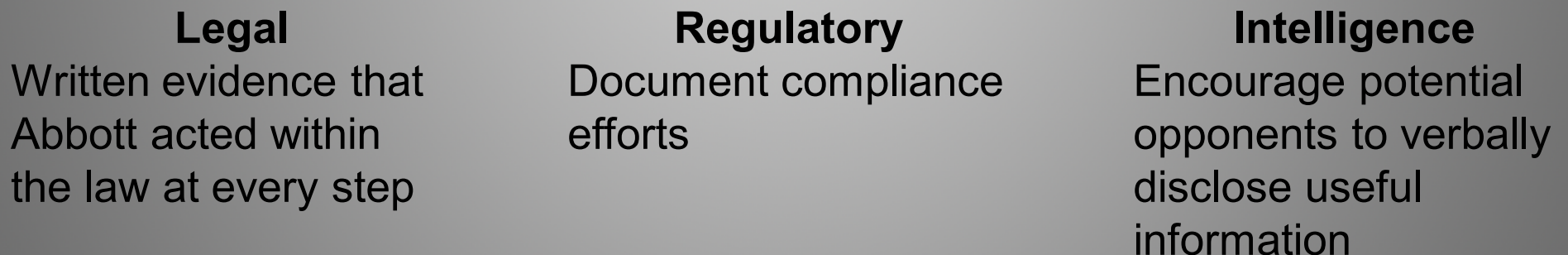


Engaging on the Right Level: The Expert Trap

▶ Considering the expert trap can also aid inter-departmental crisis communication

- Empathy and transparency can aid different expert teams in eliminating ambiguities and miscommunication

“Let’s create a paper trail”



Exercise: Avoiding The Expert Trap

- ▶ **You are highly trained professionals. Do you ever run into difficulty explaining what you do at holiday dinners?**
- ▶ **How do you translate what you do to friends and family so that they can see that what you do is useful and “good”**
- ▶ **Have you ever discussed a sensitive product like infant milk formula with your friends?**
 - How do their concerns and opinions differ from your daily concerns about IMF?
 - How do you keep the conversation flowing?



Engaging on the Right Level: Outrage

- ▶ While businesses often focus on things like efficiency, acceptable risks, and tradeoffs, consumers focus on things like fairness, decency, and morality

Helps to elucidate corporate thought processes and considerations, and helps to prevent “us vs. them” mentality

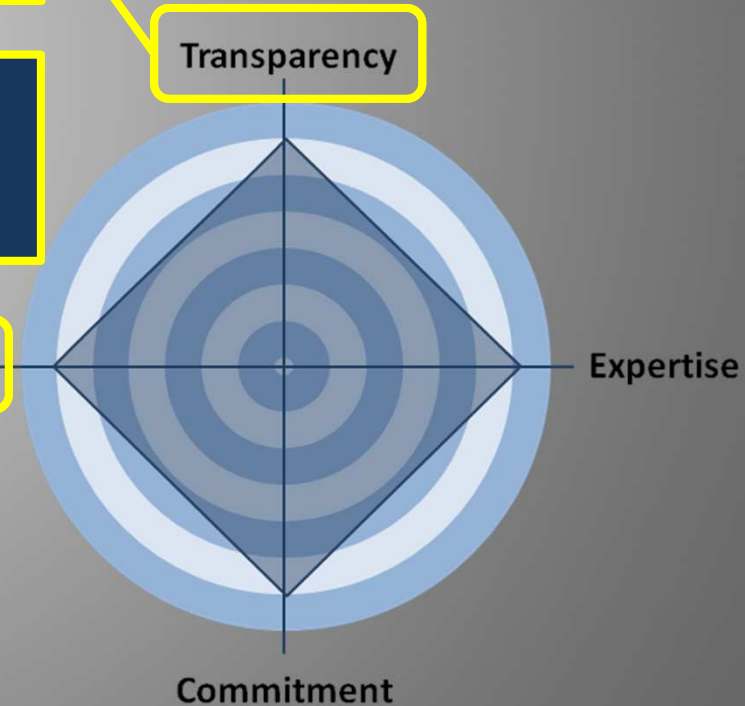
Identify moral drivers and consider these drivers in communication from the start of the crisis

Empathy

Transparency

Expertise

Commitment



Exercise: Outrage

- ▶ **In personal interactions, do you ever come across prejudices against working for a big corporation?**
 - What are peoples' concerns? How do you respond? Does your response build understanding or lead to polarization?

- ▶ **What was your first consideration in the CER event?**
 - Did you consider public perception in how you responded to the event?
 - Is it your job to consider public perception, or is it your job to deliver objective analysis to be passed on to a decision maker who considers public perception?
 - If you had taking public perception as the most important factor (which might not be the right thing to do) how would this have changed how you executed your analysis?

Engaging on the Right Level: Fear

- ▶ **Factors such as dread, lack of control, novelty, visibility, and threat to future generations can greatly increase fear in a crisis**

Reduce fear of the unknown and perceived lack of control through transparent engagement

Understand that people overestimate personal risks and that risk drivers are biasing how consumers see the crisis



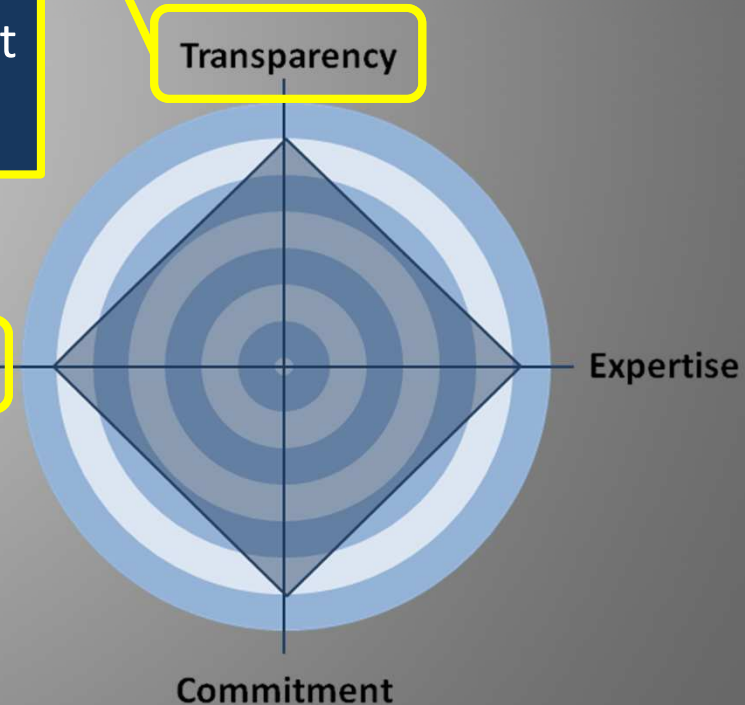
Thomas Edison electrocutes an elephant with AC current to win the perception battle in the war between AC and DC electricity delivery

Empathy

Transparency

Expertise

Commitment



Exercise: Fear

- ▶ How does a Chinese crisis involving Abbott IMF safety score on these risk drivers relative to a product like nutrition bars?
 - Dreadful
 - Uncontrollable
 - Novel
 - Visible
 - Threat to future generations



MailOnline

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Health Home | Health Directory | Health Boards | Diets | MyDish Recipe Finder

Baby formula milk should have cigarette-style health warnings telling mothers breast is best, says top charity

- Save the Children wants warnings to cover a third of milk's packaging
- But campaigners claim it will pile guilt on mothers who can't breastfeed

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Mercedes: A Costly Second Chance

Toyota: Missed Commitment Signals

Fonterra: Engaging in a Volatile Market

Mercedes: A Costly Second Chance



- ▶ **Safety and quality are core to the Mercedes brand**
- ▶ **Crisis: The “Moose Test”**
 - 1997 – Mercedes had just launched its mass market “A-Class” brand, intended for families with children
 - Swedish journalist flipped one of the vehicles in an extreme driving test (“Moose Test”)
 - Issue spreads from specialty Swedish car magazine to major EU newspapers
 - Involvement of children and sensational nature of car flipping increased media interest



December 11, 1997 in Nation/World

Mercedes Struggles To Meet The Moose Test

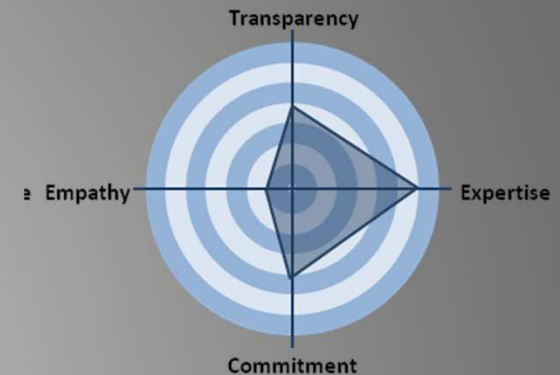
Associated Press



▶ Mercedes' Response

- Initially withheld public statement until the company had more details
- Head of company's passenger car division stated that "it would be braindead to stop production" of the car based on a single safety case
- Two days later, Mercedes HQ suggested that the accident was due to "extreme driving conditions" and that the tests "pushed the limits of physics"
- Suggested that the car's Goodyear tires may have been to blame
- Focused heavily on demonstrating expertise in identifying the source of the problem, while reaffirming its confidence that the vehicle was not to blame

Mercedes Failure



- **Transparency:** Defensive posture and focus on external factors
- **Expertise:** Leveraged the credibility of its engineers
- **Commitment:** Quick statement but mixed messages from execs
- **Empathy:** Callous statements about recalls and focus on blame

Mercedes: A Costly Second Chance



► Impact

- Mercedes alienated scared consumers with its focus on facts and failure to address the emotional and psychological aspects of the crisis
- Journalists interpreted Mercedes' responses as arrogant and cold, and several took its statements as a challenge to replicate the Moose Test and find new failures
- “Moose test” lent itself to mainstream media jokes about Mercedes safety
- Daimler stock dropped more than 11 percent in the two weeks following the story

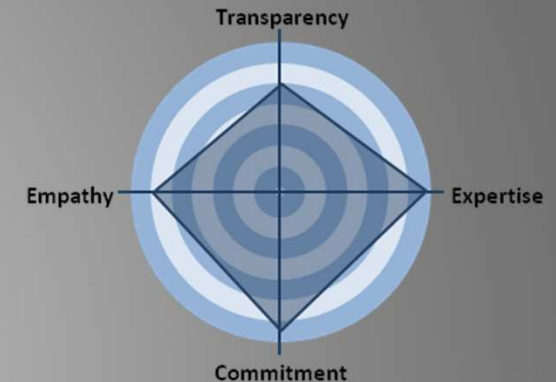




► Mercedes' Second Chance

- After negative response to its handling of the “moose test” crisis, Mercedes changed course
- Focused on the power of media in shaping public perception
- Rather than making consumers feel that fears were misguided, Mercedes publicized easy-to-understand steps that it was taking to make its cars safer
 - Created new media buzz with a high profile press conference
 - Announced that it had identified the safety flaw and issued a recall
 - Retrofit cars with a safety package from its luxury car line, which was overkill for solving the objective issue
 - Leveraged catchy “moose test” meme to increase audience interest
 - Ran newspaper ads and issued personalized letters and telephone calls describing how its new system added safety in extreme driving
 - Invited car journalists and celebrity race car drivers to test the cars
 - Launched a celebrity ad campaign with Boris Becker talking about how he learned from his mistakes on the court
- **A-class has since become the best-selling model in Germany**

Mercedes Success



- **Transparency:** Ran detailed ads describing safety systems
- **Expertise:** Continued to focus on reputation for solid engineering
- **Commitment:** Broad engagement from high-level executives
- **Empathy:** Humbly engaged public to undo perception of hubris



- ▶ **Getting it right in the first 24 hours is critical, in order to avoid expensive and protracted reparations.**
- ▶ **Reputation is owned and shaped largely by the media and non-Abbott stakeholders.**
- ▶ **Essential to signal that firm is at least as concerned as consumers, even if consumers and media are overreacting relative to objective risk.**
- ▶ **Deferring blame alienates partners and creates guilt-by-association.**



- ▶ **How could Mercedes have improved its initial response to the Moose Test?**
- ▶ **What benefits would have been achieved by an effective first response?**

Exercise: Similarities to CER Event in China





- ▶ **What are the similarities and differences in the risk landscapes for cars and infant milk formula? How does this affect crisis dynamics?**
 - Perception drivers?
 - Risk amplifiers?

Similarities	Differences

Exercise: Similarities to CER Event in China



- ▶ What are the similarities and differences in the risk landscapes for cars and infant milk formula? How does this affect crisis dynamics?
 - Perception drivers?
 - Risk amplifiers?

Similarities	Differences
<ul style="list-style-type: none">•Brand value-addition is trust in quality and safety•Quality signals from third party testing•Children as a protected population•???  	



- ▶ How was the CER event similar to the Mercedes Moose Test?

Similarities	Differences



- ▶ How was the CER event similar to the Mercedes Moose Test?

Similarities	Differences
<ul style="list-style-type: none">•Unrealistic testing conditions (no Chinese standard)•Media sensationalism•Focused on discrediting attackers with objective data•???	

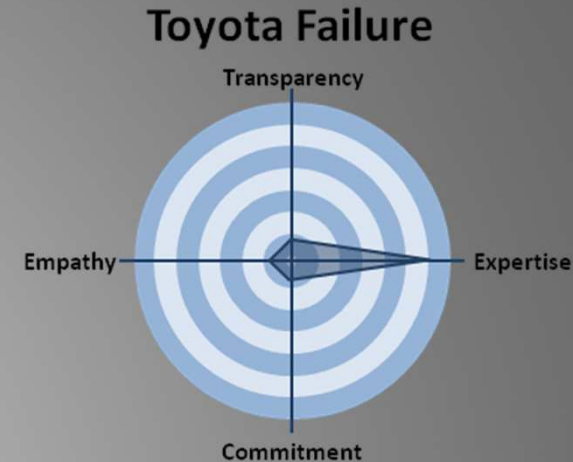
► Crisis: Unintended Acceleration

- 2009 – Toyota faced reports of multiple deaths and injuries attributed to unintended acceleration of its cars
- Sensational crashes (e.g. careening into a river) created strong media interest
- Quality issues are in direct conflict with Toyota's core value proposition
- One month after the crisis US House of Representatives formally requested a visit from Toyota's President



▶ Toyota's Response

- Issued an early apology in Japan, but not in the US
- Toyota did not send a senior executive to the US until requested by House of Representatives
- Focused on displacing blame away from its products, despite media reports and regulatory statements suggesting otherwise
- Refused to release “black box” recorder data from one of the crashes
- Contracted NASA and NHTSA to investigate the accidents, eventually absolving the cars of blame



- **Transparency:** Denied outside investigators “black box” access
- **Expertise:** Toyota, NASA, and NHTSA brought expertise
- **Commitment:** Senior Japanese executives did not engage in US
- **Empathy:** Focused on avoiding liability and externalizing blame

**Bloomberg
Businessweek**



As Toyota Woes Mount, Where is Akio Toyoda?

Posted by: Ian Rowley on January 28, 2010

► Impact

- Failure to send a high-level executive signaled low commitment to US consumers
- Refusal to release “black box” inspired distrust and signaled guilt
- Despite scientific vindication, the crisis created extensive reputational damage
- American media outlets began focusing on systemic quality issues that “have been festering for nearly a decade”, attacking its core value proposition
- 20 to 30 percent of prospective Toyota buyers defected to other brands
- By the time Toyota’s president formally apologized, Toyota’s stock price had declined by 20 percent, a \$35 billion loss in value





- ▶ **A slow or absent response can be interpreted as corporate “coldness” and consumers, media, activists, and opportunistic politicians will fill in this communication vacuum by assuming the worst.**
- ▶ **Public crisis leadership should signal the appropriate level of commitment, be culturally sensitive, and be predetermined through scenario planning.**
- ▶ **Crisis communication strategies should not be limited to a single market, but consider the impact of the crisis in all relevant global markets and shape messages to fit the needs of each market.**
- ▶ **Focusing on refuting specific claims with data does not address systemic impact on brand trust and appears defensive and “cold”.**

Exercise: Signaling Commitment



- ▶ **In an IMF crisis, what scenarios would warrant sending a high-level Abbott executive to China?**
- ▶ **Does this hold true for Abbott's other consumer products?**
- ▶ **What are the benefits and risks of sending a high level executive in a high profile consumer extortion case?**

► Crisis: DCD Contamination

- **January 25th, 2009** – New Zealand’s two largest fertilizer companies suspended agricultural sales of dicyandiamide (DCD) after low levels of the substance were found in dairy products bound for China
- DCD is an agrochemical used to lessen the environmental impact of farming
- Director of the Department of Toxicology at Linkuo Chang Gung Memorial Hospital quoted by the China Post, stating that DCD can irritate human skin, cause dermatitis, and damage the liver
- Wall Street Journal article labeled DCD as a “toxic substance”, amplifying global concerns
- The crisis spread from milk into infant formula and consumers panicked about brands using New Zealand-sourced milk
- The Chinese characters for DCD are very similar to those for “melamine”

Web China: New Zealand milk scare pinches Chinese consumers

(Xinhua)

10:58, January 27, 2013 🔍 + -





▶ Fonterra's Response

- Fonterra's CEO stated that "It is important to remember that the minute traces detected were around 100 times lower than acceptable levels under European food safety limits."
- New Zealand's ambassador to China held a press conference in China to assuage fears and fill the information gap
- It surfaced that Fonterra was aware of DCD contamination since before November 2012 but allegedly withheld the chemical findings in order to protect the launch of its \$525 million shareholder fund

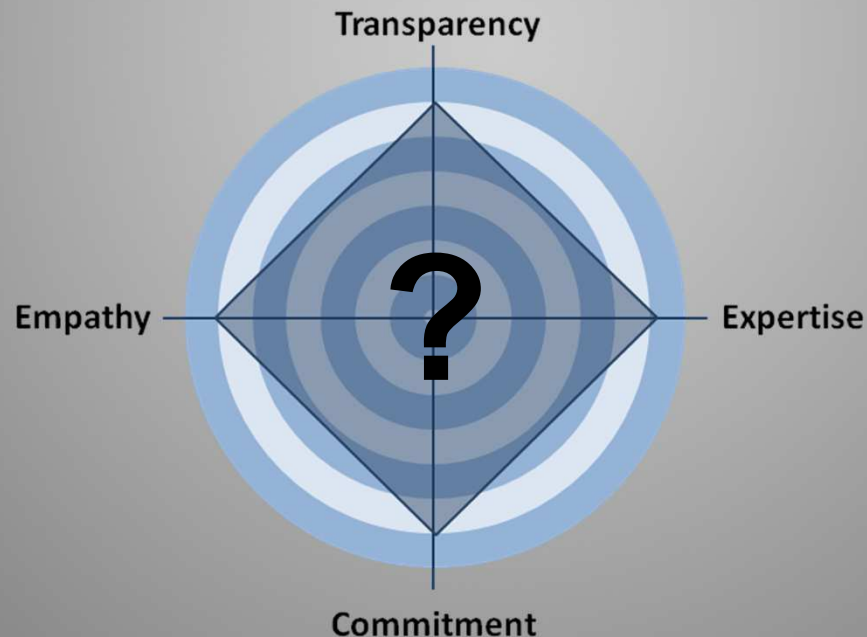
Fonterra CEO plays down milk worries

TIM HUNTER

Exercise: Successes and Failures



- ▶ How did perception drivers (e.g. perceived risk, outrage, fear) amplify the issue?
- ▶ Did Fonterra's PR response reveal signs of the expert trap?
- ▶ Which dimensions of the trust radar did Fonterra get right and wrong?



- ▶ **Did Fonterra send the right brand ambassadors to signal the appropriate level of commitment?**
- ▶ **Was Fonterra's government and public engagements appropriate for the Chinese market?**
 - How would you improve it to account for what you know about China?
 - Would this be different in other markets?