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Emerging from a crisis unscathed

By JOHN BAILEY

SOCIETY'S expectations of how companies should respond to human tragedy has evolved rapidly in recent years, and the standards against which they are judged are becoming ever more demanding.

The airline industry has learned this the hard way. A number of major airlines, including Pan American - at one time the de facto flag-carrier of the United States - have failed to recover from prolonged periods of crisis which were either precipitated, or worsened, by a badly-managed response to an aircraft accident.

It is debatable whether the inadequate response to disasters like the bombing of Pan Am 103 over Lockerbie, Scotland or the explosion of the TWA 800 near New York - neither of which was the fault of the airline concerned - was a symptom or a cause of the decline of those once-great companies. But the true test of any organisation's quality, character and values is its response to adversity, and how that response is perceived by the wider community.

A recent academic study examined the financial consequences to companies involved in major crises, across a range of different industries (The Impact of Catastrophes on Shareholder Value, Knight/Pretty).

It found that 'the behaviour of the company in the months after the disaster is crucial in determining whether a company's reputation emerges in a good or bad light. Effective management of the consequences of catastrophes appears to be more significant than whether insurance hedges the economic impact.'

Generally speaking, the public accepts that accidents sometimes happen, despite the aviation industry's over-riding commitment to safe operations. What has become unacceptable is an inadequate or uncaring response, or one which is portrayed as such through the reporting of the news media.

In the United States, the apparently insensitive and disrespectful treatment of victims' families after a number of high-profile accidents ultimately led to the imposition of the Aviation Disaster Family Assistance Act by the US Congress in 1996. This legislation forced both domestic and foreign airlines operating to the US to develop detailed plans for meeting the needs of families after an accident.

More recently, the International Civil Aviation Organisation (ICAO), the industry's global regulatory body, issued an advisory to all member nations worldwide, setting out minimum standards for the care of victims' families.

Just as companies which are not prepared to manage the consequences of disaster may suffer irreparable damage to their reputation, those which activate a planned, humane and effective response may emerge with their reputation enhanced.

For example, the Scandinavian airline SAS lost a Boeing MD-87 in a runway collision at Milan's Linate Airport which caused the deaths of 118 people, but managed to demonstrate its commitment to assisting the families of the passengers and crew, regardless of the cause of the accident.

SAS had only recently finished an overhaul of its emergency response organisation, which included reviewing the membership and functions of the crisis management team; training its in-house family assistance volunteers; and defining the role of the corporate communications department. SAS also conducted a series of exercises which tested the response plan under realistic conditions - the last such exercise was held during the summer of 2001, just three months before the accident.

The airline's response to the Linate tragedy prompted the news media in both Scandinavia and Italy to praise the airline for its understanding and compassion towards the victims' families. Top Milanese daily Corriere della Serra said SAS had provided 'a lesson in efficiency of assistance, composure in speaking and responsible behaviour'. While the airline's management and the families will never forget the human loss suffered at Linate, the company itself emerged with its business and key relationships intact.

How many other companies could be confident of achieving the same in similar circumstances?

Reputation is a precious commodity. The global standing of industry leaders adds value to every aspect of their business and helps to define relationships with key stakeholders such as customers, employees, investors and business partners. Yet, how many companies are truly prepared to meet the challenge of defending their reputation when things go badly wrong?

Not many seem to understand the enormity of the challenges and requirements they will be expected to meet in the case of an accident or major incident - and how to integrate all the elements of the emergency plan into a seamless and effective process.

A reputation which has taken years to establish - and potentially many millions of dollars to advertise and refine - can rapidly suffer irreparable damage under the white-hot glare of global media attention.

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