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IN CASE OF EMERGENCY

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In the early nineteen-eighties, American businesses discovered that they could manage crises, rather than merely stumble through them. The gold standard was Johnson & Johnson, whose deft maneuvering, after seven people died from ingesting cyanide-laced Extra Strength Tylenol, helped create a new and lucrative subset of public relations known as crisis management, which was poised, as *Time* put it in 1986, to become "the new corporate discipline."

Practice—and lately there's been plenty of it—has not made perfect. Companies may now have packs of super-flacks on hand, but in the glare of bad publicity they can still appear as helpless as possums in the road. In the past few years, stalwarts like Firestone, CBS News, Tyco, and Marsh & McLennan have seen their reputations demolished, mainly because they did such a lousy job of dealing with bad news. Most recently, Wendy's took a month to discredit a woman who claimed that she'd found a human finger in her chili. (She's since been arrested for putting it there.) The delay cost millions of dollars in sales and did incalculable harm to the brand.

The term "crisis management" may seem like little more than a euphemism for "snow job," but there is an art to it. Spin alone won't do the trick. Without going overboard, the offending company needs to acknowledge that it has a problem, demonstrate that it has control over that problem, and then make a real attempt to fix it. This holds true whether or not the company is at fault. Johnson & Johnson defused the Tylenol crisis in large part because it recalled every Tylenol capsule in America, and then quickly introduced tamper-proof bottles. In the end, the company was seen as the victim. By contrast, when news broke, in 2000, that more than a hundred people had died in accidents involving defective Firestone tires, Firestone initially reacted by blaming drivers (for underinflating their tires) and Ford (whose S.U.V.s were involved in most of the accidents). Dispirited by this strategy, Firestone's P.R. firm quit. Eventually, Firestone recalled 6.5 million tires, but it was too late. Sales plummeted, and claims mounted into the hundreds of millions.

Many companies have basic assumptions about public relations that can hurt them during a crisis. They tend, as people do, to stonewall and deny. But, as Ian Mitroff, a crisis-management specialist at U.S.C., has said, "There are no secrets in today's world." And if the truth is on your side you have to insure that it emerges quickly. In 1993, when syringes ended up in Pepsi soda cans, allegedly as a result of a flawed canning process, the company, within a few days, produced videos of its entire canning process and denounced its accusers as frauds. Wendy's, on the other hand, wasted a month investigating its entire supply chain, made little of the fact that the accuser had a long history of suing companies on dubious grounds, and, bizarrely, spent more than a week figuring out if the finger had been cooked. In the meantime, parents took the kids to Roy Rogers.

It's easy to make intelligent decisions after the fact. The real challenge is making them in moments of anxiety and panic, so, while crisis-management gurus don't always agree on what the strategy should be, they do agree that everyone should at least have one, before crisis hits. Their clients tend not to listen. Mitroff estimates that less than a fifth of big corporations have formal crisis-management plans. The crisis plans that do exist vary in detail and scope—Dow Chemical had one that included the names of the people who would be responsible for running the copy machines—but, basically, they suggest vulnerabilities (and potential remedies), identify a crisis-management team, and lay out a general script.

Even a simple plan is valuable; though crises are, by definition, rare, they should not be unthinkable. A study released last week by the Institute for Crisis Management found that just a quarter of business crises come out of the blue. Most are "smoldering" rather than sudden, and are the result of mistakes that management has made. Signs of trouble exist but are ignored or overlooked. Many of the most famous crises are examples of what the sociologist Charles Perrow has called "normal accidents." As technologies and organizations get more complicated, Perrow argued, they are more likely to break down, even in the absence of malice or intentional neglect. Firestone, the Challenger explosion, Intel's flawed Pentium chip: you could argue that these were all, in one way or another, normal accidents.

Why are companies so often caught unaware? It turns out that the events that create crises are usually those which most people have trouble taking seriously—that is, events with a low probability but a high cost. We tend to treat low-probability events as if they were impossible. Instead of preparing for them, we ignore them. In the phrase of the sociologist Neil Weinstein, we are "unrealistic optimists." This tendency is exacerbated when we think we're in control; we worry less about the dangers of driving than about those of flying because we think we determine what happens to us on the road.

Of course, unrealistic optimism, insofar as it's a byproduct of self-assurance, assertiveness, and conviction, may be a handy trait for those seeking success in business. It will come as a surprise to no one that in most surveys executives are found to be consistently optimistic and overconfident. Entrepreneurs are the cockiest of all. It may be that the very qualities that help people get ahead are the ones that make them ill-suited for managing crises. It's hard to prepare for the worst when you think you're the best.