

Issue: Managing Corporate Crises

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## Can companies contain damage in the social-media age?

### Executive Summary

Why do some companies emerge from a crisis with a minimum of harm to their reputations and long-term profitability while others suffer severe damage to their names and finances? Damage-control experts say the outcome of a corporate crisis hinges largely on the type of situation and the public's perception of the company's response to it. Is the company a victim of the crisis or its creator? If it is culpable, does it accept blame and try to make things right, or evade responsibility and place its own interests first? And how does a company deal with the ubiquity of social media, which can amplify a corporate misstep or even manufacture a crisis through rumor or innuendo?

Here are some key takeaways, based on guidelines developed by corporate-crisis counselors and other experts:

- Prepare for crises before they happen by anticipating risks and developing detailed plans to cope with them.
- Take control of the crisis narrative before social media, news outlets and competitors do.
- Above all, put the interests of customers and the public first.

### Full Report



This parody United Airlines ad on ABC was part of a torrent of negative media attention the airline received after a passenger was dragged off a flight.

On April 9, 2017, a [United Airlines](#) agent at Chicago's O'Hare Airport informed four random passengers already buckled in for their flight to Louisville, Ky., that their seats were needed for a United flight crew. In return for ticket vouchers worth as much as \$800, three passengers deplaned with no argument. But the fourth, a Vietnamese-born doctor named David Dao, refused to relinquish his seat, explaining he was needed the next day in Louisville to treat his patients.<sup>1</sup>

What followed was an epic public relations disaster for United. Airport police came aboard to remove Dao from the aircraft and, in the process, broke his nose, knocked out his two front teeth and gave him a concussion. As they dragged the bloodied 69-year-old off the plane by his arms, several outraged passengers recorded the episode on their cellphones and posted the video to Facebook and Twitter, where it quickly went viral.<sup>2</sup>

United CEO Oscar Munoz then magnified the airline's image problem by circling the corporate wagons and blaming Dao for the incident.<sup>3</sup> Two full days went by before United understood it had a full-blown reputational crisis on its hands, prompting Munoz to

apologize to Dao and promise to treat passengers more respectfully.<sup>4</sup> By then, however, it was too late. United's violent abuse of its passenger became the overriding public narrative. At one point as the crisis unfolded, the company's stock plunged 4.4 percent, wiping out nearly \$1 billion in United's market value.<sup>5</sup> The damage to United's reputation, many observers said, was incalculable.

Experts who protect and repair professional reputations for a living like to cite an age-old piece of wisdom: A crisis typically holds elements of opportunity as well as danger. "Almost every crisis contains within itself the seeds of success as well as the roots of failure," said Norman R. Augustine, former chairman and CEO of Lockheed Martin Corp. "Finding, cultivating, and harvesting that potential success is the essence of crisis management. And the essence of crisis *mis*management is the propensity to take a bad situation and make it worse."<sup>6</sup>

For an example of opportunity arising from crisis, experts point to [Chipotle Mexican Grill](#). In 2015, outbreaks of E. coli, salmonella and norovirus at some of its restaurants sent several dozen customers to the hospital. Amid an avalanche of negative press in both social media and mainstream outlets, the company apologized to the public and shuttered the affected restaurants. Then it hired experts to determine the cause of the outbreak and announced a raft of new food safety measures up and down the supply chain. Through its social media and press releases, the company kept the public informed every step of the way until the federal government's Centers for Disease Control and Prevention gave the chain a clean bill of health a few months later.<sup>7</sup>

Additionally, in February 2016, Chipotle closed every one of its nearly 2,000 restaurants nationwide for four hours and used the downtime to train employees to follow new food safety procedures. When the restaurants reopened, they offered free burritos and guacamole to lure customers back. The outbreak and its mitigation cost Chipotle more than \$450 million in lost revenue and expenses by the end of 2016.<sup>8</sup> But it emerged from the crisis with a safety-conscious public image, and both company analysts and hedge funds say the burrito chain is well on the road to recovery.<sup>9</sup>

An organization or company can face different types of crises, ranging from human error and technical breakdowns to natural disasters and terrorism. But experts agree that with few exceptions, defensive responses that prioritize the organization's protection over that of the public and customers are a recipe for more problems.<sup>10</sup> These experts say companies with the best chances of emerging from a crisis with a minimum of damage are those with a strategy that anticipates problems before they occur.

This approach requires an awareness of the predictable glitches that happen in their industry and well-rehearsed public relations plans for handling them, from the moment they happen to their aftermath. Such plans must be grounded in the organization's ownership of its problem, empathy for those affected and timely measures that not only fix what went wrong but also go the extra mile in a follow-up phase to show the organization has done all it can to avoid a recurrence.<sup>11</sup>

As the United and Chipotle crises show, the ubiquity of social media today has removed any lag time between the occurrence of a problematic event and the public's discovery of it. In today's world of unfettered information, anyone with a cellphone can stream live video as a crisis unfolds. Any effective approach to damage control must acknowledge the immense power of social media in a crisis and the demand it has created for companies to provide timely and honest information.

But damage control specialists also stress that the same social media that can become a company's worst enemy also can be harnessed to serve forward-looking strategies that work to a company's advantage. "Social media present real-time challenges and obstacles to crisis management, but they also present real-time opportunities," says Melissa Agnes, a Montreal-based damage control adviser and lecturer. She says skillful use of social media can help a company quickly get ahead of the story and drive the company's own narrative of the situation.

"When you communicate quickly with the public, the more trust, credibility and good will you gain," Agnes says. Moreover, she adds, companies and organizations that utilize social media to spread the word about the positive things they are doing for their stakeholders in normal times build a reservoir of goodwill that they can tap in times of crisis.

## The Three Circles of Crisis

The guidelines for effective crisis management and damage control apply whether the organization at the center of the crisis is large or small, a public institution or a commercial enterprise. But not every crisis is the same. Experts divide crises into three categories, each with its own level of blame and its own protocol for containing the subsequent damage to an organization's reputation, profitability and growth.

The first category includes those events in which the organization and its stakeholders are seen as victims, such as unforeseen natural disasters, terrorism, product-tampering or false rumors designed to hurt the company. Such events produce minimal blame, provided the company takes immediate action to remedy the crisis, if needed.<sup>12</sup>

A textbook example of this type of crisis occurred in the pre-social media days of 1982, when seven people in Chicago died from taking capsules of Extra-Strength Tylenol that someone had laced with cyanide. In response, drug maker [Johnson & Johnson](#) immediately pulled all Tylenol from the market and only returned its best-selling painkiller to stores two months later, after it had developed tamper-proof

packaging and mounted an extensive media campaign to keep the public abreast of its safety measures. Although the recall and relaunch cost Johnson & Johnson \$100 million and temporarily dropped its slice of the \$1.2 billion painkiller market from 37 percent to 7 percent, its share returned to 30 percent a year later.<sup>13</sup>

Michael Holland, manager of the Holland Balanced Fund, a Denver-based mutual fund, told The New York Times that Johnson & Johnson's handling of the crisis demonstrated the company's superior management. "It's one of the reasons it is the largest holding in my fund," he said in 2002.<sup>14</sup>

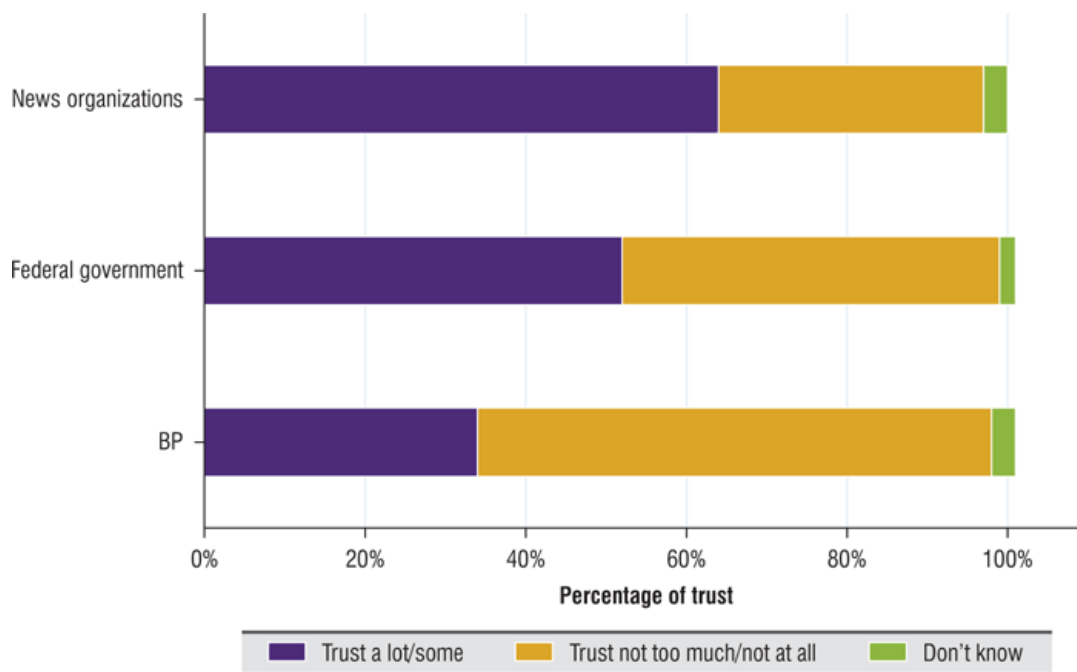
Smaller companies also are vulnerable to crises at this level. In one of the more bizarre instances, online right-wing conspiracy theorists in fall 2016 spread a phony story that Democratic presidential candidate Hillary Clinton was operating a child sex ring in an underground tunnel beneath Comet Ping Pong, a family pizza restaurant in an upscale Washington neighborhood. The fake news led to death threats against the restaurant's owner, followed by a full-blown crisis on December 4 when an armed man entered the restaurant and fired several shots into closed doors in what he told police afterward was an attempt to find and rescue the children.

The incident, which did not result in any injuries, aroused a strong emotional response from the neighborhood, which is largely liberal and protective of its favorite establishments. Thousands rallied in support, buying pizzas and donating more than \$28,000 to help pay for extra security and legal expenses.<sup>15</sup> The close relations that the restaurant maintained with its stakeholders proved a valuable asset in the aftermath of the crisis.

The second category includes those events that result from an organization's unintentional actions, such as a technical error or accident. Again, assuming the company takes effective steps to correct such errors, this type of crisis carries a low to moderate level of blame for the company involved. Still, temporary damage to the company's bottom line can be significant before the event is contained. Chipotle's food-poisoning crisis would fall into this category.<sup>16</sup>

## BP Lost Credibility on Oil Spill

### Public turned to news media for reliable information



Note: Data based on results collected from a survey conducted July 22-25, 2010 among 1,004 adults in the United States by the Pew Research Center for the People & the Press.

Source: Seth Motel, "5 facts about the BP oil spill," Pew Research Center, April 17, 2015, <http://tinyurl.com/w62pgxd>.

In the aftermath of the 2010 BP oil spill in the Gulf of Mexico, the public trusted information about the spill provided by the news media and the federal government more than information released by BP.

The third category is the preventable crisis – human errors that could have been avoided, management misconduct, or actions that purposefully place the company and its stakeholders at risk. These events present the most damaging threat to a company's reputation

and bottom line. Such crises can result in crippling lawsuits, congressional investigations, steep financial losses, heavy fines, new industry regulations, the need for new management, or even jail time.<sup>17</sup>

A few examples of such corporate calamities include Volkswagen's deliberate manipulation of emissions software on its diesel-powered cars in 2015; the catastrophic BP oil spill in the Gulf of Mexico in 2010; and Wells Fargo's bogus-accounts scandal in 2016. Volkswagen paid out some \$25 billion to cover penalties, fines, compensation for consumers and legal fees.<sup>18</sup> In 2016, BP said it expects the pretax cost of the oil spill to total \$61.6 billion.<sup>19</sup> Wells Fargo was hit with \$185 million in regulatory fines, plus another \$142 million settlement in a class-action lawsuit.<sup>20</sup> In all three instances, the top corporate leaders lost their jobs.

The financial exposure that results from a crisis varies from company to company and crisis to crisis. But business experts say large companies are rarely brought down by crises, even when they are its authors. Indeed, less than two years after its emissions scandal, Volkswagen reported pretax profits of \$4.7 billion for the first quarter of 2017, up 29 percent from the previous year, on the back of strong sales in China and cost-cutting. United's first-quarter report, which came out a week after the passenger abuse incident, said the airline's revenue was \$8.4 billion, an increase of 2.7 percent over the same period in 2016. Traffic also rose in the same period by 2.2 percent.<sup>21</sup>

Moreover, airline industry analysts do not expect any long-term damage. United is one of just four major U.S. carriers, which means travelers often do not have many choices. Other customers simply forget United's bad behavior. "People have short memories," says Erika James, dean of Emory University's Goizueta Business School and a crisis management specialist.

Other large companies take much longer to recover. BP had to sell numerous assets to cover the costs for its business losses, fines and settlements. The company estimates it will still be paying compensation to affected parties at least until 2019 – nearly 10 years after the oil spill.<sup>22</sup>

## Size Doesn't Matter; People Do

Effective damage control does not begin after the crisis has erupted, experts say. Like a good military strategy, it requires careful upfront planning that includes identifying and preparing for a company's vulnerabilities, testing staff and tactics in simulated crisis exercises, executing a prescribed strategy once a crisis hits and mopping up afterward. "The common denominator for all companies in crisis, large or small, is people, the stakeholders," says Agnes. "The consideration for the stakeholders doesn't decrease because a company is smaller."

W. Timothy Coombs, a crisis management and communication expert at the University of South Florida, divides effective damage control into three phases: pre-crisis; crisis response; and post-crisis actions.<sup>23</sup>

During the first phase, Coombs wrote, the emphasis is on preparation, prevention and planning. A company or organization focuses on the known risks that could produce a crisis and creates plans to prevent them or minimize the threats they pose. This phase includes forming a crisis management team, typically made up of people to handle tasks such as public relations, legal affairs, security, information technology, operations, finance and human resources. Effective preparation also includes drills to test both the plans and the team members.<sup>24</sup>



W. Timothy Coombs

One of the most important team members is the spokesperson, who will become the face of the company in a crisis. Damage control professionals advise spokespersons to present information to the news media clearly and concisely and to eschew jargon, which can come off as obfuscation. Such guidelines are particularly important to follow when using social media to disseminate information. These professionals urge spokespersons to avoid using terms such as "no comment," which can make the leadership appear to be concealing something.<sup>25</sup>

Crisis management experts also strongly advise spokespeople to acknowledge when they do not know the answer to a question. Credibility increases, they add, when a spokesperson pledges to find out the answer and then delivers it in a timely manner.

To save time, Coombs recommends creating templates for crisis communiqués, which can be filled in with key information once it is known and then released to the public. Damage control preparations also should include prior creation of a separate crisis website, where the media and the public can find the latest information, Coombs said. Today, he added, a company that lacks some form of Web-based response risks appearing ineffective and behind the times.<sup>26</sup>

The next stage – crisis response – is the most critical phase of damage control. This is centered on what the company leadership says and does after a crisis erupts. Experts say management should aim to disseminate an accurate account of what it knows about the crisis no more than an hour after it erupts, lest the news media create an erroneous and damaging narrative based on ill-informed sources. Pre-crisis preparations, such as the communique templates, facilitate this rapid response.<sup>27</sup>

Company leaders also must take the necessary steps to maintain credibility as events unfold. Inaccurate information must be corrected quickly. Frequent updates promote both credibility and a reputation for transparency. "Just like your mother told you, honesty is always the



best policy,” says Emory University’s James.

Consistency within the company is also critical, and all members of the crisis management team must share information so each conveys the same message. Speed and accuracy are particularly important in crises where public safety is a concern and people need to know what they must do to protect themselves. In such situations, an organization’s social media channels and a separate crisis website are highly effective tools.

When a company finds itself at the center of a crisis that affects people’s health, safety, comfort or wallets, a sincere corporate expression of concern and sympathy is particularly important, says Barbara Kellerman, who teaches leadership at Harvard University’s John F. Kennedy School of Government. As United learned, a failure to show empathy leaves the impression of a cold, emotionless corporation that does not care about its customers. Empathic statements help to mitigate damage to a company’s reputation and reduce financial losses.<sup>28</sup>

This phase of crisis response also includes the strategies a company adopts to repair its reputation. These can range from highly defensive responses that focus only on protecting the company – such as attacking the accuser, denial and scapegoating – to accommodating steps that focus more on helping the victims. The latter includes taking full responsibility for the crisis, offering an apology and compensation to the victims and seeking their forgiveness.<sup>29</sup>



West Pharmaceutical’s plant in Kinston, N.C., was destroyed in 2003. West provided regular updates until a replacement was built. (Jason A. Frizzelle/Getty Images)

William L. Benoit, a communications professor at the University of Ohio who has written extensively on reputation repair, said crisis managers should match their strategy to the type of crisis they are facing and the potential for blame that it carries. He recommended defensive measures such as denial and attacking the accuser only in those cases where their company is fully confident it is the target of false rumors or accusations. In all other crises, companies should aim to accommodate victims, offering an expression of concern or sympathy and any recall information and instructions they might need. When the company bears a large part of the responsibility, crisis managers should add an apology and compensation, Benoit said.<sup>30</sup>

In the post-crisis phase of damage control, a company is returning to normal operations. But the crisis, though no longer management’s main focus, still requires follow-up. Measures to repair the organization’s reputation, such as additional benefits to those affected, charitable donations or organized events, may continue. Any additional information that company leaders promised the news media or other stakeholders must be delivered. The company also must maintain transparency on the status of its recovery, promised corrective measures and investigations of the crisis.<sup>31</sup> Coombs cites [West Pharmaceutical](#) as an example of a company that carried out effective post-crisis operations. After a 2003 dust explosion destroyed the company’s plant in Kinston, N.C., West provided recovery updates for more than a year until it had built a replacement facility.<sup>32</sup>

Most importantly, says Michael Rubin, a damage control specialist at Levick, a Washington-based public relations firm, crisis managers should analyze their own performance and incorporate lessons learned into the company’s plans for handling the next crisis.

## United's Defensive Crouch

Patrick Smith, who writes the airline travel blog, "Ask The Pilot," said United helped set the stage for its latest crisis by maintaining a rigid corporate culture that doesn't provide lower-level employees with the latitude to manage unexpected incidents. Once Dao refused United's offers of \$800 and a guaranteed flight the next day, they had no contingency plans. "It appears the airline's staff reached a point where they simply didn't know what to do, and nobody was brave enough, or resourceful enough, to come up with something," Smith wrote in his blog. "Summoning the police became the easiest and fastest way out."<sup>33</sup>

As video of the police's brutal treatment of Dao exploded across the internet, United's first response was to issue a statement the next day that apologized for the overbooked situation on the plane but did not mention Dao or the video. Later that day, Munoz issued a statement apologizing to those passengers whom he had to remove from the plane – he used the euphemism "re-accommodate," sparking howls of derision – but again made no mention of Dao's treatment. That evening, an internal letter from Munoz to United employees surfaced. His tone was highly defensive, placing the blame for the incident on Dao, whom he called "disruptive and belligerent." "While I deeply regret this situation arose, I also emphatically stand behind all of you," he wrote. "Treating our customers and each other with respect and dignity is at the core of who we are."<sup>34</sup>

The video, of course, told another story. Davia Temin, president and CEO of Temin and Company, a New York-based crisis management and media strategy firm, said that in the days before cellphones and social media, an airline might have gotten away with treating a passenger so rudely. Back then, she said, once airline passengers boarded the plane and took their seat, they were incommunicado, so they couldn't have protested easily. If some did protest once they landed, the airline could have minimized the significance of such an episode, confident the public would believe them.<sup>35</sup>

But with Dao's flight still on the ground and its Wi-Fi still functioning, the videos of the incident hit the internet, belying Munoz's claims. A day later, public outrage toward United reached a fevered pitch, with the airline getting more than 1.5 million mentions on Twitter, Facebook and Instagram, 69 percent of them negative, according to Brandwatch, a firm that monitors social media numbers for brands.<sup>36</sup>

With a major public relations fiasco unfolding, customers threatening a boycott and lawmakers calling for an investigation, Munoz issued a third statement expressing contrition. "I deeply apologize to the customer forcibly removed and to all the customers aboard," he said in the statement, issued some 36 hours after the incident. "No one should ever be mistreated this way," Munoz continued: "I want you to know we take full responsibility, and we will work to make it right. It's never too late to do the right thing."<sup>37</sup>



Johnson & Johnson President David Clare testified to Congress about tamper-proof packaging in 1986, four years after the Tylenol tampering incident. (Bettmann/Contributor)

By then, however, it was too late to control the damage. While United's nearly \$1 billion drop in stock value the morning after the incident had leveled off to a one-day loss of \$255 million, the video spread to China, whose state-controlled media expressed outrage that an Asian passenger had been targeted, jeopardizing United's lucrative routes to the Far East.<sup>38</sup> And comedians had a field day. ABC late-night host Jimmy Kimmel ended his monologue with a parody United commercial. "We're United Airlines," says a flight attendant, flashing a set of brass knuckles. "You do what we say, when we say, and there won't be problem. Capiche? If we say you fly, you fly. If not, tough s...t."<sup>39</sup>

Temin said United's mishandling of the situation was particularly egregious because it belongs to an industry with predictable problems. "From a crash, to losing a plane, to mechanical difficulties or failure, to long weather delays, air traffic failures, terrorism or even overbooking, there are relatively few situations that an airline can't predict beforehand," she said. "And that means, the company could prepare for them." Instead, she added, "not only did they not learn from their initial mistakes, the tone-deaf, seemingly heartless nature of United's public responses got progressively worse."<sup>40</sup>

## Chipotle Survives Costly Speed Bump

The hospitalization of several dozen customers as a result of bacteria at six Chipotle restaurants also produced reams of bad press and a subsequent drop in sale and stock.<sup>41</sup> But the company did not try to cover up its mistakes. Instead, Chipotle launched a well-thought out, three-pronged crisis management plan.

By taking the costly steps of shutting down the affected restaurants and hiring a laboratory to locate the sources of the outbreak, Chipotle signaled customers it was placing the public good ahead of its profitability, said Tyler Barnett, president of a Los Angeles-based public relations firm. And by reforming its food safety protocols, the company succeeded in shifting the public discussion from talk about Chipotle's problem with food poisoning to the company's focus on food safety, Barnett said.<sup>42</sup>

In the second part of its damage control plan, the company used both social and traditional media to spread the word about its food safety

measures, which included spending \$10 million for a program that would help farm vendors farther up the supply chain guard against bacterial outbreaks. Chipotle also deployed social media to spotlight several additional steps it was taking, including granting fully paid leave to those employees who got sick from the outbreak, as well as additional time off to recuperate at home. The company received national attention not only for its food safety program but also for the concern it showed for its employees and small farms.<sup>43</sup>

The third element tackled the most difficult challenge after a crisis: bringing back customers. To accomplish this, the company offered free burritos and guacamole to anyone who texted “rain check” during the temporary closure. Though this step added additional costs to its crisis management plan, it helped to get customers to return and to reinstate nationwide trust in Chipotle’s brand.

The cost to the company was substantial. Chipotle’s February 2017 earnings report broke down the damage: Compared to 2015, earnings in 2016 fell by 13 percent. Store sales plunged 20 percent in 2016 from the previous year. Net income fell from \$475.6 million in 2015 to \$22.9 million in 2016. For 2015, earnings per share were \$15.10; in 2016, they were 77 cents per share.<sup>44</sup>

But even the midst of the crisis, analysts were paying close attention to the adroit way Chipotle was managing it, as well as the enduring strength of its brand. Sharon Zackfia, a restaurant business analyst with the equity research group at the financial services firm William Blair & Co. in Chicago, predicted in November 2015 that Chipotle would suffer no long lasting damage to its reputation or long-term profitability. “My guess is that five years from now, people will look back and say, ‘I should have bought Chipotle on the E. coli scare,’ ” she said.<sup>45</sup>

In July 2016, when Chipotle’s share price had fallen from a high of \$750 to around \$400, hedge fund Pershing Square Capital Management bet \$1 billion that Zackfia was right – and won. By the end of the first quarter in April 2017, Chipotle shares were up by 15 percent from Pershing’s purchase price, and the restaurant company was showing strong signs of a recovery.<sup>46</sup> For the first quarter of 2017, Chipotle reported revenue of \$1.07 billion – 28.1 percent more than the same period in 2016, and outperforming the \$1.05 consensus prediction of Wall Street industry analysts.<sup>47</sup> Sales jumped by almost 18 percent over the same period in 2016. And its bottom line for the quarter came in at \$46.1 million, up nearly triple from the \$26.4 million loss it posted for its food-poisoned first quarter in 2016. Chipotle’s stock delivered a \$1.60 per share first-quarter dividend, well above the \$1.27 per share first-quarter prediction of the industry analysts.<sup>48</sup>

After a review of the events surrounding Dao’s forced removal, United said it would implement a series of new, more customer-friendly policies. The changes will limit passengers’ requirements to surrender their seats – as well as the airline’s use of law enforcement – only to situations in which safety or security are involved. They also will reduce United’s practice of overbooking flights, increase compensation to passengers who relinquish their seats to up to \$10,000 and give United employees more leeway to resolve customer service issues as they occur.<sup>49</sup>

“Our review shows that many things went wrong that day, but the headline is clear: our policies got in the way of our values, and procedures interfered in doing what’s right,” Munoz said in a statement announcing the changes. “This is a turning point for all of us at United, and it signals a culture shift toward becoming a better, more customer-focused airline.”<sup>50</sup>

But United was back in the social media crosshairs in June after video surfaced of a 2015 incident of a uniformed airline employee deliberately knocking a 70-year-old man to the floor after an argument over a boarding pass in Houston. United fired the employee and apologized, but the airline is now facing a lawsuit for more than \$1 million.<sup>51</sup> United caught more heat in July when it gave away a toddler’s seat to a standby passenger, forcing the boy’s mother to hold him in her lap for the entire three-and-a-half-hour flight. Once again, the airline apologized.<sup>52</sup>

“We’re constantly seeing United in the news because they always put process, bottom line and money over people,” says Agnes. “But these are big, big fish. It takes a lot to knock them down. Even after the biggest crises, they have enough resources to slowly build themselves back up.”

Nevertheless, she adds, “When you hear the brand United, it’s going to be a long time before the first thing that comes to your mind isn’t that awful video of the man being dragged off the plane.”

## About the Author

Jonathan Broder is a Washington-based reporter and editor. He was a senior writer for Newsweek, a senior editor at Congressional Quarterly and served as a foreign correspondent in the Middle East, South Asia and the Far East for the Chicago Tribune. Broder’s writing also has appeared in The New York Times Magazine, The Washington Post, Smithsonian and the World Policy Journal, among other publications.

## Chronology





- 2010** BP's Deepwater Horizon oil platform explodes in the Gulf of Mexico, killing 11 workers and spilling millions of barrels of crude into the Gulf in the worst oil spill in U.S. history. Company CEO Tony Hayward resigns.
- 2014-15** A U.S. district judge finds BP, which had leased the oil platform, primarily responsible for the spill, saying the London-based energy company was "grossly negligent" and "reckless." BP agrees to pay \$18.7 billion in fines, the largest corporate settlement in U.S. history. Compensation and other payments eventually bring BP's total costs for the spill to more than \$60 billion.
- 2015** An outbreak of E. coli and other bacteria sickens more than 50 people at several Chipotle restaurants. Chipotle closes the affected restaurants and mounts a major effort to locate the source of the bacteria, keeping the public informed through social media.... The U.S. Environmental Protection Agency charges Volkswagen with manipulating software on its diesel-powered cars to cheat on U.S. emissions tests. VW ultimately pays out around \$25 billion in penalties, fines, compensation to car owners and legal fees. CEO Martin Winterkorn is forced to step down.
- 2016** Chipotle reopens the closed restaurants after implementing new safety measures throughout its food supply chain. The company's total costs for the food poisoning crisis reach \$450 million.... Wells Fargo is rocked by disclosures that the bank's employees created as many as 2 million unauthorized credit card and checking accounts over several years. The bank pays \$185 million in regulatory fines. CEO John Stumpf resigns. Wells Fargo's new credit card applications and new checking accounts drop at least 40 percent in the fourth quarter from a year earlier.
- 2017** Chipotle's first-quarter earnings show signs of recovery.... United Airlines has Chicago airport police drag Dr. David Dao, 69, off a flight after Dao refuses to relinquish his seat to a United flight crew member. Video of the incident, in which Dao suffers a broken nose, concussion and other injuries, goes viral on social media. The company's stock value loses nearly \$1 billion in a day before recovering. A week after the incident, United reports \$8.4 billion in revenue for the first quarter of the year, a 2.7 percent increase over the same period in 2016. The company also reports a 2.2 percent increase in traffic.... Volkswagen reports pretax profits of \$4.7 billion for the first quarter of 2017, up 29 percent from the previous year.

## Resources for Further Study

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## Reports and Studies

Benoit, William L., "Image Repair Discourse and Crisis Communication," *Public Relations Review*, Vol. 23, Issue 2, Summer 1997, <http://tinyurl.com/unakhdf>. The Ohio University professor discusses corporate image-repairs strategies that also can be used to protect reputations during a corporate crisis.

Coombs, W. Timothy, "Crisis Management and Communications," *Institute for Public Relations*, Oct. 30, 2007, <http://tinyurl.com/mtcj4x4>. Coombs reviews the basics of crisis management, including the types of crises a company or organization might encounter; the levels of blame that are attached to each; and the best strategies to blunt their impact on a company's reputation and bottom line.

Pearson, Christine, "A Blueprint for Crisis Management," *Ivey Business Journal*, January-February 2002, <http://tinyurl.com/y88awbh9>. This report emphasizes that in most industries, many crises are predictable and that the best firms wisely prepare for these events before they occur.

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## The Next Step

### Social Media

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Pierson, David, "How a social media campaign helped drive Bill O'Reilly out of Fox News," *Los Angeles Times*, April 21, 2017, <https://tinyurl.com/ybv5jkb>. The social media component of the campaign to oust Fox News host Bill O'Reilly was key in the drive's effectiveness because social media were not around when sexual harassment allegations were previously raised against O'Reilly.

### Uber

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Feldman, Brian, "Voting With Your Wallet Won't Fix Uber," *New York Magazine*, June 14, 2017, <https://tinyurl.com/yal7s26l>. A columnist argues that because Uber's business model is funded by investors, a consumer boycott of the company is not a viable way to hold it accountable. Instead, people must use their civic power, such as voting and getting involved in local politics, to pressure the company to change.

Hawkins, Andrew, "How Uber can emerge from its scandals as a more ethical company," *The Verge*, June 30, 2017, <https://tinyurl.com/ybfmu5qz>. A coalition of accessibility advocates, consumer rights groups and labor unions wrote an open letter to Uber calling for the company to make changes, such as paying higher compensation to its workers, being less antagonistic to local governments and providing equal service to all.

## Organizations

### Global Association of Risk Professionals

111 Town Square Place, 14th Floor, Jersey City, NJ 07310  
1-201-719-7210

<http://www.garp.org#!/risk-intelligence>

International professional association of risk managers that provides education and training on best practices for crisis and risk management.

### Institute for Public Relations

PO Box 118400, 2096 Weimer Hall, Gainesville, FL 32611-8400  
1-352-392-0280

[www.instituteforpr.org](http://www.instituteforpr.org)

Nonprofit research organization that focuses on crisis management and reputational damage control.

### International Association of Business Communicators

155 Montgomery St., Suite 1210, San Francisco, CA 94104  
1-415-544-4700

[www.iabc.com](http://www.iabc.com)

Membership organization of communication professionals from 70 countries that conducts research and education on effective strategic communication, including crisis management.

### National Communication Association

1765 N St., N.W., Washington, DC 20036  
1-202-464-4622

[www.natcom.org](http://www.natcom.org)

Scholarly association that supports crisis communications research.

### Public Relations Society of America

33 Maiden Lane, 11th Floor, New York, NY 10038-5150  
1-212-460-1400

[www.prsa.org](http://www.prsa.org)

Private organization for public relations professionals.

### Working Knowledge

Baker Library, Bloomberg Center, Soldiers Field, Boston, MA 02163  
1-617-495-6040

1-617-495-6791 (fax)

<http://hbswk.hbs.edu>

Harvard Business School website that provides research and new ideas on dozens of business topics, including corporate damage control and crisis management.

## Notes

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