

# Controlling crisis chaos

It was just over 10 years ago when Captain Joseph Hazelwood sat in a local bar enjoying a quiet few drinks before going off to work. Joseph Hazelwood later walked down from that bar to his awaiting tanker, the Exxon Valdez, and prepared his departure to carry a full load of Alaskan crude oil.

Two hours later, at midnight, the oil tanker ploughed into Bligh Reef and 42 million litres of crude oil began leaking into the Prince William Sound, presenting the worst oil spill in US history. A decade later, it has cost the Exxon Corporation \$3 billion in fines. No-one ever predicted such a spill. No-one ever predicted the chaos of environmental problems, the clean-up costs and the effects on the fishing industry. And the response was an unmitigated disaster.

Exxon had a long list of major problems in dealing with their crisis response including:

- they took a long time to make a statement about the situation and when they did 'blame' was a key message;
- they did not have a plan to cope with the spill;
- company spokes-people were not 'on top' of the problem;
- affected communities needed answers;
- there was slow communication with many of the affected stakeholders;
- they let the media run the agenda. In the early stages, they did not explain what they were doing to fix the problem.

The good thing to come out of this Exxon disaster is that legislation was put in place that new ocean going tankers were to be built with double hulls. Exxon did have plans – emergency plans, but not plans to deal with a crisis of this size. No plan to deal with the big one.

Union Carbide had an emergency plan to deal with most plant emergencies. They did not have a plan to deal with a massive explosion that killed more than 2,000 people at Bhopal in India—certainly the worst peace-time disaster this century. For Union Carbide this was the big one—\$15 billion in damages.

When the Piper Alpha oil production platform operated by Occidental Oil blew up and was completely destroyed, killing 167, no-one expected such a disaster. No-one expected the leak of gas condensate to cause an explosion that would spread through the platform and to other

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platforms. I am sure many have seen the training film that shows the problems with lack of safety checks and of course evacuation problems related to the fire on an oil rig.

Exxon Valdez, Bhopal, Piper Alpha. They were the big ones. They said they couldn't happen.

Most of this happened a decade ago. Last year was Australia and New Zealand's trifecta of big ones. They said they couldn't happen. But they did. Mercury Power company in New Zealand seemed to have neither emergency nor crisis planning in place. Auckland's business district was plunged into darkness when the last major power cable in New Zealand's biggest city failed in February last year. While police and fire services warned people to stay away from the city centre, mixed messages from employers and the determination of some retailers to stay open meant thousands turned up for work as usual.

There was chaos on the streets of Auckland. Businesses affected by the crisis were shouting for compensation from Mercury. The New Zealand government moved for a full inquiry. The crisis cost the economy tens of millions of dollars.

While it was all happening...when people wanted to know why the power was off...a Mercury spokesperson said there would be time to talk once power was restored. So Auckland waited to get the facts. This had all the characteristics of the worst kind of crisis management. Lack of comment and lack of response to consumer questions.

David Elias reported in the *Melbourne Age* 'Mercury Energy, the disaster-stricken electricity supplier at the centre of Auckland's power crisis, is facing a growing clamour for compensation and internal reform.'

The Mercury power company did not attend an invitation to address the affected businesses at the Auckland City Council. Eventually, while not openly admitting any

liability, Mercury created a compensation fund to help businesses. But everybody waited too long to get the facts.

Did Mercury have a crisis plan linked to an emergency plan in case of total loss of power? Had they identified the big one? It seems they had not.

Sydney Water was also unprepared for their big one. The major contamination scare hit the city hard. The giardia and cryptosporidium parasite had contaminated Sydney's water and with it the fear of affecting three million people with severe diarrhoea and vomiting. This was the big one with major complications.

Sydney Water Corporation temporarily closed down their water treatment plant, which had been isolated as the source of the contamination. The State Government took control of the situation and managed the crisis.

The Premier launched a major investigation, and threatened to sack the managers responsible for the problem.

All at a time when Sydney was preparing for the forthcoming Olympic Games. Australia, of course, has a world reputation for its clean air and pristine wilderness.

As the rest of the world watched, Sydney Water's Chief Executive and a wide range of water experts struggled with the problem. Schools, hospitals and child care centres went into damage control as children are highly vulnerable to the parasite. People were told to avoid washing, gargling or bathing with the water.

Sydney Water's CEO and Chairman both resigned. A legal nightmare for the government followed as organisations and businesses dealt with major disruption to production lines and huge bills for bottled water. Suggestions were made that Sydney Water was negligent in not preventing the contamination and that it had not advised consumers fast enough. Some media suggested that the water company had been slow to communicate and had waited two days before advising the public. Sydney major's newspaper, the *Sydney Morning Herald*, carried the headline: '**Safe water: the big lie**'.

Two months later, following a major industry inquiry, the senior managers of the Water Corporation were severely criticised for their poor handling of the crisis. The investigation found there were unacceptable delays in releasing effective warnings at the start of the crisis

and that there was inadequate testing after the parasite was identified. A breakdown in decision making at the executive level was also identified. While there may have been a central emergency plan, nobody had set down the processes, powers and responsibilities of each government group involved in declaring and managing a major disaster.

The Victorian gas crisis reiterated the need for integration of emergency and crisis planning. Esso had a plan. The Victorian gas industry had a plan. And the government had a plan for an emergency. The big one hit Victoria's gas industry in September last year.

This crisis began as a plant explosion and resulted in a loss of gas supply to one of Australia's largest capital cities.

It all began with a gas leak at the Esso (Exxon) Longford plant in country Victoria. Gas was leaking from the plant, and as maintenance workers were inspecting the problem, a gas explosion occurred triggering a fireball. The explosion killed two men and injured eight others. Over 200 police, firefighters and emergency services specialists worked for many days to control the disastrous situation, assess damage and repair the crippled plant. This one plant provided the entire State's gas supply.

The gas crisis hit the car industry, plastics production, food and drink industries hard. Estimates were that the crisis would cost industry \$35 million a day. Hospitals cancelled surgery and emergency plans were put in place to deliver essential services to the elderly and frail. Farmers had to dispense with millions of gallons of milk. Tens of thousands of workers were stood down as the shut-down affected the operations of many industries. Lawyers on behalf of businesses, unions and consumers, launched one of the biggest class actions in Australian legal history.

All businesses and households were ordered to turn off gas at the meter and in a spectacular response, the public reacted quickly and stopped using hot water, central heating and cooking facilities. The cut-off lasted almost two weeks.

Then followed the process of plant recovery involving the isolation of the crippled plant and the testing of associated plants. During these efforts to restore the gas supply, the sombre and tragic funerals of the men killed posed a stark reminder of the severity of the incident.

This was the big one. So many said it couldn't happen.

There is no doubt that conventional incidents can be effectively handled by

clearly defined emergency procedures under a well acknowledged authority structure, but a major event creates a whole new situation. No longer is the incident clear cut. No longer is the degree of preparation and competence enough.

Now, we have the big one. No-one understands why it is out of control. It is not easy to label because it is taking new directions every few minutes. It is coming at you from every angle. Too many people have been affected. The bad news is getting worse. And as you look around you, you see the whole world collapsing.

Yes, I am talking about the unimaginable event. The huge breakdown that we saw in New Zealand with power, in Sydney with water and in Melbourne with gas. Let's just look at some of the difficulties faced by emergency and crisis managers when the big one hits. When the problems are so complex, that recovery *is* difficult. When the chain of events triggers an even more serious chain of events.

Just like the Longford Esso explosion that triggered the cut off of gas supplies and inevitably triggered an even more serious energy-related incident. Eventually people had to turn their gas back on, and the risks alone in this action could have been a crisis in itself.

It was similar to a disastrous fire in the switching centre in Chicago at the Bell network. The loss of the network triggered so many serious events—banks could not cash cheques, mail order companies were paralysed, cellular phones and paging systems were knocked out, emergency services were placed in a critical communications situation.

These disasters don't have any rules:

- there are often not enough emergency services to cope;
- vital resources are knocked out;
- there are inadequate procedures for dealing with the situation;
- resolution is a long way off. Events keep escalating;
- the media moves from being very local to very international;
- there are serious differences of opinion in how things should be done;
- the government of the day and the bureaucracy become seriously involved;
- the public takes an armchair position (and is fed by the media);
- the victims and their families become the visual antithesis of the problem (again, projected by the media);
- there are growing numbers of authorities and officials involved.

Sometimes there is complete chaos in simply trying to identify which of the emergency services and investigative

bodies is doing what. *And* who is in charge.

There were 21 agencies involved in the TWA explosion in 1996. Two thousand people and 21 agencies.

This was the case on July 17, 1996, when a Boeing 747-131 operating as TWA Flight 800, departed from New York's John F Kennedy International Airport on a regularly scheduled international flight to Paris. The plane exploded at 13,800 feet on its ascent, at twilight, at about 8.31 pm. There were 230 people aboard.

The Flight 800 tragedy has captured the attention of millions and has been reviewed by airline and airport management worldwide. Many believe that the manner in which the TWA crisis was handled was a crisis in itself.

Let me quote James E. Hall, Chairman of the United States National Transportation Board. '...No-one expects to have a catastrophic accident, and therefore it seems no-one is fully prepared for one. I urge your companies to draw up plans for how you would handle not just the media onslaught, but the needs of potentially hundreds of family members who will descend upon your city and your company.'

The reports from the Contingency Planning Exchange Incorporated identified that what TWA had to face was far more than an emergency.

It was:

- dealing with distraught families;
  - managing an emotional public;
  - coping with a huge press response;
  - managing rumour and innuendo;
  - coping with a large number of government enquiries;
  - managing collection of evidence and finding the cause.
- Agendas run high in crises. Political agendas, personal agendas, corporate agendas, emergency agendas, legal agendas. In TWA's case:
- **New York's Mayor, Rudolph Guiliani, was concerned about** notifying victims' families, the environmental damage and telling the public;
  - the **Coast Guard was concerned about** recovering evidence from the water, dealing with retrieval of bodies and managing the area of water where the wreckage was located;
  - the **New York Police Department** was concerned about the huge security problems at JFK. In addition to the normal airport traffic, there were literally hundreds of other people making enquiries;
  - the **FBI** was concerned about the federal and international implications of terrorism;
  - **lawyers** from around the United States

wanted to represent the families and the businesses affected.

There were in fact 21 agencies involved in the investigation, cleaning up the beaches, security of the airport, investigations at the airport and counselling grief-stricken families. Twenty-one agencies who were dealing with the crisis management team at TWA. Something like 2,000 people. Five hundred media representatives set up operations at the airport and coastguard stations.

The importance of crisis planning and communication was emphasised in all of the post-incident evaluations. Planning and communication—*two* areas in which TWA was—‘woefully inadequate’ said Mayor Giuliani on US television.

TWA was criticised on many fronts. As a result of much of the criticism and the Gore Commission for the US Congress, changes have been made to future crisis management strategies.

Some of the problems were:

- **TWA was threatened with arrest.** They did not release the list of passengers for 24 hours. There were delays in dealing with families still at the airport or those who returned to the airport immediately after the disaster. The press went berserk. Government officials from the City of New York joined family members in their condemnation. When TWA's Joanna O'Flaherty arrived to set up a crisis centre at the Ramada Inn, she was threatened with arrest by the New York Police Department for not releasing the passenger list.
- **There were too many agencies.** During the first few days, the airport and TWA offices were crowded with investigation agencies. The public became very confused about the investigation. At the beginning, there was some dispute over who would be in command. Finally the U.S. President appointed an overall crisis director.
- **There was a media invasion of privacy.** The New York Post obtained a family identification card and invaded the family assistance area. A reporter began to disturb families soliciting interviews. She was jailed and stripped of her press credentials.
- **There was debate about eligibility for family assistance.** There were no guidelines as to who should receive assistance. There was no clear definition of who should participate as next of kin - boyfriends, girlfriends, siblings.
- **Press briefings did not consider the victims.** In the early stages of the disaster, the members of the press were

briefed about discoveries *before* members of the families.

- **There were problems and issues that arose dealing with communication to families.** Problems and issues on the identification and return of bodies, the establishment of a family assistance centre, the return of personal effects, and the responsibilities of the air carrier. There was much confusion as to who should deal with these responsibilities. The management of briefings and other matters are now the responsibility of the National Transportation Safety Board.
- **There was confrontation with lawyers.** Litigating attorneys were not allowed into the Emergency Information Centre at the Ramada Inn. This caused a major problem because many of them represented families who were making enquiries at the Centre. In fact, many lawyers appeared and caused serious problems attempting to push the families into using their law firms in the promise of a lot of money.
- **Parents who were estranged fought over the body and the baggage.**
- Some passengers had both a spouse and a lover.
- **There was poor crisis administration.** In terms of crisis administration, no-one person had been assigned to arrange faxes, telephones, copying machines and computers with the necessary software programs.
- **Fifty percent of the passengers were of French and Italian nationality.** This meant that apart from the huge number of US investigation agencies, there were additional government representatives from France and Italy who added to the overall mass investigation. Translation was another problem.
- **Rumour was rife.** Lack of direction or knowledge *can* and did result in rumour and innuendo and in this case, it was rife. The media responded to public curiosity about air travel. The crisis was not managed well and the results were, for TWA, devastating. There were up to 50 scenarios circulating about what caused the explosion. And, as you remember, the investigation went on and on. Crisis management is about the protection of an organisation's most valuable assets—its stakeholders—employees, customers, governments, suppliers—all the audiences that a business relies on to exist. Crisis management is about protecting an organisation's reputation, and name. It is about being ready for the big one.

In a recent survey conducted by KPMG and the Institute of Company Directors, 40% of surveyed companies said they had no crisis plan in place for major business interruption. I am sure they have adequate, efficient and reliable emergency plans but insufficient and inadequate procedures in place for dealing with the big one.

### Emergencies and Crises

I see an emergency as an immediate, sudden and often unexpected incident that requires prompt response action. An emergency can escalate to a crisis. A crisis is the stage where the organisation's future is threatened—it is a turning point often resulting in permanent, drastic change.

Unfortunately, there is very often a large gap between emergency response and crisis management response. This gap can create serious communication breakdown, particularly with employees. The gap can result in mixed messages to the media and a very slow response to government and regulatory stakeholders. The emergency management people are generally not the problem.

The problem is usually the result of senior management's lack of understanding as to how emergency response works. Crisis management and emergency management must work together to a standard framework.

### Emergencies, Issues and Security Triggers

The first step in managing a crisis is assessing where the potential trouble will come from. Whether your company is a government organisation, a multi-billion dollar organisation or a small to medium business, analysing where potential crises can come from is about looking at your organisation strategically.

It requires thinking beyond the normal insurance risks and emergency planning threats. It requires you to think about the worst possible triggers for emergencies, issues or security problems.

All crises are born from slow burning accidents that burst into large explosions like Esso; slow burning issues that escalate rapidly into chaotic events like the Sydney Water contamination; or slow burning security events like extortion that move out of control like that of the threatened poisoning of Arnotts Biscuits.

Triggers for a crisis can be identified. Plans can be laid to prepare for the big one. Decision-making tools can be developed for all those who inevitably may become involved in suddenly having to deal with massive demands. These demands can be from victims, families, journalists, governments, experts, political

leaders and the general public.

So how do you prepare for a major event where there are enormous and unusual problems? How do you prepare for an event that does not play by the rules? How do you deal with the acute rather than the chronic? What are the best strategies for prevention, control and damage limitation? How do you respond when the phones start to ring - when your operation starts being questioned? How do you avoid being a victim of chaos?

Let me outline a plan that could create a turning point in an unfolding sequence of events. A plan to put some control on crisis chaos when the big one hits.

First of all, you have to recognise you can be hit by a crisis at any time. You have to believe that the damage can be controlled...so can the agenda.

In addition to the emergency team, you need to form a crisis team. Draw up a list of team members that will give you your best chance of managing the crisis agenda...HR, Operations Manager, Public Affairs/Public Relations and Insurance and Legal. A team of alternatives must back you up. Get your team together.

You need to establish a crisis management centre (in addition to the emergency control room or radio room). It's a war room. A control room. A bunker with fax and phone numbers that are accessible. And don't put this room near your foyer—it needs to be secure and away from cameras and complaints.

Identify your organisation's top threats. Not just the insurance risks but the threats to your reputation, your people and your future. Identify the big threats that may hit. Maybe your emergency response can deal with one or two people being injured, but can they deal with 20 or 30 being affected.

Once you have your set of threats identified work through the most appropriate responses that put you in charge of the agenda. List your team response actions as checklists and duty cards. Pick a spokesperson. Have that spokesperson and a back-up trained.

Have back-ups for everyone.

Work out how you will liaise with contractors, joint venturers, police, ambulance, defence, rescue. Workshop your combined responses to confirm processes, powers, rules and responsibilities.

Clearly identify the way in which you'll get the message of what you're doing and why you're doing it out to all your stakeholders—your employees, customers, the media, government and so on.

So you need a team...identify your

threats and how you'll respond, a place to work from, a spokesperson and a message strategy.

Keep an up-to-date list of contact numbers readily available inside and outside the office. Have alternative premises arranged. This could be an agreement with another organisation. Put all your plans into an easy and simple manual and test them once a year for accuracy and capability.

### Crisis Response - Learning from an event

Recently, a major resource company in Australia used their crisis management team to manage a serious emergency, a crisis—for them, a big one at their plant. The incident required front-line emergency services response, an overall crisis management team response to manage each stage of the incident and its effect on employees, the community and other stakeholders.

They also needed a great deal of help from outside—there were a number of people injured, the local hospital could not house all the injured, and victims had to be sent to another hospital. Additional emergency services support had to be flown in and they had to back up their inadequate communications technology.

The company have given permission to share the learnings in a post-evaluation of these incidents. The learnings are an invaluable contribution to management planning. The key issues to come out of the post-evaluation of those incidents were:

- serious accidents or incidents seldom happen from 9.00 to 5.00;
- accidents can more often than not involve contractors—this one did and they had not integrated emergency plans and processes;
- can the site contact employees and contractors' next of kin effectively? In this case they couldn't because many of the contractors were not listed in the company's HR files;
- crisis management procedures need to be easy to find and easy to read—it took them some time to find the plan and some of the contact numbers were out of date;
- only one spokesperson needs to be appointed at site—one of the main spokespeople for the site was actually injured in the incident and the back-up was on annual leave;
- there needs to be easy access to post-trauma counselling—they found it difficult to contact trauma counsellors in the middle of the night and therefore

it took some time to get support at the location

- a fast message about what has happened needs to be presented to employees and nearby stakeholders. They spent too much time debating what should be said and whether it fitted the legal requirements and therefore there were no messages handed out until late morning;
- support from the Business Unit or Head Office is essential—in this case they provided enormous back-up support and resources;
- executive personnel from outside the site need to consider the sensitivity of the issue when arriving at the site. One or two gentlemen in suits did not seem to understand the mood of the accident location when they arrived;
- telephone systems are put under enormous stress—they needed three additional telephonists. Mobile phones were an enormous help;
- 'local' personal issues can affect emergency response—one of the rescue team suffered severe shock when he discovered his brother was one of the seriously injured;
- emergency contact lists need to be regularly updated—although changes had only been made recently to certain phone numbers, lists had not been updated;
- additional facsimile and email systems need to be in place—there were simply not enough facsimile and email facilities to provide an even flow of urgent information;
- a satellite phone is essential for distant sites—it would have provided uncomplicated, direct contact where mobile phones could not ;
- one 'control room' is essential—initially both the contractor and the company had two control rooms dealing with the incident.
- log-keeping is vital—after the event, logs were found to be lacking in clear records of the response actions;
- switchboard, receptionist and security personnel need to be trained in response methodology—they were confused and unsure how to deal with victims' families inquiries and employee information.

Solid learnings in managing crisis. During crisis, management behaviour moves into an area of concentrated intensity – and every organisation is vulnerable to the big one.

So, how do you control crisis chaos when the big one hits?

With a crisis plan, you can.