

CLIENT ALERT

VIDEO: Crisis Management for Government Contractors

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Government contractors today are under more intense scrutiny than ever before. Regardless of the industry—defense, aerospace, security, energy, health care, etc.—in today's regulatory and business climate the opportunities for companies to expose themselves to risk have never been greater. However, there are steps that companies can and should take today to protect themselves from a crisis situation occurring in the first place and, if a crisis does occur, to manage and mitigate the damage to the company's reputation and bottom line.

In this three-part video alert series, Crowell & Moring partner **David Hammond** offers practical guidance on how government contractors should act before and during a crisis, including planning in advance, taking into consideration the many variables at play in a crisis situation, dealing with the media, and managing the expectations of company executives.

Part 1: What to Do First

Part 2: Handling Media & Executives

Part 3: Long-Term Effects of Crises

Transcript

What should GCs of government contractor companies be ready to handle?

If you're a government contractor, it doesn't matter what industry—whether it's defense, aerospace, security contracting, health care—chances are someday, something is going to happen on a random Tuesday afternoon at 2:00, and you are going to be the person they look to, to handle the crisis. This should not be the first time that you've thought about crisis management.

What should a government contractor GC do first in a crisis?

First, have a plan. You should have game planned your worst case scenario. That includes selecting your team. You should have pre-planned who is going to be on that team. If you're making decisions now about who is going to be on the team, and who has to make those decisions, you're losing time, and in the meantime, the other people are

defining you and the events. Second, you need to get the ground truth. That means initially, you're going to have to rely on people at the scene and who may have been involved in the event. That means that you need to deploy an independent person who can objectively gather the facts and report them back to you as soon as possible.

Third, go public only with hard, confirmed facts. It is true that the initial facts are usually wrong in some material way. You do not want to go forward with a false narrative. Never lose your credibility. And fourth, avoid a bunker mentality. The team should have people who are in a position to reach out on a proactive basis to customers, to your regulators, to the suspension and debarment official and, depending on the circumstances, members of Congress on key committees, and even your local Congressman and Senator.

What should government contractors think about when dealing with the media in a crisis?

Part of your team should be a media professional. That person would have the experience, understand the company, and be ready to respond at a moment's notice.

How do you manage the expectations of company executives in a crisis?

It's important to manage the expectations of the executive team. They will often not understand the process and express frustration over the delays of getting this in the rearview mirror and how they're being portrayed. You need to inform them also of all the secondary legal consequences. There may be a mandatory disclosure you have to make. There may be insurance companies that you have to notify. Your SEC filings may be implicated. This can have a ripple effect throughout the company. Banks may call about cutting off your line of credit. These are all things you need to think about. It gets back to having a good plan. A good plan and thinking through things is much better than being in a reactive mode.

What are the longer term impacts of a crisis on a company?

Crises can ripple through the company. You have to think through ahead of time whether you have to make mandatory disclosures, depending upon the circumstances. There may be SEC filings that have to be addressed. There are insurance companies that may need to be notified of a claim. Bank syndicates may want a conference call to question whether they should cut off your line of credit. And, of course, there is always the issue of litigation. If there is some harm to property or individuals, you do everything you can to mitigate that harm to help the people. But you need to put together a strategy, because litigation is likely headed your way, and the executives should know that.

How do companies wrap their arms around the issue of who speaks for the company in various settings?

That should be part of your plan. You should have already thought through who in the C-suite is going to be the face of the company and who is going to be talking to the various constituencies, the shareholders, the regulators, and the media. Those people should be lined up and ready to go.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

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