

INSTITUTIONAL RESPONSE TO CRISIS

SPEAKER 1: Panel on Institutional Response to Crisis.

PICKUS: Good morning. I'm Noah Pickus. I'm the Director of the Kenan Institute for Ethics here at Duke, and let me provide a very brief framing for this panel, where it fits in, the questions we're going to ask, and how we're going to proceed.

Crises are no rare thing in human history and it seems as if of late we turn around everyday and there's another one that stares us in the face. You can make your own list, but whether it's Enron or the Catholic Church or plagiarism at The New York Times or Abu Ghraib and the military, the list goes on and on.

Sometimes these crises threaten the very existence of an institution, and sometimes they threaten its ethical core, it's very purpose for being, and sometimes they do both all at the same time.

What we want to do on this panel is ask two questions. The first question is how do and should institutions respond to crises? In other words, this is a focus on the dynamics of

crisis management in real time. And the second question we want to ask is in what ways have and can institutions respond to crises in ways to borrow from Judy and Ron's paper that become a springboard for changes within an institution, an industry, or a sector? In other words, a focus on long term change within an institution.

And so our purpose here this morning is to provide a broader framing, if you will, about the issues less specifically about the media or about the law, although they will certainly come into play, than about the notions of crisis and change with regard to institutions in particular, to understand better the limits and the opportunities for preparing for a crisis, crises, for responding to them, and especially for also attending to the consequences of crises over the long term.

One way to think about this is this panel is a link between the round table of yesterday and the panel Living Through Lacrosse that follows, both of which are more specific to the Duke case. This is meant to provide some ways of thinking about institutions and crises that we hope will make it more interesting for analyzing and understanding those kinds of discussions.

We want to talk about a range of institutions, and we want to draw on different perspectives. And broadly speaking, we have amongst our four panelists two different kinds of perspectives. That is we have in Richard Levick and Craig Masback both crisis managers who have dealt with crises either across many different institutions and many different circumstances in Richard's case, and Craig's in particular of dealing with it within one institution, his own. Let me introduce them and then go to the second set of speakers.

Richard Levick is President and CEO of Levick Strategic Communications. His agency won the Crisis Agency of the Year award in 2005, and they have represented more than half of the 100 largest law firms in the US and over a third of the 100 largest in the world. He has some experience dealing with these issues.

Craig Masback is CEO of USA Track and Field, the national governing body for track and field, long distance running, and race walking. He practiced law in Washington in communications and sports law. He's been a media commentator in sports for many years. And for those of us

who looked up to him when we were a little bit younger following behind, way behind, he is the 1980 US Indoor Mile champion, the former American record holder at 2,000 meters. In 1979 his time of 3.52.02 placed him as the sixth fastest miler in history at the time. He is a graduate of Princeton and of Yale Law School.

The second set of panelists that we have here come to us both with practical experience working within and advising organizations, but bring as well an academic and scholarly perspective for understanding crises in institutional change.

Judy Clair is an Associate Professor at the Boston College Carroll School of Management. She teaches organizational behavior, leadership, and the management of diversity. She's consulted with a wide range of organizations. She received her BA from UCLA and her PhD from USC.

Her partner in crime this morning is Ron Dufresne, who is an Assistant Professor of Management at the Haub School of Business at St. Joseph's University in Philadelphia. Ron works on individual team and organizational learning from high-stakes, critical incidents and also individual and

team morality in decision making. His PhD is from Boston College and he has a BS from West Point. He also served in military intelligence in the Army.

Our structure for today is simple. I want to ask Richard and then Craig to comment on this first question of how do and should institutions respond to crises and then ask Ron and Judy for any responses they might have. We will then flip and ask for comments from Judy and Ron on the broader question of long-term change and ask for any comments from Richard and Craig and then open it up.

So with that, we'll begin. Richard, you may stand or sit, however you'd like.

LEVICK: Well, thank you, Noah. When Noah first asked me to come here to Duke and speak about religion, I was a little bit confused, but he said that this is an academic institution and we're very open, so I thought I would begin we would do comparative religions if that's okay. I know when I talk to the litigators, a lot of them at this point they want to meditate, hold hands. Please feel free if that's what you'd like to do.

I would like to start by talking about comparative religion

starting with the Buddhist. And what is the first lesson the Buddhist teach us? Focus on the center of the mind of the person you're speaking to first. Seek to understand then to be understood. So tell me, why is it when we're in a crisis the first thing that we want to do is we want to explain. And what do we say in Washington? When you're explaining, you're losing, right? Just ask President Bush. Four and a half years ago he said watch, we're going to march into Iraq and we all said we'll follow you, because why? Emotionally we deferred to leadership. But now he has to explain every move. Right? So what happened? We do not trust him. The issue is is that if you have to explain, we're losing.

And the question that Noah asked is how do institutions respond? We do not respond. We prepare. Because if we respond, we are explaining.

There are very few institutions in the world -- tobacco, automobiles, guns, alcohol -- that are actually prepared for crises. The rest of us wait until the crisis occurs. Now, we have one of the greatest milers in the history of the world here with us today. I'm curious as to how many of you who would like to beat his time of 3.52 and change wait

until the starting gun when the mile runs rather than prepare ahead of time?

Let me do some word association here if I can. Okay. I have few other overarching points. Gene Krantz, what is the next most critical thing in a crisis? The ability to make go/no-go decisions. While we were preparing, one of the panelists said some of the audience is talking about how complicated this is. News flash. It's always complicated. You never have enough information. You have to make the decisions often in the middle of the night. We exist in 24 hour news cycles. You have to make it on their calendar. Tell me, how many of you showed up to your wedding a day late? Did it work? We have to exist and make decisions on their schedule. And that means in a crisis, which is nothing more than accelerated decision making in a fishbowl and the whole world is watching it, we have to be able to trust the team we're with and be able to make decisions instantly. So that is the critical point, trust.

It does not matter where I am in the world. Later in the week I'll be in Toronto then I'll be in Dubai, back in China. It doesn't matter where I am. Whoever has a problem, you can tell as soon as you walk into the room is there

trust or not. If there's not trust amongst your team, you lose. You lose. What happens? It gets deferred to the attorney and I'm a lawyer by training myself. When we say ABA Code of Professional Conduct 3.6 no comment. No comment, we lose.

Daimler Chrysler did a study. It said what happens at the beginning of a crisis? What happens in the beginning of a crisis? And they asked the following question, because Daimler Chrysler was always losing in the media on high-profile litigation. And they asked the following question: Is the company guilty or innocent? No other facts. Guilty or innocent? By a margin of nearly four to one what did America say? Guilty.

We are not starting off on equal footing. We are starting off far behind, so we have to prepare ahead of time in order to be able to win. Because what happens in the first 24 hours is dispositive. The Duke Lacrosse case is one of the most remarkable exceptions to that. What happens in the first 24 hours determines who wins and who loses.

As a former professor, I love to do pop quizzes, so I'm going to give one right now. So tell me what is the most

powerful country on earth? I always have to be careful when I ask this question. In Houston they want to say Texas. That is not (inaudible). I will give you a few hints. It is 201 square acres, has an army of 700, they all are equipped with ancient armaments. The Vatican, right? A billion followers. A billion followers. Welcome to my world. It is the world of perception. Perception trumps reality 100 percent of the time. And you are all spending two days talking about the facts, but facts will not carry the day when it comes to the media. I do not mean that as an insult to the media. I mean that as how we operate. We are all existing in a Shakespearean tragedy when it comes to crisis.

The Shakespearean tragedy. There are two roles in every Shakespearean tragedy, hero and antihero. Those are the only two roles available to you in a crisis, hero and antihero. Who do you want to be? Tell me. How many of you in the couple of minutes I have left tell me what they know about Lamar Owens. Tell me everything you know about Lamar Owens. Silence is deafening. Lamar Owens -- star African-American quarterback for the Naval Academy. Just before graduation is accused of rape by a white female who, upon further questioning, withdraws her accusations and said

"oops, I guess I actually was consenting. I was a little drunker than I thought."

What happens next? She gets to graduate. He is expelled and fined \$90,000 to repay his education, by the federal government no less. Almost identical facts to Duke, except reversed. What's missing? The villain. There was no villain. There was no Mike Nifong so overreaching that he became the villain.

What's phenomenal about the Duke story is how the story was tipped on its head. Right. The villains and the victims were changed. There is always going to be a villain in every crisis, or else it's not going to get media attention.

So we have to know our team, we have to trust them, we have to have a close relationship. How many of you or the companies you represent or the institutions you represent already know your crisis team now? You have to. Your lawyer, your outside PR, your in-house Counsel, if you're a publically traded IR, if it's government related, your government relations have to know each other now. Twice a year you have to be having lunch. You have to trust. If you

do not trust, if you do not have that relationship, you will not win.

And then in closing I'm going to ask you one last word association. Three names for you. Jessica McClure, Rush Limbaugh, and Matt Drudge. What do they have in common? Jessica McClure, the young girl who falls down the well, CNN, 23 years ago. Right. What happened at CNN? 24 hour coverage. Never before had we had around the clock coverage except for a presidential funeral. So what happens? 3.1 million people watch and a new industry is born, 24 hour news coverage. MSNBC, Fox, and all the rest. Oh, did I say fair and balanced? Who fills that space? You do. Not news. It's entertainment.

Two, Rush Limbaugh. Who is Rush Limbaugh? Rush Limbaugh had failed at everything he had done until what? Until the fairness doctrine had been revealed and we created talk radio. Understand what's happening here. When we repealed the fairness doctrine, news goes from being a public service to being what? Being entertainment. To being a profit center. And when it goes to being a profit center, we start to see the evisceration of the fourth estate. And as a result now everyone has a point of view.

And next, Matt Drudge. None of you would know who Monica Lewinski was if it weren't for Matt Drudge, the first high authority blogger. Blogs are not just new media. They are the talkies and newspapers and magazines are silent films. We are at the tipping point.

One of our matters: Guantanamo Bay. We've been representing our Arab allies since the beginning. Do you know why that case has changed so historically and so dramatically? What has been the glue that has kept it together? It has been the optimization of the web. Right. Because every reporter in the world is going to what? Going to the site we created for the Kuwaitis. Getting alternative information.

Previously the White House (inaudible). If you look at the spinach e-coli crisis, if you look at Walmart and Tom Coughlin, what do you see? Even the ten top sites when you plug in those key words are what? There's a plaintiff's bar looking for the next class action. We are now at time we had an Oklahoma land rush for new media and the plaintiff's bar has it all over the defense. With that, I'll return to the panel.

PICKUS: Thank you, Richard. Craig?

MASBACK:

Allow me to describe crisis or define crisis. Crisis is speaking after Richard Levick.

As someone who trained on the job to deal with crisis, I've been really pleased and thrilled to work with this group all of whom are experts in different ways and who bring a both professional and academic perspective to something that I've literally learned on the job. Now, I've written something that I hope was distributed that gives my anecdotal experiences, my anecdotal observations about the state of media and how media involves itself with crisis and then also the learnings that we've taken away and how we've dealt with them. And you'll see both in the presentation you just heard and in the more academic viewpoint that you'll hear in a moment that I learned on the job the things that these people have made a study and, in fact, a career of for better or worse.

What I want to do in my two chances to have remarks today that are structured are to talk about two specific situations that USA Track and Field faced. One where I will lay bear our absolute and utter incompetence and the huge price that we paid for that. We were unprepared, absolutely unprepared. Didn't have a team, didn't have a strategy,

didn't trust one another, and made every classic mistake that you can make. And then secondly describe, in fact, as a proof point how learning from that experience allowed us to deal with an even bigger crisis and had a transformational moment for our organization that brought it closer together. Made it not only more effective in dealing with crisis, but more effective as an organization as a whole; really a proof point for the academic presentation that you'll hear.

Scenario number one was at the 2000 Olympic Games in Sydney. 10,000 athletes, 10,000 journalists. Think about that for a second. And an incident that arose. I learned about it from a tabloid newspaper. The story next to the story that broke was about a boy biting a shark, if I'm not mistaken. And the story that broke was about one of my athletes, C.J. Hunter, who had allegedly tested positive three times for drugs in the month of August and had been caught doing so in these European competitions.

Well, in fact, that was true. It was a true story in the tabloid. What had occurred was he'd taken part in these European competitions. He'd been tested by the International Track and Field Authorities. They had done

what they were supposed to do, which was to notify us. We had done what we were supposed to do, which was notify the athlete and say you must offer an explanation to the international authorities. They will either accept your explanation for why you tested positive, in which case this matter will go away, or they will reject your explanation, they will announce publically that you tested positive three times, and they will instruct us to initiate a proceeding against you. Everybody did what they were supposed to do, except the last part. The International Organization never told us that they had rejected his explanation and never told us to proceed with any hearing or anything that would adjudicate his situation, and we arrived at the Olympic Games not knowing what the status of those three positive tests were.

Seems somewhat moot the week before the Olympics he dropped out. But suddenly in the midst of the Olympic Games just one day after C.J. Hunter, the individual's wife, won the 100 meters in the Olympic Games, Marion Jones, a name you might know, this broke in the newspapers and suddenly we were back on our heels, because the journalists of the world wanted to know why we, USA Track and Field, had covered up this matter.

Now, I've just given you the facts. We'd done everything we were supposed to do. We notified the athlete. We asked him to give an explanation to the international authorities. He had done so. We hadn't covered up anything. It was the International Organization that had failed to take the requisite action. But there we were in the midst of a firestorm; 10,000 athletes, 10,000 journalists.

And it had been an incredibly happy Olympic Games. Nothing had gone wrong. The stadiums were built, the weather was perfect, the transportation was great, the food was good, all the things that journalists care about. Oh, there was good competition. And they just loved this. This was manna from heaven. They were going to have something to do and something to write about.

So what did we do? Mistake number one, I agreed to go to a press conference. I didn't know the facts, right? Classic case I didn't know the facts. All I knew was that the international people had never notified us, but I agreed to go to a press conference. Everybody wanted to know what was the truth of this matter. Six hundred people and me sitting under very hot lights.

Mistake number two, our rules said USA Track and Field as matter of our policy and, in fact, related to federal law of the Amateur Sports Center we could not comment on an ongoing case, which is to say I couldn't even say whether there was a case. Why in the world did I go to a press conference about a matter that I couldn't comment on? I had to. The US Olympic Committee told me I had to.

So I walk into a room and I'm asked a very logical question, is there a case, does it exist? I couldn't say yes or no. But I had a strategy. My strategy was to say you know from the leak you wise journalists that this athlete allegedly tested positive three times in international competition. If it's an international competition, the international body is supposed to call it a positive test, announce it publically, and instruct us to deal with the case. Have they done that? Shouldn't that be enough to get people off my trail and go to the International Organization? No. The journalists didn't want to hear the logic of the situation or even the facts of how the system was supposed to work. They wanted somebody. They wanted somebody to take a fall for this. And I had conveniently offered myself up just for that purpose.

Now, it was a debacle, needless to say. I should also mention that there was another stream of discussion going on in Sydney. A leak had occurred saying that we, USA Track and Field, had originally the numbers wildly changed, but had failed to prosecute 43 athletes who had tested positive for drugs. This was a leak from a drug testing laboratory, which itself was under threat of being closed down because they weren't following international rules. There was no validity whatsoever to these charges, but you can imagine the charge on the one hand that we had failed to follow the proper procedures relating to 43 cases and this very high-profile case combined made for a lot of interest in this topic.

So here I was. I couldn't comment on the specifics of the case. I tried to guide them toward the logic of go to the International Organization. I said straight out that the 43 test issue was fanciful that there were no such 43 tests. And by the way, and here was my next huge mistake, we're the good guys. We test more than anybody else. We punish more than anybody else. We test for more things than anybody else. Why are you talking to me? What about Ethiopia and Kenya? And Russia, they don't test at all. Go

talk to them. And by the way New York Times reporter who is really bringing the hammer down on me what about Jason Blair? Pointing fingers is not a good strategy. Led to a firestorm and within a day or two I had agreed in conjunction with my counterparts at the US Olympic Committee that we would submit to an independent investigation by leading Americans who would look into every nook and cranny of how we had handled all of the situations about which people were so agitated and would issue an independent report.

Well, \$600,000 later the hardworking do-it-for-America-great-Americans who decided to look into our situation concluded that we hadn't covered up the C.J. Hunter case that it was the International Organization that had failed to do what it was supposed to do, and, in fact, it had covered it up, and that we hadn't done anything wrong with respect to the 43 cases. In fact, there weren't 43 cases. In fact, there weren't 13 cases that someone else had alleged. But we had followed our rules as we had always followed our rules and as we had understood them to be.

But there was one matter that there was a question about, and they felt duty bound as an independent investigatory

team to let the world know that maybe some more light should be shown on that one issue. That issue led to two and a half years of scrutiny and international arbitration, sports arbitration, that costs the various parties more than \$3 million, and in the end we were vindicated. But guess what? You can win on the facts and lose the case, which we did.

So more later on what we learned from all of this other than it's fun to standup and embarrass yourself in front of a lot of smart people. Thank you.

PICKUS: Thanks, Craig. So in the interest of the trying to have the interplay between the two sets of panelists, I want to ask Judy and Ron as you think about this from the institutional long-term perspective, any particular comments from what you've heard from Richard and Craig?

CLAIR: I had a few things that came to mind and as I was hearing both Richard's broad overview thoughts about crisis and crisis preparation, crisis response as well as Craig's thoughts about and discussion about what it looks like in the field that on the one hand we can think about the problem as a problem of crisis preparation, right, as a problem of an inability or a disinterest or a lack of understanding in preparation for crisis. And so I found

myself asking in my mind well, why don't institutions and why don't organizations do this. And this is a question that crisis scholars ask themselves all the time.

And so I came up with a few things just in reaction to what I heard them saying. One is the inability to imagine, right? One thing that makes a crisis a crisis is that it's an unprecedented, low probability, high impact event that few people could imagine occurring to their organization. When planes flew into the Twin Towers, no one to that day had imagined that airplanes would be used as a weapon, at least in the public domain.

Secondly that as humans in organizations we experience the psychological processes of threat and reactions to the potential for threat, and sometimes that gets in the way of being able to prepare for a crisis. My mentor of 20 years ago, Ian Mitroff, has made a career of talking about the kinds of rationalizations that organizations engage in to convince themselves that such preparation isn't necessary. So one example would be we're too big and bad to ever experience a big crisis like this.

Another thought would be we're good, right? So when you

hear people, and I thought this was really interesting in hearing Craig, when you hear organizations and institutions talking about themselves, of course we think of ourselves as fundamentally good. One archetype we didn't mention so far is the victim archetype. Usually when organizations find themselves in crisis they think about themselves as victimized in a variety of ways. And when I think about myself as the victim, what comes to mind is defensiveness, protectionism, and threat. And sometimes that gets in the way of preparing in the first place.

Just like I happen to hang out with lawyers periodically, because my husband is an attorney, and half of the lawyers we know don't have wills, which is just phenomenal to me. And one of them happens to be a divorce lawyer. And so to me that's says something about the inability to come together in the moment as a team, the inability to be able to deal with the potential threat that comes and to imagine the possibilities for responding. So that's all I'll say and I'll hand it over to Ron.

DUFRESNE: I would just add that, I mean, to further add how challenging effective crisis management and crisis leadership can be. So not only is it to have the sense of the ongoing narratives, the stories, the heroic versus the

un-heroic, the victim versus the accoster, and that there are also on top of that the layer of managing the balance of yes, to be strong, to know that you're right, but also understand that that's not enough, as well as to be vulnerable, to be weak. So Richard talks about the Buddhist mentality of knowing the other and there's also the sense of being able to partake in almost a jujitsu that I am strong and at the same time I need to be vulnerable and use that vulnerability to my own pre-designed ends.

So it is all about from a crisis management perspective it is about managing the tensions and managing the balances. And I would wholeheartedly second that when Richard talks about a crisis management team, there is no one individual that is able to do all of this by him or herself. And I would also add that it's not just the internal knowing your team within the organization, but also, and this is to foreshadow it, which Judy will talk about in a moment, to also frame the issue more broadly. So it's not just to understand what we in the organization will do, but also how do we in the organization relate to and interact with the community, with the myriad stakeholders that are also implicated in whatever incident it might be.

PICKUS: Thanks, Judy and Ron. And this nicely sets up the

transition to your own comments as we shift from the question of responses in the short term in real time and what they determine for the long term implications of how you respond to a crisis, whether your response in the short term hinders or advances the ability to think about questions that you may be vulnerable on or simply are opportunities for reflection, which is difficult to do when the white heat is being brought to bear in that way.

And so if we can segue to that second question and ask Judy for her remarks and then Ron about in what way have and can institutions respond to crises in ways that become springboards for fundamental transformations, presuming that that's what is understood is necessary, in the institution or the industry or the sector. Judy?

CLAIR: So I'd like to start out just saying how honored that both Ron and I are for being here, getting the opportunity to speak with you. I rarely find myself in a room full of lawyers, judges, and media. So this is actually a really interesting opportunity for me and hearing the conversations from the last day and a half have been intriguing not only in hearing the kinds of issues that journalists and attorneys and judges are interested in, but also the social psychologist in me is sparked in being able

to watch the different communities and the dynamics between, for example, the new media and the old media, or between the media and attorneys and judges. So this is a great opportunity.

So while the conference is situated in the Law School, Ron and I both bring a perspective as you've heard already that comes out of an area of research called crisis management, which in its own right is cross disciplinary. So the people who are involved in this research come out of sociology, psychology, political science, my field organization studies among others, and all of those individuals are interested in understanding the dynamics of crisis. And so much of that literature has studied some of -- some of the crises that would come to mind for you both crises that are linked to cases, legal cases, as well as those that are not, so the Challenger explosion, the Exxon Valdeese, Tylenol poisoning, the Chernobyl, more recently the events of 9/11, Enron, the Salvi shootings come to mind for me in the Boston area a number of years ago, anthrax which was mentioned earlier, and most recently the Virginia Tech shootings and University of Delaware, and so people in the field of crisis management usually focus on wanting to understand what causes these crises in the first place.

What are the dysfunctions and the complexities that are taking place within organizations and institutions and society that allow these to occur?

Recently some focus has started to turn away from why does it happen to how do we learn as a result of these events. And the recent conversation has been focused on what's called resilience. Resilience is this idea of bouncing back, getting back to normal after the crisis event. Once I experience something horrific or something traumatic, how can I get back to business?

Ron and I became interested in the issue of resilience, because I was looking into running across some literature that talked about resilience in trauma victims at the individual level. So people who've encountered trauma, whether the death of a loved one or a brush with disease, and this literature looked at the experience of individuals who not only bounced back after their experience with the potential for trauma in whatever form, but rather saw and experienced this horrible trauma as transformational where they looked back and they said yeah, I wish I didn't have cancer, but on the other hand the cancer transformed me to have a new outlook on life, to change my fundamental

practices. And so Ron and I started to ask ourselves the question is it possible that there are organizations that experience crisis as an opportunity, however tragic the event, for fundamental transformation.

And so we started doing research into this topic trying to find examples of what it looked like, trying to understand what are the potential positive consequences of crises, and then also what are the challenges of moving from the event itself to this possibility for transformation. So I'm going to just offer a few examples of the kinds of consequences that are a positive that provide the potential for change, and then Ron is going to try to complexify that and talk about it especially within the context of high-profile situations where the court of public opinion is certainly central to what's happening.

So the first thing I want to highlight in terms of the potential for change is that the experience of crisis heightens the tension to stay cold to relationships. It gives the opportunity for organizations to not only see recognized or underestimated stakeholders, individuals in groups that impact and are impacted by the organization, but it also may highlight the complexities within which the

environment the organization is situated in and the stakeholders it deals with on a regular basis.

So for example, for those of you who were sitting here yesterday and listening to the old and the new media talking to each other, many organizations have PR individuals who understand how to respond to the traditional media sources. But I was particularly intrigued by Marcy Wheeler and the other panelists' comments about the non-institutional press, the new media, and here were some terms that were thrown out that were new to me: Sock puppets, the blogosphere, pseudonymity was my favorite. And the idea that not only was 80 percent, I know you didn't like that statistic thrown out again, but the 80 percent of the blogosphere has the potential to be dreck as it was called, but also the fact that there are localized norms and languages within different parts of the blogosphere.

As an organization, my ability to understand those relationships and understand that, in fact, there is a new media that I'm dealing with is enhanced by my brush with crisis. And I can use that opportunity to identify and understand distal relationships with stakeholders and build those relationships, because the relationships need to be

built before the crisis, not while I'm trying to deal with it.

Secondly, a second consequence of crisis that has the potential to generate transformation is the opportunity for revisiting the organization's mission and values by demonstrating ways that the organization either fails to live up to its own aspirations or by providing motivation to recast itself in a new light.

A wonderful example of this is the Denny's Corporation. Some of you may be familiar in the 1990s with Denny's experience with being accused of systematically discriminating against non-white customers. It was required to make changes to the organization once it was found that, in fact, this was the case. But what's interesting about Denny's is that the organization chose to use this crisis as a springboard to actually become one of the top organizations in the country for diversity inclusion issues. And just a handful of years later Denny's was ranked as one of the top companies in the country for minority workers. So this is a really wonderful example of the opportunity to have deep introspection following a crisis.

Another one I'd like to mention is issue leadership. So in the aftermath of a crisis, organizations that have learned lessons from their experience also have the opportunity to share those lessons with others and in effect taking action to create broader change beyond the borders of the organization.

Yesterday I heard mentioned at the very outset of this conference that this conference could take place anywhere and that the experience with the lacrosse case simply provided a nice context within which we could have these conversations, and I actually would frame it slightly differently. That Duke is in a position because of its experience with the lacrosse case to actually take leadership around the issues whether they be issues of class, race, gender, or of media relation or other kinds of issues in part because it's now in the spotlight, it has a story to tell, and other people are interested in hearing about that.

Finally there are other ones on here, but I'm just going to skip to one last one, is the renovation of underlying organizational structures. So organizational structures are

any kinds of systems used by organizations to produce their products or services. And it could be anything from technology to the reporting relationships to the literal, physical structure of the buildings.

In crisis, particularly crises that involve physical damage, organizational structures can actually be destroyed. In the case of 9/11 organizations literally had to build from the ground up. And while that was tragic, and I don't want to underemphasize that fact, it gave the opportunity for those organizations to actually make fundamental changes to the structuring of their organizations in a way that might help them perform more effectively in the future.

In many crises, such as the lacrosse Duke situation, physical structures aren't destroyed, but rather the crisis provides a strong urge and a motivation to address the limits of the structure as a way of improving the organization for the future. So, for example, in many academic institutions, and not just Duke, there are silos that exists between academics and athletes, between the disciplines and academics, between administrators and everybody else, and in the lacrosse situation at Duke there

is a fundamental opportunity to start to build bridges, because there's a motivation and an interest to do that.

With that said, I did have some other points, but I'll bring them out later if there's time. I'm going to turn over to Ron who is going to try to complexify what I'm saying right now by talking about some of the challenges and difficulties involved in actually making this happen.

DUFRESNE:

The outcomes that we've identified, these six positive outcomes that we call hyper-resilience, so it's not just a matter of resilience in that we're bouncing back to -- so it's come from material science, initially, this idea of resilience, bouncing back to the form that it was before, but going beyond. So these outcomes sound great. Why is it so hard? Why do we spend years going through the literature, going through the business press, looking for examples where even one organization has one of these outcomes? It's incredibly challenging, and why is that? One of the reasons is this pursuit of hyper-resilience is also about managing tensions.

So there is a tension that every organization in crisis faces of getting back to work, getting on with it. And at the same time understanding that the only way to learn to

transform yourself is also to dig deeper. So how do we at the same time get on with what it is that we do as an organization to be a university, to be a track and field organization, but also spend that time and effort to look deeper as well?

There is also the tension between being confident and strong as a leader and also being vulnerable and open. So I loved Craig's impulse at Sydney to go to the press. I am a strong leader. Let me just go and handle this. And even at that there's also the competing idea that the only way that I'm going to learn is to be vulnerable, so perhaps it does take some time. It takes some time to reflect on that occasion. At the same time in the moment it's a very strong tension.

So normally the fact of getting on with your work after the crisis, well, how about doing your daily work for a crisis that we can't even imagine where the tension is that unimaginable crisis that we can't even envision what it's going to be we should be preparing for. We should have broad scripts that we can develop. So the tension to do what we do and at the same time prepare for something that we can't even imagine.

And another of these tensions is so we have this impulse to engage with our stakeholders, and we are saying that it's preferable to engage with all stakeholders. So everyone who is affected by or can affect the focal organization, but then the tension is does that mean all stakeholders? And what about the 80 percent that is dreck out there? How was it that we determine who is a valid stakeholder and who isn't? So a very deep tension.

And then if that's not enough, on top of that there are some really foundational human issues that make tension management in general very difficult, so this idea of threat rigidity that our predisposed posture is defensiveness and closing down creativity when facing a challenge, it's fight or flight, that on top of this idea of closing down is also the idea of engaging in behavioral footprints. So what are the routines that we tend to do, whether that is at the interpersonal level, at the team level? What does the top management team tend to do even in the routine cases? Chances are they'll do just that in the extraordinary cases, because that's what they know how to do. That is their behavioral footprint.

On top of time, of course, there's also the issue of how we make sense of the world, so the idea that we are predisposed to have external attributions for bad stuff, so it's not us who in some way contributed to this problem, it's them. Whoever the them might be. A very deep, human, psychological issue.

And on top of this as well is the question fundamentally what is the crisis? So even looking at the Duke case as an example, is the crisis about race, class, gender, athletes, students, town gown? Is the crisis about justice? Or, and this is a perspective that I gained from listening to everyone yesterday, is the real crisis actually a crisis of the media? Of how it is that the media pursues cases or not? So the answer is yes. The answer is it's all the crisis. But what is an organization to do? It's incredibly challenging.

So one of the ways to breakthrough the routine, to change your behavioral footprint, is through mindfulness. And there is a lot of research that talks about the deep introspection. And this is, again, a practice that needs to be done day to day. So a lot of research, for example, says that people that have really poor health that is so poor,

in fact, that they have heart attacks, what is the average heart attack victim do to transform their life post-heart attack? Even though their life is threatened, the average person does the same that they did before and that is to eat a lot of bad food, not exercise, smoke. So the way to leverage this crisis in the personal health case is to be mindful, to be introspective. And, again, it's something that tends not to be rewarded in organizations. We don't have mindfulness classes in college really. So there is no ready, off-the-shelf way to develop this, but that's exactly what's required is to develop this sense of mindfulness to be able to leverage the bad into the hyper-resilient.

PICKUS: Ron, thank you. Before I send it to Richard and Craig, the story that Ron just told with under conditions of threat rigidity, of predispositions for external attributional problems, with all those tensions that Judy and that Ron identified, and that central issue that Ron mentioned when there isn't agreement about whether we're in a crisis or even deeper what the crisis is, Ron mentioned a number of alternatives we could proliferate them. I think that's certainly something that we've seen in our experience here at Duke. Where you sit, where you start from ends up having the conclusions for where you end up as what you think

matters to be attended to. So how do you -- given those tensions, if the crisis is not yet clear, the nature of it, if there's disagreement, what do you do?

So I invite you to comment on that if you want, because it seems so on point and also to offer just general reflections.

LEVICK: First of all there's always disagreement. There's always disagreement, and when people say well, it's complex or there's disagreement or we didn't know the facts, I keep coming back to so what. That's why you need to know your team ahead of time.

The FDA does not release bad news until when? Until Friday afternoon. Why? Because the defendant can't respond. It's deliberate, so you have to be anticipating.

Ron, you asked the question about the difference between the dregs and the not dregs, the 20 percent and the 80/20 percent, how do you know their different? The high authority blogs who is being linked to. Is it Drudge? Is it The Washington Post? Is it The New York Times? They're going to be listened to. Is it Momma's blog and no one links to then you don't have to pay attention to it. But

you know that 56 percent of all journalists are getting their story ideas from blogs, 86 percent of all journalists are getting story ideas from the web, so you, at the very least, need to be tracking it.

Now, Noah, you asked the question about how do you deal with situations where you're getting lots of different information. I think even though it's not a corporate example at the end of the day it really is. I think that the Michael Vick example of one of great windows on how decisions are made or not made in crises.

If you recall four months ago Michael Vick said he pretended to run to the light. When the facts come out, I will be shown to be innocent. Now, he ended up changing his tune and he now has obviously federal charges, state charges now, potential drug violation charges. He's got to deal with the NFL, the Atlanta Falcons, the list of charges and allegations will continue to go on. That's what happens when you are not able to make decisions. It gets worse.

At first everyone circles the wagons around you. The sponsors said initially we want to be with you. The Atlanta Falcons, his teammates, the NFL PA, but watch what happens

when you're unable to make decision. So we think that we have to get it right. We have to be perfect. We have to know the answer. It's not about knowing the answer. It's about action. It's the ability to take action.

When the White Starlines had a little ship they were going to send off called the Titanic, who did they pick but Captain Smith? Why did they pick Captain Smith? They picked Captain Smith, because he was so brilliant, his leadership was so remarkable he had never not only been in an accident, he'd never been in a near accident. So what happened during those first critical hours after they hit an iceberg? Nothing. Nothing. Let's get all the facts. Okay. Let's rearrange the deck chairs. Great idea.

That is so critical as to why you need your crisis team in place, you need to have the DNA, you need leadership that has the ability to make a decision without all of the facts.

Forty-nine percent of all companies, all Fortune 500 companies, will face a bet the company litigation crisis or regulatory matter in the next three years according to Price-Waterhouse-Coopers, because that's exactly the number

that's happened in the last three years. But as Judy has said already how many of them are prepared? How many of them are going to have the ability to make instant decisions?

And to finalize the loop, in Michael Vicks' case it wasn't an absence of advisors. He had two agents. He had a criminal lawyer that had helped him and his brother who wasn't going to make the decisions. He has his mother involved. He had all the kids from high school who had grown up with him all telling him what to do and what not to do. So it wasn't an absence of people helping you with information. It was far too many. And the reason why it's such a perfect window is because you have the in-house counsel, you've got the outside counsel. Wait. How many outside counsel do most corporations have? Dozens, sometimes hundreds. In-house PR, you've got outside PR, you've got so many people and they're all telling you to do the exact opposite thing, and so what do we do? Nothing.

PICKUS: Craig?

MASBACK: I want to continue my story, but in a way that resonates with both what Richard said and particularly the work of Ron and Judy. And that's to say that Sydney was a transformational experience for our organization. We were

shamed from top to bottom whether we deserved it or not. White-hot attention from these 10,000 journalists and those that continued to follow the story.

But we did take action. We outsourced entirely everything to do with drug testing to independent agencies, so we no longer tested the athletes nor adjudicated their cases. We as an organization had a sense of shared responsibility to try to educate our athletes and our coaches so that this type of thing would not happen again. We had a plan for crisis going forward. And we began to cultivate some positive relationships with journalists so the next time they would trust us to pass along information that could be trusted.

But having done all of that, we were suddenly thrown into a much bigger crisis and one that was real. The BALCO drug scandal. Small lab in California that had created a drug, a non-detectable steroid. Something that we couldn't test for, no drug testing authority could catch. And thankfully a track coach had helped them crack the code on this and they had caught many athletes, but among them five track and field athletes.

And so now we approach this new and frankly much greater crisis with a whole different approach. First of all we had a plan in place, so we were able to take a deep breath and think about what the implications of this were. We were able to gather our Board of Directors talk about what the plan should be for approaching this before we ever had the press conference this time.

Then we had the press conference, but we did it on our terms. It was a telephone press conference. We started it, we ended it, we controlled the message, at least at the outset, and we had 100-plus writers from around the world who called in, which for us was a big number.

Thankfully for us the prosecutors had overplayed their hand. Interestingly the people doing the drug testing and adjudicating the cases were now bound by the same rules of confidentiality that we used to be bound by, so they could say that there were cases, but they couldn't give the details. But we weren't bound by confidentiality anymore, so when -- they overplayed their hand by saying that this was the biggest scandal in the history of sports, which in some ways was true, but they created an impression that there were literally hundreds of athletes caught up in the

snare of this BALCO incident, hundreds of track athletes, in fact. So when we had our call and someone said "hey, can you tell us about the scope of this, what really happened?" Well, first of all we surprised them by saying yes, because in the past we always had to say no, we're not allowed to comment, etc., etc. And we said, Five athletes are involved. Three of them didn't even make it to the recent world championships, which sent the signal that they weren't very good, and only one of them made a final at the world championships. And therefore, we sent a broader signal that this was not star athletes. It was a serious issue, but not star athletes.

We provided the facts when no one else would. And you literally -- a hush came over the journalists. They were so surprised. They'd been sold a bill of goods that this was the biggest scandal ever, which I would still say it is, but their expectations of what it meant for us were suddenly changed.

Next we did one of the most important things, which was we said this is an important issue even if it's only five. It's a very important issue for us and guess what. It's our fault. Because you know what? We have under federal law a

responsibility from cradle to grave for the sport of track and field in the United States, and if athletes and coaches make bad decisions that's our fault. And even if it's only one person, we have a problem with drugs and we're going to treat this issue extraordinarily seriously. We've already been doing the best we can, but whatever we're doing it's not enough.

And we announced immediate and bold action which was we were going to implement the most far-reaching series of tests, the most punitive of actions against people that tested positive, and the biggest educational plan ever in the history of drug testing, what we called our Zero Tolerance Plan highlighted by two facts. One, if you tested positive in our sport, you were going to be out of our sport forever. Not for four games like the NFL. Not for four hours like that major league baseball. You're going to be out forever. And it was going to draw a stark contrast to everybody else.

And at the same time we were going to send our athletes who we thought were the best exemplars of role models of any athletes we're going to send them to schools and talk about living life with integrity, because we believed in what we

were going to do.

We promised and delivered consistent updates, and we lauded the efforts of the independent authorities to catch people. It wasn't us against them. It was us lauding them.

And finally, remember that finger pointing that we did in the past that was so wrong? We had a new way to do that that we felt turned the tables on how people viewed that. We didn't point fingers at anybody else, but we invited them to join us. Come on NFL, come on major league baseball, come along with us. This is not a track and field problem. This is an American problem. We need the biggest sports to help us figure out how to send the right messages to young people so that they don't cheat.

Well, within two years of doing that, and it didn't happen overnight, The New York Times ran an editorial that called us the gold standard of drug testing. And The Wall Street Journal ran an opinion piece that more or less said the same thing and how many times do those two papers agree on anything.

Now, this is still an area of vulnerability for us, because

fundamentally it's individual athletes and coaches making decisions that we can't control. Every domain of human existence people cheat. So inevitably someone is going to decide to cheat. They're going to think the stakes are just so high that they have to. But as proof point to Judy and Ron's work, this first but mostly second experience completely galvanized our organization and brought a very disparate and diverse organization together around this issue, because we risked losing everything if we didn't come together around this issue. It made us think exactly as they say what matters most for us. And it was the integrity of this endeavor.

If you can't trust that the person who gets to the finish line first has done it in an honest and straightforward way, why have any interest in our sport? So we had to get this right, and everybody got that.

We saw how any division on this issue, any voices that were contrary to the central theme, could destroy us absolutely if there was any mixed message. And we saw a chance, which was realized to turn what was a negative for us into a positive. The New York Times had never said we were the gold standard of anything before, and now they're saying

that about us. That we could use this issue to change how we did everything, because the success we had in putting together this Zero Tolerance Plan could be transferred to how we organized our youth programs or how we treated our athletes when we took them to the Olympic Games. And we've been able to do that.

And most importantly, we're a volunteer based organization. We have 40 employees and 100,000 members, and 40 million participants in our sport, so most of what goes in our sport, we have nothing whatsoever to do with and we can only do what we do if people are positive and motivated towards our sport. And this issue, the biggest possible negative we could ever face, literally one that could've put our sport out of business altogether, was something that allowed us to let people feel better about their involvement, whether they're putting on a road race on a Saturday morning or coaching a group of kids or being a college coach or working with one of our Olympic athletes. So we took what was the biggest challenge that we ever had and made it into something that was in the end positive.

PICKUS: You've got to like the narrative arc that we've had here, and I want to thank the panelists for the precision of their comments and the interplay that's already here. We've

got about ten minutes to open up for comments and questions and back and forth amongst the panelists. Yes.

AUDIENCE: I'm struggling (inaudible) want to think of as two different kinds of crises (inaudible). (Inaudible) I'm thinking two very different enterprises (inaudible). One is what we consider an external threat even though the perpetrator was a student, and that was two murders in one academic year. The decision being made early on the first semester get rid of the suspect from campus turned out not to be the perfect (inaudible) when we found out we had a second murder (inaudible). I'd like to (inaudible) of that as an external threat even though the perpetrator was a student versus the kind of crisis that seems more (inaudible) self-inflicted. The more recent fiasco around the selection of (inaudible) the selection of the next president ostensibly I feel awkward about all of this (inaudible) person who was selected (inaudible) were all friends of mine wasn't perceived as deaf enough. Even though she was deaf, she (inaudible) etc. And while I think that's (inaudible) self-inflicted wound. How do you prepare the self-inflicted crisis (inaudible)?

PICKUS: I've been asked to repeat the comments for the webcast I believe. So the question is if there are external threats, there's one set of responses, but how do you respond to

internal or self-inflicted threats in the example given of the selection and non-selection of the President at Gallaudet University? Comments from the panel?

LEVICK:

I'm not sure that I always distinguish between self-inflicted and outside inflicted, not because they're not important, but because they're always so many variables of factors. And I think that one of the first things we'd want to do whenever we face crisis are what are the facts.

If we look at self-inflicted situations though, whether it's Gallaudet or it's Vincent and Elkins and the Anderson crisis, the law firm that was handling the larger part of Anderson prior to Enron that what you saw there was running to the light. And I think that's a very smart strategy, even when it comes from an outside agent. And that is you run to the light first. You had Harry Reasoner at V&E saying open kimono he can cut a deal both with The New York Times and with Mary Flood of The Houston Chronicle I'm coming to you as papers of record and I'm giving you information. Here's our situation warts and all. You will find as a result reporters tend to be far more fair with you when you have that open kimono approach.

I think to me the dispositive issue is what is the symbol?

Whether it's self-inflicted or inflicted by somebody else, the question is what is the symbol? Back at Gallaudet when I. King Jordan became the first president, deaf president, of the university, he was symbolic and I think became an icon for everyone throughout the United States to stand behind. I think in the latest situation with the president of is she deaf enough I think it shouted divisiveness within the deaf community that became much harder to be sympathetic for, and as a result did not carry as much weight.

Understand that when we talk about symbols, understand how important they are. One, when did President Bush lose his credibility? It wasn't the Iraq war. It was Katrina, right? Because he had made a brand promise. You are safer with me than you are with John Kerry. So Katrina comes along and we're all scratching our heads wondering it's taking -- you're doing a hell of a job Brownie four days just to get into New Orleans, but CNN has been there since day one. How is that possible? Right? The federal government can't get there, but the television can. It's a moment of truth. So from the symbolism point of view you had a breach of promise.

If you look at spinach, we didn't solve the spinach crisis, and by the way spinach sales are at an all time high now, so Popeye is back. But it was that one farm in Salinas, California was sacrificed. It was the rule of sacrifice.

In the pet food recall, it wasn't solving the pet food crisis, it was the symbol of finding melamine in pet food, and so we all thought crisis solved. We moved onto something else.

With toys from China, it's not solved, but what do we think? We've got inspectors over there. The symbol of inspectors, and so we've started to move towards that.

So I want to emphasize whether it's self-inflicted or not, the question is what are the subjective facts? What is our audience thinking? What is the most powerful symbol and how do we wrap ourself around that symbol as quickly as possible? Either run to it or create an alternative one.

PICKUS: Other questions? Yeah, right here.

AUDIENCE: Well, from the practicing attorney's perspective, and I guess this is for Richard Levick or the entire panel (inaudible). How is it that an attorney can help its client weigh in in the court of public opinion within the ethical,

legal rules that don't allow pretrial publicity? And this obviously came up in the Duke Lacrosse case. Mr. Levick, can you comment on that?

LEVICK: When people call me Mr. Levick, I always turn around looking for my father. I'm seeing myself as that very immature adult. And I'm sure after hearing me speak you all feel the same way.

But I think the critical issue I would suggest is I think most lawyers get privilege backwards in high stakes matters. That is they bring in the crisis communications firm in so late in the game. Not only does that handcuff what the communications firm can do, but it also exposes the client to a piercing of the privilege. That is although there's no federal rule, certainly the federal courts are starting to come to a consensus on how privilege is protected. And all the obvious things being hired by the law firm marketing is confidential. But the critical rule is one, not using your in-house PR people or your outside PR people, but using a true crisis communication shop to draw a firm line. And there area a number of great crisis communications firms out there.

But next is that bring them in early. You should have as

soon as you are dealing with a matter that you think this may go public, you need to bring your crisis communications firm in at that point. Steve Haddler at Daimler Chrysler says, "We will not hire a law firm unless they understand communications. Our brand is too important." You're worried about privilege, you're worried about the instant case. So the client has what, 2 million, 5 million, \$10 million exposure in the courtroom, but in the marketplace they have a half of a billion. So I will tell you the in-house counsel is looking at the big picture and the outside lawyer is looking at the smaller picture.

What you want to do, and this is why you want trust with your outside communications experts, is you want to bring them in early. You want to have that relationship and you want to say here is our legal strategy. If you have a problem with that from a communication's point of view you make your case now. You let me know. But at least have that dialogue and have that conversation. And what that also does is it means that the term legal advice, that you're having a legal advice conversation with outside PR counsel is going to mean the privilege is far more likely to be protected.

DUFRESNE: I think critically too is lawyers are trained to look at a

set of facts and make decisions and create a strategy based on that on behalf of their clients. But as I said, and it does in many ways echo what Richard has to say, you need the outside experts, because if you try to lawyer a situation which is a highly public, highly contentious matter of this sort, especially when the media is involved, you almost definitely will lose. Because, again, as I said, you can win on the facts and lose the court of public opinion case quite easily.

LEVICK: Just in closing I would say one of our Arab clients I thought put it beautifully when he said lawyers should be on the bus, they should not be driving the bus.

PICKUS: I think we have one last question that I see. Yes.

AUDIENCE: I have a question about some of the lessons learned from what Mr. Masback was saying. You said that it was your first and foremost mistake was going out there and speaking at a press conference. I'm not entirely sure -- (inaudible) had the (inaudible) experience been the same if you had not gone out there and been butchered by the press?

PICKUS: So the question for Craig is would he have been able to have transformational change if he had not first been butchered by the press?

MASBACK: I might have had different transformational change. Or at a different timetable.

I think that the mistake there was literally I went from, I may be exaggerating slightly, but I'm not sure, learning at midday about the crisis to speaking before 600 people at 4:00 in the afternoon. And so even if there had been facts that were readily available in that time period, I was in Sydney. I had no office, substantially no staff, no access to anything, no ability to do anything. If I had wanted to put out a press release in advance of making these statements or even in conjunction with making these statements to the press, I didn't have the ability to do that. So everything about the circumstances said if we'd been able to have more time to think about it, to know about it, to line some things up, it would've been a better overall experience, not that my experience mattered, but it would've had a better outcome.

And frankly, it was even terribly frustrating for the journalists. All they wanted to do was know what was going on, and they had the international organization, which was in a position to know saying nothing, and me who didn't know anything not allowed to say anything. So how frustrating was it for them? And I think it only exacerbated the situation.

PICKUS: Kathy?

BRADLEY: Thank you very much. Let's have a round of applause for them. We'll take a break. I think there's lunch available. It's a box lunch again and then we'll come back in here and resume at 12:00.