jim lukaszewski's
strategy
a supplement of ***pr reporter***

No. 25

THE CRISIS RESPONSE TEMPLATE:

GETTING MANAGEMENT ON BOARD IN THE CRISIS PLANNING PROCESS

Perhaps the most challenging aspect of preparation for crisis communication is achieving significant management involvement at the beginning of the process and to an appropriate degree throughout the preparation effort.

A major difficulty in maintaining management attention is the volume of material and information that crisis preparation tends to produce. There are manuals, schematics, and handbooks for nearly every aspect of response execution, not to mention the information on disaster and crisis situations, and business recovery and continuation. When you consider that managers are virtually never measured on their response capability, readiness, or performance in these areas, you can understand why managers look attentive but often are thinking about something else during their crisis response briefing sessions.

An interesting technique we now recommend is the use of templates. Brevity and clarity are the hallmarks of this approach.

Templates are diagrams, basically flowcharts, that give management crucial information that forms the basis for important discussions as plan development proceeds, or execution occurs. This approach also teaches significant detail about the intricacies and requirements of an effective response.

This is a big picture approach that will help achieve significant crisis readiness goals: pre-authorization, surprise reduction, internal and external communication, and response consistency. This approach easily orients new players to the process should those originally involved be unavailable, inaccessible, or fail to survive.

This approach can go a long way toward counteracting the failure patterns so often seen in organizations where readiness has a low priority or is over-estimated.

Some of the more common failure patters include:

- Mismanaging the victim dimension: It is the treatment of victims that maintains or destroys trust and reputation.
- Failing to involve the boss: For any crisis response to succeed, the boss or someone the boss trusts must be involved from the very beginning of the planning process.
- The presumption of readiness: A 2003study by Guardsmark, a security consulting firm, estimated that 75 percent of American businesses are significantly under prepared for a crisis or serious emergency.
- Over generalized planning: Crisis prevention and response require scenario-based approaches – picking specific potential problems and working them through using an approach like the templates illustrated in this article.
- Failing to recognize that crises are truly different: Failure occurs when serious problems are treated as "normal course of business" without the prompt, empathetic, urgent, and relentless effort that is required to reduce crises and continue operations.

Each of the two template examples described here potentially replaces a manual, while actually accelerating learning and attracting management engagement.

Template No. 1

Crisis response

This template combines six important elements of crisis response into a process. Beginning with response expectations, it continues through the major elements that organize and facilitate effective crisis communication response—up to and including installation and keeping plans current.

Step 1. Crisis Response Expectations

All constituencies expect:

- A sound sequence of decisions/actions
- Pre-authorization for crisis responders
- Prevention of collateral damage
- Empathetic victim management
- Relentless incremental progress to reduce vulnerability

Step 2. Incident Communication Response Team

Promptly activate an effective response team; ensure prompt response times through:

- Response trigger process
- Knowledgeable people taking immediate action
- Scenario-specific communication response strategies
- Pre-authorized initial statements and responses

Step 3. Communication Principles

Every communication strategy or action reflects:

- Openness/accessibility
- Transparency
- Truthfulness
- Engagement
- Responsiveness

Step 4. First Response Strategy

Immediately address:

- Crisis resolution
- Victim management
- Employee communications
- External communications, especially to those indirectly affected (neighbors, regulators, governments, friends, relatives)
- Self-appointed, self-anointed and the media

Step 5. Call Headquarters

Establish a limited number of circumstances where senior management must be kept informed. Call headquarters if:

- Next of kin notified
- Kidnap/extortion
- Job actions
- Major disaster
- Work stoppage
- Serious outage
- Key employee arrested
- Serious injury or casualties

Step 6. Keep Crisis Communication Plans Current—Stay Ready

Ongoing readiness includes:

- Annual simulations
- Video-based, simulation-specific refresher programs
- Frequent table-tops exercises for new scenarios
- Starting critical crisis communication experience
- Ongoing crisis exposure / management process

Template No. 2

Roles and responsibilities

This template provides simple yet straightforward snapshots of operating response elements. This template service as the foundation for teaching emergency response readiness.

True readiness requires operational understanding of the responsibilities of every member of the response team and the stages responders pass through. There are sensitive issues within each responder's environment, most of which have communications opportunities, other predicable ramifications and the potential to mitigate collateral damage.

1. Response Leader

Scenario-specific point person to facilitate:

- Internal and external communications
- Victim situation assessment and management
- Crisis severity assessment
- Team mobilization
- Collateral damage identification

2. First Responders

The police, fire department, plus institutional responders:

- Stabilize and contain the problem
- Report extent of events
- Tend to any victims
- Initiate alert procedures

3. Response Team

Internal staff who handle the operational aspects:

- Initiate reaction plan beyond first response
- Provide situational feedback and response to leaders / senior management
- Establish Operational Center
- Plan for long-term response

4. Internal Communications

Internal team establishes a Communications Center to:

- Coordinate evacuation communication
- Oversee victim communication
- Identify questions
- Provide safety advice
- Answer questions
- Disseminate alerts

5. Second Responders

Focus is on relieving first responders:

- Mitigate collateral damage
- Provide situational feedback and response to leaders and senior management
- Keep the pressure on
- Begin contingency / recovery process

6. External Communications

Internal communication team expands to:

- Develop sequencing of internal/external messages
- Facilitate media requests and queries
- Engage neighbors, community, regulators, and interested parties
- Monitor media coverage to clarify and correct
- Determine and update the crisis Web site
- Monitor all questions and develop answers

Readiness Requires Scenario Based Planning

Scenarios allow everyone in the readiness process to prepare against specific potential threats even though those threats that turn into crises rarely follow exactly the scenario as designed. Scenario-based preparation clearly does the most effective job of helping everyone involved be better ready to deal with whatever happens and with resumption and recovery actions.

Selecting scenarios for preparation and readiness is a crucial step. Generally two criteria are used in the selection of situations to be considered for extensive preparation – likelihood of occurrence and impact. Develop a scale of impact so that you can prioritize the potential for harm or damage. Usually a scale of 1 to 10 will do.

A likelihood rating of 8 and an impact rating of 8 would almost certainly indicate that preparation is required. On the other hand, there may be circumstances like earthquakes or natural disasters where likelihood is in the 5 or less range but impact might be at 9 or 10. Therefore, some lesser but useful level of preparation may be indicated.

When designing an effective scenario, keep the following in mind:

1. Select up to three of the most likely devastating events that could befall the organization.
2. Identify the key issues and critical decisions managers will need to make.
3. Evaluate existing policies and procedures so responses can be maximally effective.
4. Pre-authorize as many steps and decisions as possible.
5. Examine real-time methodologies for coordinating crisis response and pre-empting collateral damage. Utilize appropriate technologies to optimize your response coordination capabilities.

Some potential vulnerabilities will be eliminated – rather than prepared for – through this process.

The end result is a streamlined series of steps where all key roles and responsibilities are clear and can carried out effectively by internal teams. This response approach re-enforces an organizational culture of readiness.

If you'd like more information or other equally interesting views, ideas, and concepts, visit the author's Web site at www.e911.com.

jim lukaszewski's
strategy
a supplement of ***pr reporter***

No. 20

FIRST RESPONSE STRATEGY: THE GOLDEN HOUR

The most challenging aspect of readiness for urgent situations is the strategy for first response; literally, what you do first, second, third, etc. Problems become emergencies, crises, or disasters due to the hesitation, timidity, and confusion that occurs as the threatening nature of a situation is recognized.

A successful first response is the activation of appropriate counter measures and proactive decision making that were pre-authorized during the crisis response planning process.

The Golden Hour

Perhaps the most useful and appropriate model for first response strategy is "The Golden Hour" concept, which comes to us from wartime battlefield medicine. It was probably the Korean War that taught us the benefit of bringing medical care to the front lines rather than dragging the wounded behind the lines for medical treatment. The lesson was that the severely wounded who received medical treatment within minutes of injury had a survival rate enormously higher than the soldier who was treated outside the first 60 minutes of injury. Time and again, major problems turn into crises or worse due to lack of initial momentum to do something, to make decisions, and to begin grinding down on the problem.

When people or organizations fail to promptly address a problem and resolve it, the resulting crisis creates victims who are left untreated and situations left unresolved. In the minds of the public, the victims, and survivors, delay equals denial. Refusal to promptly commit to a course of counteraction is equivalent to arrogance, which is the lack of empathy.

The First Response Checklist

An appropriate, scenario-based first response checklist will help deal with the most urgent, crucial matters and decisions as early as possible. This is possible because crisis managers considered a wide variety of decision points during the planning and testing phases of readiness preparation, and pre-authorized many of those decisions to achieve a more prompt response.

One of the potential criticisms of this approach could be the "fear of overreacting." This is a totally phony fear. In 30 years of crisis management, some involving enormous tragedy, not one single case of overreaction has ever been observed or documented. To the contrary, more common is indecision, timidity, hesitation, and confusion leading to far broader litigation exposure, larger clusters of victims, a longer public memory of less than appropriate behavior, and serious damage to an organization's reputation.

1. ***Recognize a crisis.***

   The situation is a peoplestopper, productstopper, and showstopper with reputation-defining potential, victims, and/or the potential for explosive visibility.

2. ***Reaffirm communication policy in emergencies.***
   - Openness
   - Truthfulness
   - Responsiveness
   - Transparency
   - Engagement

3. ***Activate response strategy.***
   - Begin resolving, reducing, or eliminating the problem.
   - Manage the victim dimension.
   - Establish communication with employees.
   - Notify those indirectly or involuntarily affected.
   - Deal with those who opt in: critics, competitors, regulators and overseers, and others who appoint themselves.

4. ***Implement first response infrastructure including incident response teams trained on a scenario specific basis.***

5. ***Review your first response checklist.***
   - Act and speak promptly.
   - Establish response priorities that meet community expectations.
   - Expedite communications.
   - Begin a log.
   - Create an ongoing, detailed chronology with key events and decisions.
   - Create a database of key contacts.
   - Identify the most likely collateral damage scenarios.
   - Prepare to back up your core response team.
   - Manage the record as it evolves.
   - Analyze constantly.

6. ***Begin fact-finding.***
   - What happened?
   - Who's involved and responsible?
   - When did events occur?
   - How could it have happened?
   - How could something like this occur?
   - Where does the problem exist and where might it expand?

7. ***Forecast the potential for collateral damage.***
   - Lawyers – theirs/ours
   - Consultants – theirs/ours
   - Victims' families/survivors
   - Well meaning employees
   - Disgruntled employees
   - Critics, competitors, celebrities, and media promotion of negative events

8. ***Activate your crisis Web site. Your crisis home page may include:***
   - About our work
   - Advertisements
   - Company history
   - Company overview
   - Contacting us
   - Corrections and clarifications
   - Dear so-and-so
   - Ethical practices
   - In the news
   - Investor center
   - Issues inventory
   - Letters
   - Media center
   - Our purpose
   - Policies that guide our business
   - Special projects
   - The global picture
   - What we stand for
   - Who we are

9. ***Activate the communications response process.***
   - Manage communication to all constituents.
   - Develop a chronology/sequence of statements.
   - Assist in victim management.
   - Monitor the status of settlements.
   - Monitor response progress.

10. ***Manage the big issues.***
    - Victims:
      - Identification
      - Notification
      - Acknowledgement
      - Compensation/treatment/settlement
      - Prevention/detection/deterrence
      - Follow up
      - Closure

    - Gaps and lapses:
      - What failed/who failed?
      - How was it detected?
      - Who's responsible?
      - Who's at fault?
      - Who'll be punished?
      - What changes will be made to prevent similar circumstances?

11. ***Avoid failure triggers.***
    - Minimize response effort.
    - Underestimate the victim dimension.
    - Let the media drive your response strategy.

12. ***Learn from adverse events.***
    - *Step One: Situation assessment*
      - What happened?
      - What are the facts?

    - *Step Two: Strategic considerations*
      - What decisions did management need to make and when were they made?
      - What are the implications of these decisions on those directly and indirectly affected?

    - *Step Three: Operation response/action steps*
      - What essential steps did the company take or need to take to get the situation under control?

    - *Step Four: Communication response/action steps?*
      - Who spoke for the company?
      - What immediate short-term and long-term communication issues were created?
      - Who were directly and indirectly affected by those issues?

    - *Step Five: Holding statements and other communication*
      - What were the critical messages and the order in which they were delivered?
      - What were the most important points made during this crisis situation and what were the results?

    - *Step Six: Questions and answers*
      - What were the five or six most difficult, challenging, unanswerable questions raised?
      - What were the most crucial messages gotten across during the process?

    - *Step Seven: Incident response*
      - Which organizational officials or representatives were crucial to resolving the situation?
      - Were they members of the incident response team?

    - *Step Eight: Tools, vehicles, mechanisms*
      - What were the most effective techniques of communication for those directly affected? Indirectly affected?

    - *Step Nine: Hindsight*
      - What would you do have done differently, how?
      - What would you have avoided, why?
      - What failed, misconnected, or caused substantial collateral problems?

Mr. Lukaszewski's books and monographs are available at www.amazon.com.
For more information on this and other communication management topics, visit the author's Web site at www.e911.com.

Best Practices in Public Relations

- The public relations head is an important part of top management.
- Programs are designed to build relationships with all key stakeholders.
- Public relations, through research, identifies key stakeholders, segments the stakeholders, and ranks them in importance.
- An ongoing public relations plan is developed for each key stakeholder group.
- Public relations develops strong relationships with the news media.
- Issues management is part of a two-way symmetrical program handled by the public relations department.
- An ongoing two-way symmetrical crisis communication plan is developed as a response to a crisis.
- A practice of risk communication activities is developed.
- The organization has ideologies that encourage, support, and champion crisis management preparations.
- The organization, through crisis inventory, anticipates the type of crisis that it is likely to suffer.
- The organization maintains a reputation for having an overall 'open and honest' policy with publics at all times.

Fearn-Banks in Heath, ***Handbook of Public Relations***, 2001, pp 480-81.

CRISIS COMMUNICATIONS

Develop a contingency plan of operation well in advance of any emergency which includes management approval and cooperation.

Disaster Plan Checklist

1. Plan for gathering and relaying information. Consider: how will facts be discovered, how will management be informed, the process to notify next of kin and communicate with media.

2. Consider legal aspects carefully. Consider how legal liabilities will be determined, possible violations, etc., and delegate responsibility for this early in the process.

3. Provide full, factual, objective, truthful information. Resist inclinations to slant, distort, manipulate or fragment the truth. Being discovered in a lie will be much more damaging than anything an unfavorable truth might cause.

4. Gather, verify and complete all units of information before releases to the media. Avoid giving out partial, unchecked facts which result in repeated media mention with undue emphasis on bad news. Avoid the appearance of noncooperation.

5. Ensure accuracy, thoroughness and completeness by providing information packages. Press conferences, information sheets, handouts, prepared statements for broadcast appearances (with individual "sets" for television) and in the final stages, press kits, will contribute to effective communication when an emergency requires disseminating information to the media simultaneously.

6. Emphasize perspective by balancing bad news with good. The organization's reputation, earned over the years, should not be forgotten or sacrificed in a crisis situation.

For a public relations disaster plan

Adapted From: *The Whiting Fire...*, by John Channing, 4th Annual Minnesota Public Relations Forum (1955); Source: PRSA *Accreditation Primer*

1. Establish procedures for communicating information, including names, home addresses, home phones, etc., in sequence.

2. Receive all media inquires courteously and aid callers in getting objective facts. School your employees in courtesy.

3. Set up an emergency media headquarters. Exclude media people from the danger zone, but do not interfere with media outside the company cordon.

4. Offer no speculation. Guesses or off-the-top-of-the-head statements by company representatives are easier to prevent than to correct. Only established facts about dollar damages, injuries, etc., should be released.

5. Defer questions until the facts are available. Do so with courtesy and tact. Scheduled press conference(s) help to relieve these pressures.

6. Reach conclusions cautiously. Be neither overly conservative nor rash in summaries or determinations.

Crisis Communication Strategies

Analysis

Case Study: The Johnson & Johnson Tylenol Crisis

Before the crisis, Tylenol was the most successful over-the-counter product in the United States with over one hundred million users. Tylenol was responsible for 19 percent of Johnson & Johnson's corporate profits during the first 3 quarters of 1982. Tylenol accounted for 13 percent of Johnson & Johnson's year-to-year sales growth and 33 percent of the company's year-to-year profit growth. Tylenol was the absolute leader in the painkiller field accounting for a 37 percent market share, outselling the next four leading painkillers combined, including Anacin, Bayer, Bufferin, and Excedrin. Had Tylenol been a corporate entity unto itself, profits would have placed it in the top half of the Fortune 500 (Berge, 1998).

During the fall of 1982, for reasons not known, a malevolent person or persons, presumably unknown, replaced Tylenol Extra-Strength capsules with cyanide-laced capsules, resealed the packages, and deposited them on the shelves of at least a half-dozen or so pharmacies, and food stores in the Chicago area. The poison capsules were purchased, and seven unsuspecting people died a horrible death. Johnson & Johnson, parent company of McNeil Consumer Products Company which makes Tylenol, suddenly, and with no warning, had to explain to the world why its trusted product was suddenly killing people (Berge, 1998).

Primary Evidence. Robert Andrews, assistant director for public relations at Johnson & Johnson recalls how the company reacted in the first days of the crisis: "We got a call from a Chicago news reporter. He told us that the medical

crisis Johnson & Johnson established a 1-800 hot line for consumers to call. The company used the 1-800 number to respond to inquires from customers concerning safety of Tylenol. They also establish a toll-free line for news organizations to call and receive pre-taped daily messages with updated statements about the crisis (Berge, 1990).

Before the crisis Johnson & Johnson had not actively sought press coverage, but as a company in crisis they recognized the benefits of open communications in clearly disseminating warnings to the public as well as the company's stand (Broom, 1994).

Several major press conferences were held at corporate headquarters. Within hours an internal video staff set up a live television feed via satellite to the New York metro area. This allowed all press conferences to go national. Jim Burke got more positive media exposure by going on 60 Minutes and the Donahue show and giving the public his command messages (Fink, 1986).

Johnson & Johnson communicated their new triple safety seal packaging- a glued box, a plastic sear over the neck of the bottle, and a foil seal over the mouth of the bottle, with a press conference at the manufacturer's headquarters. Tylenol became the first product in the industry to use the new tamper resistant packaging just 6 months after the crisis occurred (Berge, 1990).

Secondary Evidence. The initial media reports focused on the deaths of American citizens from a trusted consumer product. In the beginning the product tampering was not known, thus the media made a very negative association with the brand name.

All 3 networks lead with the Tylenol story on the first day of the crisis. CBS put a human face on the story which contained the following: "When 12 year-old Mary Kellerman of Elk Grove Village, Ill., awoke at dawn with cold symptoms; her parents gave her one Extra-Strength Tylenol and sent her back to bed. Little did they know, they would

the crisis communications strategies developed by researchers over the last 20 years. Berg's suffering strategy and Benoit's Rectification strategies both were developed from doing case studies of how Johnson & Johnson handled the Tylenol poisonings (Coombs, 1995).

Discussion. The crises category in the Johnson & Johnson Tylenol case is Terrorism. Combs defines terrorism as intentional actions taken by external actors designed to harm the organization directly (hurt employees or customers) or indirectly (reduce sales or disrupt production). Product tampering, hostage taking, sabotage, and workplace violence are examples of terrorism. The violent, outside agent promotes attributions of external locus and uncontrollability.

The Tylenol product tampering clearly fits the Terrorism category. An external agent, presumably, acted to hurt the customers and possibly the employees of Johnson & Johnson. The other categories, Faux Pas, Accidents, or Transgression do not fit in the Tylenol case, so there was no cross-categorization in this case.

Crisis Response Strategies used by Johnson & Johnson: Johnson & Johnson employed Forgiveness and Sympathy strategy for this crisis. Forgiveness strategy seeks to win forgiveness from the various publics and create acceptance for the crisis.

Johnson & Johnson used Remediation and Rectification, both Forgiveness strategies, in the Tylenol crisis. Remediation offers some form of compensation to help victims of the crisis. Johnson & Johnson provided the victim's families counseling and financial assistance even though they were not responsible for the product tampering. Negative feelings by the public against Johnson & Johnson were lessoned as the media showed them take positive actions to help the victim's families (Berg, 1990).

Rectification involves taking action to

response ads run during the crisis. The personal messages with the media from the CEO of the organization enabled Johnson & Johnson to overcome this problem. Today Johnson & Johnson has completely recovered its market share lost during the crisis. The organization was able to reestablish the Tylenol brand name as one to the must trusted over-the-counter consumer products in American. Johnson & Johnson's handing of the Tylenol crisis is clearly the example other companies should follow if the find themselves on the brink of losing everything.

CNNMoney
A Service of CNN, Fortune & Money

The fight to save Tylenol (Fortune, 1982)

October 7, 2012: 9:00 AM ET

The inside story of Johnson & Johnson's struggle to revive its most important product.

Editor's note: Every week, Fortune.com publishes a story ***from our magazine archives****. On September 28, former Johnson & Johnson CEO James E. Burke died at the age of 87. Burke led J&J through one of its biggest crises, the 1982 Tylenol poisonings, which occurred 30 years ago this month and killed seven people in the Chicago area.*

In 1990, Fortune inducted Burke into its National Business Hall of Fame, noting, "Few managers of corporate crises have survived an episode of the perfect crime -- unsolved murder -- in which their product was the murder weapon and their customers the innocent victims. Indeed, James Burke of Johnson & Johnson may be the first CEO ever to have confronted such a horror -- twice. He managed it so well that he not only restored Tylenol, his company's single most important profitmaker, to preeminence, but he also enhanced the company's fine reputation in the process. During his tenure Burke also took J&J's earnings and stock prices to new highs."

This feature from November 1982 examines how Johnson & Johnson worked to save the Tylenol brand's reputation and is a testament to Burke's business acumen and empathy in the face of unthinkable crisis.

By Thomas Moore

FORTUNE -- The first call came in around ten on the morning of September 30. It was from Jim Ritter, a consumer reporter for the *Chicago Sun-Times.* He said he was working on a background story about Tylenol and needed information about its history and current sales. Johnson & Johnson, the $5.4-billion-a-year health care giant that owns 149 companies in addition to McNeil Consumer Products, the maker of Tylenol, had a reputation for being courteous but closed-mouthed about numbers for specific products. So most business journalists and security analysts turned elsewhere to find out what was going on inside the company. Still, a few press calls a day came in from reporters who didn't know better.

James Murray, a public relations deputy, routinely told Ritter he'd check with the people at McNeil and call him back.

"Is this about the terrible thing that happened in Chicago?" asked Elsie Behmer, the director of communications at McNeil, when Murray rang up.

"No," he said, noticing she sounded out of breath. "What happened in Chicago?"

"We heard some people have been poisoned with Tylenol capsules. I'm going down to a meeting right now to find out more."

Murray started to get up from his desk when his secretary told him the Sun-Times reporter was on the phone again and said it was urgent. Ritter told him he hadn't known why his city editor had asked him to call before, but that now he did: the Cook County Medical Examiner's Office had reported that three people had been killed as the result of ingesting cyanide in Tylenol capsules. Did Johnson & Johnson have a comment?

Stress test

"Are you sure this isn't a hoax?" asked Arthur M. Quilty, a member of the executive committee, when the call came up to the top floor from public relations. He was finishing some last-minute arrangement for a trip to Europe the next week to discuss the company's ambitious expansion plans abroad.

On the fifth floor of J&J's unassuming red brick headquarters in New Brunswick, New Jersey, Chairman James E. Burke, 57, was having a quiet meeting with President

David R. Clare, 57. Every other month the two men would set as ide a morning like this one to talk over important but nonpressing matters they didn't find time to deal with in the normal course of events. Clare had just come back from taking a

stress test as part of the company's "Live for Life" employee health program and was gloating over the fact that apart from some excess weight, he was in pretty good shape.

Burke had reason to feel good too. At a time when many other businesses were being battered by a bad economy, Johnson & Johnson was moving a head at a steady clip. Earnings were up 16.7% in 1981, and "1982 looked even better. In fact, Burke's chief concern at the executive committee's annual three-day strategic planning review after Labor Day was that things were going too well. " I took some kidding at that meeting for worrying about things I don't have to," recalls Burke, a determined man with white hair and baby-blue eyes. "We had been marveling at how lucky we were to be in our industry, to have some very profitable brands doing so well, and I had said, offhand, what if some thing happens to one of them, like Tylenol? Nothing is impregnable, but it was such an extraordinary business, there didn't seem to be any downside. Nobody could come up with anything."

But downside there was. As Burke and Clare chatted on that sunny morning, Quilty barged into the room and told them about the cyanide deaths in Chicago.

Johnson & Johnson will not be the same again soon. In the weeks that followed, the company went through a trauma from which it s till hasn't recovered. In the first phase of its shock it s imply tried to figure out what had happened. In the second phase it assessed and tried to contain the damage. And in the third phase, which it is still in, J&J is preparing to get Tylenol capsules back on the market again.

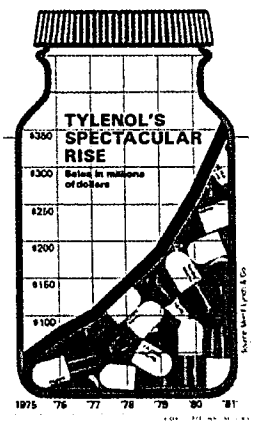
Despite the company's size and wide diversification, the blow to Tylenol will have a huge and direct impact on J&J. Beginning in 1960 McNeil carefully promoted Tylenol among doctors and pharmacists as an alternative pain reliever for people who suffer stomach upset and other side effects from aspirin. Seven years ago McNeil began advertising it aggressively to the public, and by this year it had an astounding 35% share of the $1-billion analgesic market. Tylenol contributed an estimated 7% of J&J's worldwide sales and 15% to 20% of its profits last year. Before the poisonings McNeil executives were confident Tylenol would take over 50% of the market by 1986.

J&J's stock had risen in the last two years from the low 20s to 46 1/8 the night before the poisonings. Within a few days it dropped seven points, but then stabilized in the low 40s.

A dramatic sequel

Tylenol's rise was generally credited in the trade as one of the headiest success stories in the last decade, all the more so because acetaminophen, which is Tylenol's only active ingredient, is a compound that any drug company can make. Now, with the damage to the name, with 35% to 40% of the total Tylenol line removed from retailers' shelves, Johnson & Johnson executives are planning what they hope will be an even more dramatic sequel, the Tylenol comeback.

Several floors below Burke and Clare, David E. Collins, 48, chairman of McNeil Consumer Products, was holding an urgent speakerphone conference with a J&J subsidiary in Mexico. His secretary poked her head in to say Burke wanted him in his office. It was an emergency. Collins told her he'd be up as soon as he finished with the emergency he already had on the phone. If he couldn't get supplies fast to his Mexican company, which couldn't pay for them because of the new Mexican currency controls, it would be out of business by the end of the year.



A former general counsel and company group chairman, Collins had been named to J&J's 12-man executive committee just a month before and given the added job of chairman of McNeil Consumer Products. "It was a felicitous appointment for me, or so I thought at the time," says Collins. "Before this promotion I had responsibility for Mexico, where there had been two devaluations in one year, Central America, where there had been war, and several South American countries with rampant inflation and more devaluations. I was coming from a scenario of problem upon problem to McNeil, a company with a great future and what I thought was an opportunity to win a few."

Fifteen minutes after Collins hung up the phone on the Mexican dilemma, Burke was filling him in on the biggest problem of his career. He was to take charge of coordinating the company's response to the Tylenol crisis. Burke told him to take a lawyer, a public relations aide and a security person and fly immediately in the company helicopter over to McNeil, 60 miles away in Fort Washington, Pennsylvania, to handle things from there. Burke dispatched a company plane to fly a scientist, a P.R. assistant, and a security agent directly to Chicago.

Like the plague

By this time the switchboards were lighting up at both McNeil and Johnson & Johnson. At first the calls came from the newspapers, TV, and radio stations, some as far away as Honolulu and Ireland. But as the story started to break, even more calls began to pour in from pharmacies, doctors, hospitals, poison control centers, and hundreds of panicked consumers, many asking for clarifications J&J couldn't give, and many others making what turned out to be false reports of possible poisonings.

"It looked like the plague," recalls Collins. "We had no idea where it-would end. And the only information we had was that we didn't know what was going on." Collins's first move was to call an old roommate of his from Notre Dame, a lawyer who handled some of J&J's business in Chicago, and ask him to get down to the Cook County Medical Examiner's Office, find out as much as he could, and call him back at McNeil. "I needed my own eyes and ears on the scene," he says.

However serene the impeccably landscaped McNeil plant grounds appeared to

Collins as his helicopter touched down on the pad, inside the natural order of things was in turmoil. Harried managers were running back and forth between telephone banks and McNeil President Joseph Chiesa's office, bringing in new reports of fatal ities and other supposed poisonings. Each bit of information was scribbled with a laundry marker on drawing paper held by a big easel. As the reports accumulated, the sheets were ripped from the easel and pinned up on the walls. Soon the room was papered with a confusing mass of information with arrows drawn between them: victims, causes of deaths, lot numbers on the poisoned Tylenol bottles, the outlets where they had been purchased, dates when they had been manufactured, and the route they had taken through the distribution system -- all the way back to the 14 stainless steel machines in Fort Washington that encapsulate and spew out pills at the rate of over1,000 a minute.

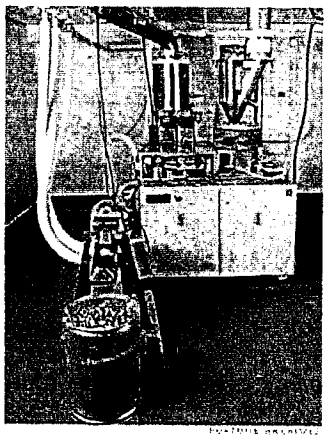
From the start the company found itself entering a closer relationship with the press than it was accustomed to. Johnson & Johnson bitterly recalled an incident nine years ago in which the media circulated a misleading report suggesting that some baby powder had been contaminated by asbestos. But in the Tylenol case J&J opened its doors. For one thing, the company was getting some of its most accurate and up-to-date information about what was going on around the country from the reporters calling in for comment. For another, J&J needed the media to get out as much information to the public as quickly as possible and prevent a panic.

The dangers of trying to manage the news were firmly in mind when the company had to reverse itself on whether any cyanide was used on the premises. It was Collins's first question to McNeil executives when he got off the helicopter. He was told no, but later in the day he learned to his dismay that cyanide was in fact used in the quality assurance facility next to the manufacturing plant to test the purity of raw materials. The public relations department released this startling bit of information to the press the next morning. While the reversal embarrassed the company briefly, J&J's openness made up for any damage to its credibility-the last thing the company could afford to lose under the circumstances.

By the end of the first day, a Thursday spent largely sorting out facts from false alarms, Collins and the other McNeil executives felt strongly that the poisonings did not occur at their plant, either accidentally or intentionally. If someone had dumped a dose of cyanide small enough to escape detection into one of the drug mixing machines, the mixture would have been so diluted as to be nearly harmless, and the contaminated pills would have ended up all around the country, not simply on Chicago's West Side. Moreover, all the samples from the lot reported to have poisoned the first Chicago victims turned out to be normal.

An important discovery

The first phase of the crisis ended early Friday morning, when the company learned that the sixth victim had been poisoned with Tylenol capsules from a lot manufactured at McNeil's other plant in Round Rock, Texas. That proved the tampering had to have taken place in Chicago and not in the manufacturing process, because poisoning at both plants would have been almost impossible. The discovery was important for the company because it signaled the end of its initial helter-skelter involvement with fact gathering and the beginning of its effort to assess the impact the poisonings would have on its product and to figure out what to do about it. But for Collins, who had gone to bed exhausted at a nearby motel at 2 A.M. only to be reawakened an hour later by a phone call reporting the Round Rock development, its significance -- like so much else that first day -- was not immediately apparent. "The fact the second batch came from Round Rock didn't say a damn thing to me," he admits, "except that, oh Jesus, now I've got two lots to recall instead of one."



Had the incident not been so extraordinary, Johnson & Johnson, ardent in its commitment to decentralization, would have expected McNeil Consumer Products to cope with the problem on its own. Reassuring as it was to have the resources of J&J at its disposal, McNeil executives didn't seem altogether thrilled by the new scrutiny they were getting from above. "Managing a crisis is one thing," says McNeil President Chiesa, "but managing all the helpful advice is another."

In Johnson & Johnson's eyes the Tylenol crisis was a major public health problem and a major threat to the company. J&J carefully restricts the company name to relatively few items, such as baby products and Band-Aids. "One of the things that was bothering me," says Burke, "is the extent to which Johnson & Johnson was becoming deeply involved in the affair. The public was learning that Tylenol was a Johnson & Johnson product and the dilemma was how to protect the name and not incite whomever did this to attack other

Johnson & Johnson products." According to company surveys, less than 1% of consumers knew before the poisonings that J&J was the parent company behind Tylenol; now more than 47% are aware of that fact.

Burke quickly decided to elevate the management of the crisis to the corporate level, personally taking charge of the company's response and delegating responsibility for running the rest of the company to other members of the executive committee. While the first phase had been one of problem identification and containment, the second phase was one of communication. Burke allotted the next week to establishing a good working relationship between the company and the police and health authorities investigating the crime. On Monday he went to Washington to meet with the FBI and the Food and Drug Administration. Burke had begun to advocate a recall of all Extra-Strength Tylenol capsules but -- in a surprising role reversal -- both the FBI and the FDA counseled him against recalling the drug precipitously. "The FBI didn't want us to do it," explains Burke, "because it would say to whomever did this, 'Hey, I'm winning, I can bring a major corporation to its knees.' And the FDA argued it might cause more public anxiety than it would relieve."

On Tuesday, however, following what appeared to be a copycat strychnine poisoning with Tylenol capsules in California, the FDA agreed with Burke that he had to recall all Tylenol capsules-31 million bottles with a retail value of over $100 million. "Often our society rails against bigness," Burke says, "but this has been an example where size helps. If Tylenol had been a separate company, the decisions would have been much tougher. As it was, it was hard to convince the McNeil people that we didn't care what it cost to fix the problem."

By mid-week an extortion note threatening a second wave of poisonings turned up at McNeil. "Imagine our reaction," explains Collins. "We get this note that says send $1 million to a bank account number at Continental Bank in Illinois. We had to laugh. This guy's gotta be an idiot. We're still not convinced he did it."

Through advertisements promising to exchange tablets for capsules, through thousands of letters to the trade, and through statements to the media, the company was hoping to demystify the incident. "There was a lot of noise out there, most of it associating Tylenol with death," says Chiesa. "We wanted to clear up any misunderstanding, to make sure everyone had all the facts we did, that the problem was limited to one area of the country, and only a few bottles of Tylenol capsules were contaminated.

Worst-case scenario

From the start, Burke squelched one obvious option: abandoning Tylenol and reintroducing the pain reliever under a new name. Despite the long odds many outside marketing experts give against a complete comeback, and the fact that sales of Tylenol products initially dropped 80%, company executives say they never had any question about whether to bring back Tylenol. Says Wayne Nelson, Collins's predecessor at McNeil, who is now a company group chairman, "Even in our worst-case scenario, where we get back only half the base we had before, it would still be the market leader."

By the second weekend Burke had moved on to the third phase: rebuilding the brand. "We were still in a state of shock," explains Burke. "It's like going through a death in the family. But the urgency of bringing about Tylenol's recovery makes it important we move out of the mourning stage faster than usual."

The following Monday he formed a strategic group of key executives to oversee the McNeil task forces. It seemed clear that the company would have to come up with a new tamper-resistant package, as would the rest of the drug industry. But how consumers ultimately feel about the product -- and what conflicts the poisonings posed in their minds -- will be the determining factor in the comeback. Burke called in Young & Rubicam, J&J's oldest advertising agency, to begin polling consumer attitudes. Initially he wanted to know how the public was reacting to the crisis, but he also knew the surveys would be indispensable in building a data base for what was obviously going to be, as he put it, "a very complicated

communications problem."

Good news, bad news

One of the more astonishing things learned from the first surveys was that an overwhelming number of people -- 94% of the consumers surveyed -- were aware that Tylenol had been involved with the poisonings. The implications of that figure, when coupled with other data, were both good and bad.

The good news, says Burke, was that 87% of the Tylenol users surveyed said they realized the maker of Tylenol was not responsible for the deaths. The bad news was that although a high percentage didn't blame Tylenol, 61% still said they were not likely to buy Extra-Strength capsules in the future. Worse, 50% felt that way about -- Tylenol tablets as well as capsules. In short, many consumers know it wasn't Tylenol's fault but say they aren't going to buy it anyway, revealing a fear associated with the name that is not likely to dissipate soon.

The most heartening piece of information in the surveys-and the one on which the company will base its comeback strategy -- is that the frequent Tylenol user seems much more inclined to go back to the product than the infrequent user. The message: the company can forget about making new converts in the next year or two. Instead it will concentrate on bring ing back to the fold the loyal customers of the past.

"People forget how we built up such a big and important franchise," says Burke. "It was based on trust. People started taking Tylenol in hospitals or because their doctors recommended it. In other words, they were not well and in a highly emotional state." The contrary view, it can be argued, is that those same people who originally bought Tylenol because they didn't want to take a chance on aspirin's side effects are the last people who would want to take a chance now with the emotionally charged brand-name.

The competition is not standing idly by. American Home Products has increased production of its acetaminophen, Anacin-3, at both its plants from two to three shifts on a round-the-clock basis. Bristol-Myers will not discuss any marketing plans it has for its acetaminophen, Datril, except to say that demand is up considerably and the company is looking into new packaging for all its analgesic products.

Halloween candy

While Chairman Burke says the competition does not appear to be unfairly exploiting the situation, other J&J executives are not so sure. "While the Anacin-3 commercial says it is like Tylenol, the unspoken message is that Anacin is not involved in any deaths," says Wayne Nelson. If the murderer is caught, J&J's job will be easier. It would not eliminate the possibility of copycat poisonings, which have already been tried in everything from orange juice to Halloween candy. But it would solve this particular mystery and dispel some of the fear associated specifically with Tylenol.

In the meantime Johnson & Johnson must absorb giant losses. The company estimates the recall costs alone at $100 million before taxes, dropping third-quarter earnings from 78 cents a share in 1981 to 51 cents this year. (The lion's share of that $100 million was the expenses of buying the bottles back from retailers and consumers and shipping them to disposal points.) While it is not saying precisely what it expects its losses to be, J&J is not disagreeing strenuously with security analysts who project a 70% drop in what normally would have been $100-million-plus in sales for Tylenol's over-the-counter line of products in the fourth quarter. (Prescription sales of Tylenol with codeine, about $18 million a quarter, are not likely to be affected.) Next year Tylenol had been expected to record sales of half a billion dollars. Some analysts say the company will be lucky to do half that.

The question that will decide the market in the next year is whether fear will cause

many Tylenol users to change brands permanently or simply switch to Tylenol tablets, as the company is urging, until the new tamper-resistant package is available. There's a hidden danger, however, in the switch back to tablets, not unlike what befell U.S. auto manufacturers when the public switched to less expensive small cars: it may lead to a serious decline in the previously fast-growing revenues of the analgesics market as a whole. "The more expensive Extra-Strength capsule format mass-marketed by Tylenol has done wonders for the revenues per headache dosage," says Michael LeConey, a health care analyst with Merrill Lynch. "The number of headaches certainly hasn't gone up by 15% to 20% a year, as the dollar growth in the market would indicate. A lot of this has been due simply to the upgraded capsule format." An Extra Strength capsule in a jar of 100 costs about 5 1/2 cents, a penny more than an Extra-Strength tablet. To hear J&J tell it, capsules have a placebo effect that can help cure headaches for some people, presumably because they look more like prescription drugs than do tablets.

The makers of Tylenol will be embarking on an extremely delicate mission of psychological warfare. Timing is crucial. If J&J

brings Tylenol back before the hysteria has subsided, the product could die on the shelves. If the company waits too long, the competition could gain an enormous lead.

Sophisticated though the consumer surveys are, they don't give a clear answer on timing. "The problem with consumer research," says an impatient Joe Chiesa, "is that it reflects attitudes and not behavior. The best way to know what consumers are really going to do is put the product back on the shelves and let them vote with their hands."

With carefully measured public service-like ads vowing to regain consumer trust, the company has set a discreet tone for its new campaign. Says Collins, "We're coming back against a tragedy, so there's no way we can come riding in on elephants, blowing horns and saying here we are."

Perhaps even more important is the effort that most of the public won't see. At the end of October, a month to the day after the crisis began, Burke mobilized 2,259 salespeople from all of Johnson & Johnson's domestic subsidiaries to persuade doctors and pharmacists to begin recommending Tylenol tablets to patients and customers. It is the same road the makers of Tylenol took when they began marketing the product 22 years ago. Tylenol is not out of the game, but it is back at square one.

CHAPTER 3

A Theoretical Basis for Public Relations

OUTLINE