

Managing the message: the essentials of a winning bankruptcy communications strategy

Richard S Levick, president
and chief executive officer
Michael W Robinson, senior
vice president
Larry Smith, senior
vice president
**Levick Strategic
Communications**

In December 2002 United Airlines was losing between \$20 million and \$22 million a day. Increased spending and expanded operating costs had financially crippled the nation's second-largest carrier, which employed more than 83,000 people worldwide, managed 1,800 flights daily and accounted for 19 per cent of all US air travel.

When the federal government refused to provide the struggling company with a \$1.8 billion loan guarantee, United had no choice but to file for Chapter 11 bankruptcy protection in the federal courts in an attempt to keep the airline flying in the face of nervous investors, hostile employees, interested regulators, sceptical analysts, anxious customers and litigious creditors.

On the same day that United filed for Chapter 11, Chief Executive Officer Glenn Tilton flew to Chicago O'Hare International Airport to explain the company's decision – including its ramifications and its benefits for diverse stakeholders – to customers and employees face to face rather than through a press release or recorded interview. Several United executives made similar trips to Denver, San Francisco, Washington, DC and other US cities to reassure the public that the airline was still a viable concern.

In a prepared statement, United said that its operating schedule would not be altered, the frequent flyer programme would continue and that United Airlines would “continue to provide customers with the same experience and level of service they have come to expect”.

The following day, United took out full-page advertisements in major newspapers around the country. The headline included the words ‘Chapter 11’ but with the second numeral scratched out. The message from the outset was clear: it was not ultimately Chapter 11. Instead, it was Chapter One, a new beginning to a saga from which the embattled airline would emerge more efficient, more productive and more profitable.

United did indeed emerge from bankruptcy in February 2006 with a stronger financial foothold in the marketplace than before. There were several significant public relations hurdles along the way, including:

- forcing employees to accept major pay and benefit concessions;
- dumping billions of dollars in pension obligations on the federal government; and
- negotiating a \$115 million stock compensation package for senior management if the company successfully came out of Chapter 11.

However, United Airlines nonetheless succeeded in laying the foundations for a comeback. The airline proved – as other companies have proved in the past – that bankruptcy and insolvency are not necessarily death sentences if they are publicly seized upon as opportunities to talk about the future and create an image that employees, investors, analysts, hedge fund managers and consumers can ultimately rally around.

The credit for most bankruptcy turnarounds is often given to renegotiated labour contracts, mass redundancies, the restructuring of

vendor relationships and creditor payments and other operational initiatives. Yet the role of both internal and external communications campaigns in blazing a new trail into and out of bankruptcy cannot be overstated. The effects of bankruptcy are directly related to perceptions based on predictions, forecasts and faith. In turn, managing perceptions relies almost entirely on timely strategies to control the story from start to finish and to exert a positive impact on every audience involved.

United's initial response was effective for a number of reasons. First, the company announced the bad news early and often. Such an approach may at first glance seem counterintuitive and frightening, but it is a critical strategy that subsequently defines how the story is told. If articulated shrewdly, bad news has a way of becoming old news quickly in a 24-hour news cycle.

An open and honest acknowledgment of adversity also reversed the predictable news trend. The 'hot' story was United's impending recovery rather than its imminent liquidation. The media will cheer on a comeback if that comeback has real news allure – and adversaries then have a much harder time swimming against the tide of public opinion.

In addition, by travelling to major cities throughout the country to speak with employees and customers face to face, United executives made people who are often forgotten during bankruptcy proceedings feel appreciated, as if they were or could become key players in reversing the airline's fortunes. It is not always easy to do, but when executives engage in such grassroots communication – both internally and externally – they put a comforting and credible human face on what might otherwise have been interpreted as an inexorable and crushing process. Cameras in tow, the assembled reporters took notice.

Finally, United crafted and subsequently reaffirmed a disciplined and creative message that underscored the key 'new beginning' theme. The headline that turned Chapter 11 into Chapter One was effective for its brevity, clarity and eloquence. All official communications stuck to the same key message, ensuring that the company always spoke with one voice and a singular sense of purpose. Negative and positive messages alternated as necessary – for example, the survival of the frequent flyer programme significantly muted the impact of the disquieting central event, the Chapter 11 bankruptcy itself.

However, as is often seen with large corporations after such extraordinary starts, the initial zeal flagged. (For a broader view of the

United campaign, see "Stop the Presses: The Crisis and Litigation PR Desk Reference" by Richard S Levick and Larry Smith, available in its second edition at www.levick.com.) That said, United's early response did create a permanent recovery mindset and established a framework for moving forward. By depicting the bankruptcy as a springboard to bigger and better things, United gave force to a self-fulfilling prophecy. Had United stuck with a more passive communications playbook, the road to recovery would have been much rougher, if not altogether impassable.

United's strategic thinking summarised here only scratches the surface of a successful bankruptcy or insolvency communications campaign. Bankruptcy, with so much at stake in terms of both money and human welfare, is no exception. In such sagas, the main characters vie for the hero's role and, to the extent that there are identifiable adversaries, seek to cast those adversaries as villains. In these epic struggles, losing is simply not an option.

Winning ways

From the outset, the professionals who oversee communications campaigns during bankruptcy are fighting an uphill battle.

First, they have to define an angle of interest to the media when the proceedings themselves are dominated by procedural details. Second, to build a compelling narrative, they have to identify good guys and bad guys, when often the only players involved are just broke guys.

Third, they have to overcome the fact that, by definition, bankruptcy proceedings include bad news – which the media loves. Headlines such as "Plane Lands Safely" just do not sell newspapers. Fourth, they have to evoke sympathy from a public that has little to offer corporate decision makers in the post-Enron world. Finally, they must effectively deflect adversaries' attempts to derail their message at every turn.

In light of such challenges, winning is not easy. It requires pre-crisis vigilance, a way to navigate the eye of the storm and effective follow-up once the crisis has abated. In other words: win forward, win and win back.

Winning forward – before the crisis

Companies make no plans for bankruptcy until they need to do so. It is ludicrous to suggest that they should. However, the steps that companies

can take to prepare ahead of time for other kinds of crisis – from product recalls to financial restatements – bear significant similarities to what companies need during work-outs. As such, the prophylaxis advisable for one is equally adaptable to the other.

Put simply, it is all about maximising brand equity before the company needs it and having resources in place that can be deployed for all crises, including bankruptcy. The following issues need to be considered.

- Branding is a continuous process that pays long-term benefits in terms of customer base, revenue growth, recruitment and capitalisation – and is also a safety net that protects reputations and helps to ensure credibility during times of crisis. How much of the public's support for United, or lack thereof, was based on its experience with the airline before the bankruptcy? How credible was the 'new beginning' theme as a result of that experience? No bankruptcy communications plan will work without good customer relations in times of solvency.
- There must be an elaborate and flexible financial communications plan to cover all contingencies. The same procedures that govern media outreach for a restatement are directly applicable to the worst-case Chapter 11 scenario as well. Who are the key financial reporters? Does the company have relationships with them? Do they trust the company? What about the blogs and the online community – can the company communicate with and influence them? A friendly lunch with a reporter when the balance sheet is black can create greater receptivity to the company's message when it is red.
- The company should have a financial communications team in place for all contingencies. It should identify the key players (eg, legal counsel and in-house public relations, investor relations and government relations professionals) and bring them together at least twice a year to build the internal trust that fast action during a crisis will demand.
- The company should know its allies before it needs them. Buy-and-sell side analysts, credit rating agencies and institutional shareholders are among the spokespersons who can help assuage marketplace jitters during crises, including bankruptcies. During a bankruptcy the messenger is at least as important as the message itself. The company should enlist those who can speak with a credible, disinterested and positive voice about its prospects before a crisis is on the horizon.
- The company should choose and train its corporate spokespeople and prepare them to face the public. From leaking a quote to *The Wall Street Journal* to doing a live television interview, there are myriad tactics and strategies to ensure that the message cuts through the clutter. Interviewers and journalists are trained professionals well versed in penetrating even the thickest public relations armour. Adequate preparation means that companies will not get caught off-guard when the whole world, including their shareholders and creditors, are watching.

Winning – in the eye of the storm

Once bankruptcy proceedings of any sort appear inevitable, the stakes become monumental and mistakes are usually impermissible. In most cases the first 24 hours are the only 24 hours, as the dominant message is in play. Will it be one of defeat and failure, or one of rebirth and promise? The company should follow these guidelines:

- Tell the story first – the United Airlines example shows how it is always best to get out in front of bad news and tell the story before others. Doing so provides for greater control, as those who speak first get to shape the debate, identify the key players and their roles and determine how the story evolves. By dictating the starting point, intelligent communicators determine the end point as well.
- Enforce message discipline – determine the messages early on and stick with them throughout the bankruptcy lifecycle. Hopefully, the company will get bored repeating the same messages over and over again – if it does, it is a good sign that the messages are sinking in with key audiences. At the same time, be sure to tailor each message for its intended audience. Talk about the errors of the past only if absolutely necessary and instead emphasise the future prospectus.
- Call those third-party supporters – the company may have built relationships with credible allies, but they will not necessarily jump into the fray as soon as they hear it is in trouble. Third-party advocates must be marshalled and ushered through the process. Offer them talking points, offer their names to interested reporters

and secure the right publishing or interview opportunities. If they are amenable, provide the same media training (from an outside communications consulting firm) that the internal spokespeople should have undergone. The independent supporters are putting their reputations on the line for the company, so make their jobs as safe and easy as possible.

- Put on a human face – corporations in bankruptcy must take measures to humanise themselves and the challenges they face in order to evoke sympathy and sway public opinion. The fact that a company is on the mat does not guarantee it any underdog sympathy. It should show off its people: both the leaders and the employees who depend on those leaders. Executives should engage employees and customers on a personal level just as United's did in the earliest stages of that campaign. As appropriate, highlight the rank-and-file employees whose livelihoods depend on a positive resolution.

Winning back – once the crisis has passed

By definition, the dominant message in most bankruptcy campaigns – that a 'new day has dawned' – dictates that companies emerging from Chapter 11 must play the communications game for the long haul. After all, that new day is 24 hours long and the public message must continuously reaffirm corporate recovery throughout its duration.

In that sense, a bankruptcy communications programme can be a jumping-off point to a larger marketing/communications agenda that will build on and reaffirm the messages born during crisis. Thus, crisis becomes opportunity. The bankruptcy public relations may energise ongoing brand development long after the bankruptcy itself has been forgotten. The campaign should follow these guidelines:

- Define the new order – are there new executives at the helm, new products in the pipeline or new acquisition targets that show the world that the company is no longer the same bankrupt company? The public loves the concept of rebirth and that love can extend to corporations as well.
- Promote the company's vision for the future as if it were a product launch – the public relations team should create opportunities for the chief executive officer and other top executives to talk about where the corporation is heading and how that new direction will benefit all

parties involved. In addition, it should hold town hall meetings with investors and organise an online question-and-answer session with consumers. Such events provide opportunities to share key messages with captive audiences in a media-friendly setting.

- Stand for something that may directly address the very problems that put the company in jeopardy – for JetBlue, its non-bankruptcy crisis led to a passenger bill of rights. For lenders hit hardest in the sub-prime meltdown, it is helping families achieve the dream of home ownership. Companies emerging from Chapter 11 can provide wary consumers, cautious investors and sceptical analysts with something to fight for that is larger than the company itself.

The emerging power of new media

There was a time when the Internet was a novel component of crisis management. Now a presence in cyberspace is an absolute necessity for all corporate communications. Reporters with deadlines turn with increased frequency to company websites for the information that they need to craft a story. Bloggers are emerging as the gatekeepers to the mainstream media and often break stories days before they reach the *Wall Street Journal*, the *Financial Times* or CNN. Employees, customers and shareholders all rely on the web to form the opinions and perceptions that can sink or save a corporation in crisis.

The demands of new media increase on a daily basis. For a company embroiled in bankruptcy, three of the most pressing considerations are as follows:

- Optimise the company website – when reporters, investors, customers and regulators seek information on the bankruptcy online, the company needs them to be directed to its own message first. Search engine optimisation, which is based on a number of relatively simple but proven techniques, ensures this. The company identifies the keywords likely to be used by anyone seeking information on the bankruptcy and sprinkles them liberally throughout its online materials. It should:
 - consider placing the most powerful keywords in the site's uniform resource locator;
 - regularly update the language on the relevant sites even if the changes are minor in scope, since the search engines calculate their rankings based on update frequency; and

- consider a pay-per-click campaign that is a form of online advertising and ensure that its information is automatically provided at the top of search engine results.
- Create 'dark' pages, which are unpublished web pages containing placeholder content that can be reworked and taken live when an important development occurs. Whatever happens during the bankruptcy, reporters and analysts will look to the company's website for information as soon as it happens. Dark pages can help to provide that information quickly and reliably with just a click of the mouse when the time comes.
- Monitor blogs – a recent Columbia University study found that 51 per cent of journalists surveyed used blogs on a regular basis. Knowing what bloggers are saying can often be the key to shaping a story before it reaches the mainstream media – or even to preventing it from reaching that level of interest. Acquiring the intelligence and insight needed to craft effective responses by keeping an eye on the key blogs is a must for companies today.

The following blogs are, at the time of writing, the most important and respected bankruptcy-related resources:

- Bankruptcy Blog Exchange (<http://blogs.abiworld.org>) – The posters of this blog describe it as “all of the bankruptcy blogs in one location”. Bankruptcy Blog Exchange collects nearly 25 of the top blogs focused on bankruptcy and related issues, harvesting commentary on both consumer and corporate bankruptcy.
- In the Red: The Business Bankruptcy Blog (<http://bankruptcy.cooley.com>) – From Cooley, Godward & Kronish LLP attorney Robert Cooley, this blog focuses on helping chief executive officers, chief financial officers, boards of directors, credit professionals, in-house counsel and others stay informed about important business bankruptcy issues and developments.
- Credit Slips (www.creditslips.org) – Authored by seven self-professed academics (all professors at prestigious universities), Credit Slips discusses and debates “what does happen and what should happen when consumers and businesses borrow money. Because most every consumer or business borrows money”. Recent posts have covered the sub-prime mortgage crisis, the Social Security Administration's new pre-paid debit

card and the Illinois state treasurer purportedly 'shilling' for Barclays Bank.

- The Bankruptcy Litigation Blog (www.bankruptcylitigationblog.com) – The Coleman Law Firm's blog covers all aspects of bankruptcy, including recent case law developments, the history of bankruptcy and interesting bankruptcy news.
- Bankruptcy and Restructuring Blog (www.bankruptcylawblog.com) – Sheppard Mullin's blog provides “up-to-date information on bankruptcy, reorganisation and creditor's rights”. The blog covers issues related to Ninth Circuit case law updates, international insolvency and cases of national significance.
- Georgia Bankruptcy Law Blog (www.georgiabankruptcyblog.com) – Although blog author Scott B Riddle focuses on bankruptcy issues related to Georgia, he also covers nationally significant bankruptcy news. Georgia Bankruptcy Law Blog includes both consumer and corporate bankruptcy issues.
- Insolvency Blog (<http://insolvency.mercerhole.co.uk>) – This UK-based blog “features regularly updated information, comment and ideas from Mercer & Hole's insolvency experts”. The blog covers topics ranging from asset tracing to corporate restructuring to international insolvency in the United Kingdom, across Europe and beyond.

Perception is the name of the game

All too often corporations facing Chapter 11 bankruptcy view a crisis communications strategy as an afterthought – something that supports higher-priority efforts to restore solvency and maintain value in a narrow and short-term sense. As this chapter demonstrates, nothing could be further from the truth.

Above all, emerging from bankruptcy is about predictions, forecasts and faith. It means creating an image that stakeholders can endorse and helping them to believe that the organisation has what it takes to turn things around. It is about the future and what the future is perceived to be. It is about forging alliances and what those alliances say about the organisation. And it is about being prepared with both a strong brand and a proactive plan built to achieve tangible results.

Conceived properly, bankruptcy is not an end, but a beginning. And that is precisely what it will be if a company succeeds in making its stakeholders see it that way.

Subject: You're fired!

In August 2006 more than 400 employees of Radio Shack (the electronics giant that had been locked in a struggle to avoid bankruptcy for the previous year) received emails that read: "The workforce reduction notification is currently in progress. Unfortunately your position is one that has been eliminated."

Unsurprisingly, the media saw this communication as rather callous. The next day's headlines in newspapers across the country failed to report that Radio Shack shares had risen \$0.10 at the news of the redundancies. Instead, the media focused on the significantly more media-friendly angle that a large number of employees were so coldly fired by email.

Redundancies are often unavoidable in bankruptcy proceedings, but how those redundancies are carried out is entirely within an institution's control. The bankruptcy stories that generate the most interest almost always focus on corporations that fail to treat their departing or at-risk employees with dignity and respect. Add to the mix stories of rising executive compensation – which emerge with increasing frequency – and there is a recipe for a communications nightmare, if not a full-scale populist revolt.

Surviving Chapter 11 often requires that remaining employees accept benefit and pay concessions, and morale is a major factor as to whether those concessions are accepted. Corporations that fail to take employees' feelings and perceptions into account when initiating redundancies will find a much fiercer adversary sitting across the table, sometimes in the form of a labour negotiator or, more often, in the form of a plaintiff's attorney.

Employees are full partners in returning a corporation to solvency. Companies should not make enemies out of them unnecessarily. Instead, they should anticipate the impact of every workforce decision and imagine the next day's headlines.

During bankruptcy proceedings, companies have enough adversaries. Companies should not swell their numbers by high-handing the very people whom they may have to count on to dig them out.