Nicolazzo & Associates, Inc.
Strategic Communications
Crisis Management
Public Relations

QUESTIONS DIRECTORS SHOULD BE ASKING ABOUT CRISIS COMMUNICATIONS CONTINGENCY PLANNING AND MANAGEMENT OPERATIONAL PREPAREDNESS

1. ***Do we have at least one scheduled full board discussion each year to discuss the operational vulnerabilities the CEO is aware of that could damage shareholder value by 15% or more?***

   If it is not part of the yearly Board agenda, why not?

   There are Known Risks and Unknown Risks. 9/11 is an example of an Unknown Risk that only becomes obvious in retrospect. The BP Gulf of Mexico explosion, however, is an example of a Known Risk.

   For a moment, imagine what is must have been like on April 20, 2010 in the executive suites of BP Petroleum in London when the Deepwater Horizon oil drilling rig, located 52 miles of the coast of Louisiana, caught fire and exploded in a fireball. Within minutes, 11 people died. Two days later, despite heroic firefighting efforts, the gigantic rig sank. Two days after that, a massive leak was discovered that would become one of the largest industrial and environmental calamities in history. What followed was a period of worldwide scrutiny targeting one of the world's largest and most successful corporations. By any definition, this was a crisis.

   By its own admission, BP was not prepared to deal with a catastrophe of this magnitude. And yet that the probability of such a catastrophe should have been Known.

   In the days and weeks that followed the explosion and leak, the company made one mistake after another in attempting to manage and communicate its way through the ballooning crisis. The reputational damage incurred along the way was almost incalculable.

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Exploring organizational risks/vulnerabilities is the first question that Boards need to address in their diligence and oversight. One way to approach the issue is to have a general discussion and determine if senior management and key supervisory executives have identified the company's three or four worst-case scenarios and addressed the risks and possible outcomes associated with each of these.

Boards should keep in mind that crises take many forms. A few worst-case scenarios might include a government investigation, sexual harassment case, age or gender discrimination, corporate misconduct, insider trading, a toxic chemical spill, a product recall, industrial accident, union strike, or a failed merger. I'm sure that Boards representing companies across a wide range of business sectors can quite easily envision likely high-problem areas.

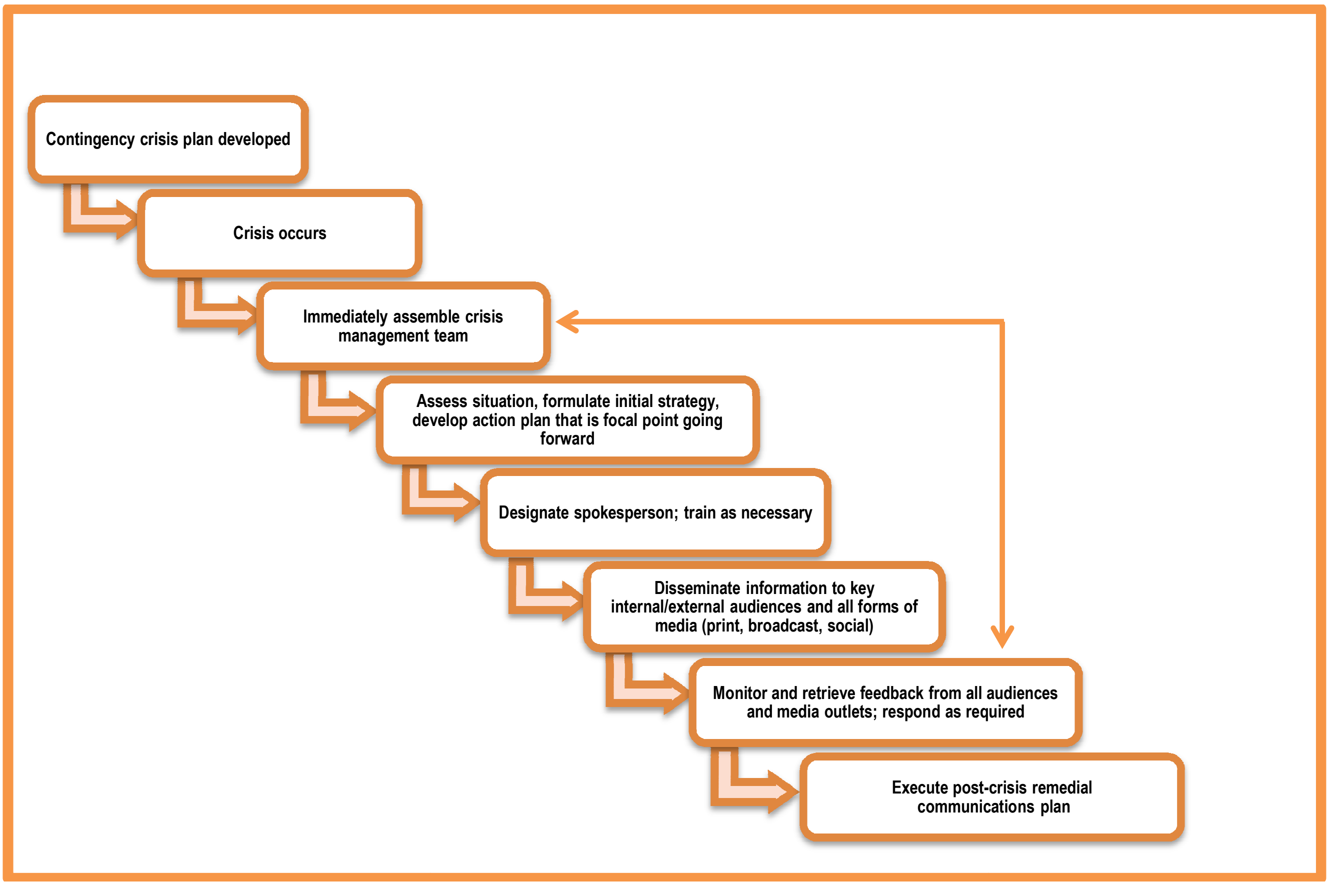
2. *Describe the contingency crisis communications plan.*

Uncovering known organizational vulnerabilities is a critical first step. But the Board must follow through to ensure that the Company has a crisis plan in place.

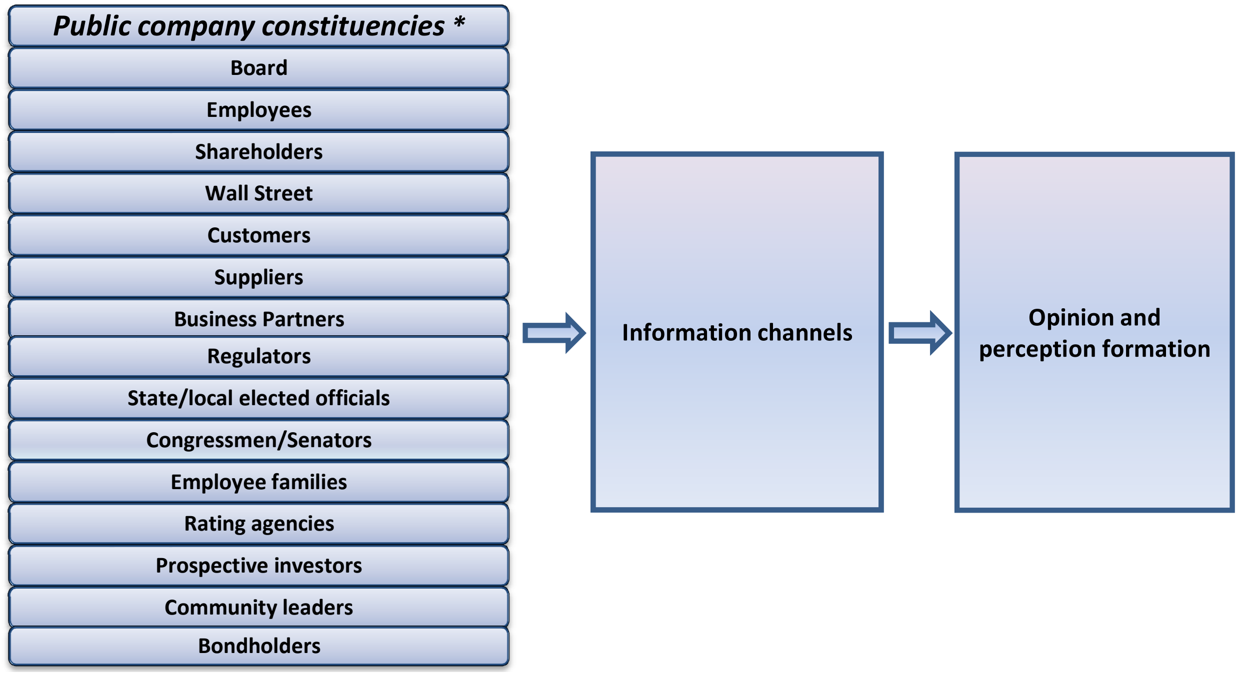
A comprehensive crisis communications plan must be both precise and adaptable for worst-case scenarios. It is not enough to produce a document listing only emergency phone numbers and contact information.

Below is a flow chart that might be a useful framework for reviewing such a plan:

Crisis Management Activity Flow Chart
Eight Initial Critical Steps



Crisis Communications Flow Chart



* Will vary depending on nature of company

3. *Describe what happened during the mock crisis drill?*

A plan is only a piece of paper. What about annual mock drills?

Many small-to-mid-size companies and non-profits lack the expertise to assist the company in a real crisis. The time to forge a relationship with a specialist crisis communications firm is well before the crisis. Does the company have such a relationship?

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