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Public Affairs: Circumventing a Nasty Scenario through Precautionary Tactics and Open Dialogue

February 27, 2000

Southeast Medical Alliance (SMA) decided to remove its CEO of nearly 10 years. Knowing the move would create a sensitive situation, the company initiated a crisis communications plan before making the public announcement in September 1998. The organization had grown beyond the CEO's ability to manage it and several financial, managerial and organizational indicators underscored the need for new executive leadership.

As a major managed care provider serving more than 500,000 HMO and PPO members in four states (Louisiana, Mississippi, Arkansas and Texas), its reputation was on the line. Client contracts were entering the negotiation phase and a lack of confidence in SMA's financial stability would have been disastrous. SMA also had to be prepared for intense press scrutiny of its decision to replace the CEO with a senior board member on an interim basis.

The Plan

SMA retained Deveney Communication in New Orleans to provide damage control among three core audiences: employees, providers and the media.

Pressured by a tight deadline in September, Deveney worked with SMA's senior management to develop a communication plan that focused on SMA taking key precautions to protect its reputation and tightly controlling messages regarding its new leadership and company direction.

Having served SMA for nearly a decade, soon to be replaced CEO Barbara Louviere had a strong following and bond with several key employees, which meant this audience had to be handled with kid gloves, says John Deveney, who heads up Deveney Communication.

This component of the crisis strategy involved making SMA's 240 employees aware of the CEO decision before the press heard about it and keeping the messages consistent, candid and honest.

To thwart the threat of potential rumors spiraling out of control, Deveney relied on the internal communication and HR departments.

Those departments provided key insight on where the most disgruntled employees were and what the most pressing employee concerns were, involving corporate solvency and high employee turnover.

The Outcome

On Sept. 14, when SMA announced that David Fine would replace Louviere as CEO on an interim basis, all employees were notified within six hours and providers within the week.

SMA emerged from its new CEO announcement with its image not only in tact but key stakeholder audiences expressed strengthened confidence in its business practices. Since the crisis program, SMA's HMO has increased covered lives by 41% and SMA's market share increased to 7.8% from 5% prior to the campaign.

The Cost

Because of the sensitivity of the assignment, Deveney could not divulge what the agency's fees were for this assignment. Similar crisis assignments are billed hourly and tend to range in cost from $10,000 to $20,000 per project.

What Worked

When SMA retained Deveney, one of its "wish list" requests was to escape the kind of negative media scrutiny other managed care organizations received when changes in executive management were announced.

Compared to the negative front-page headlines other managed care organizations generated when they announced a change in CEO leadership, the news about MSA's new CEO was buried on page 54 of a business weekly with a neutral headline that read "Managed Care Company Replaces Its CEO."

To achieve the low-key coverage SMA's senior management wanted, media messages were tightly controlled. For instance, Deveney chose not to hold a press conference and discouraged any on-air statements. "We wanted to avoid going into a knee-jerk-response mode by managing the situation as much as possible." In addition, Deveney, who was on call around the clock after the announcement, handled all media requests.

Though closely monitoring the media's messages was key to avoiding negative press coverage, Deveney also attributes this coup to ensuring that employees and providers were comfortable with SMA's new leadership. Disgruntled employees can wreak havoc on the kind of press coverage a company gets when changes in management occur, which is why communicators must learn the corporate culture and determine where the vulnerabilities are before going to the media, says Deveney.

(Deveney Communication, John Deveney, 504/949-3999)

Big Worry

SMA's closest market competitors got eaten alive by the media when they announced changes in CEO leadership. Headlines read "Local HMO Fires President," "Capitation Drove Hospital-Owned HMO into the Red" and "HMO Prices Rise as Profits Slump."

Meat and Greet

Opportunities to hear from the interim CEO in an informal context, such as the Q&A format of the chat & chew lunch sessions with all employees, were particularly effective.

Thinly Spreading The word

In the absence of a press conference, press releases announcing the new interim CEO were sent to a list of prominent media in each of the four markets SMA has a presence. To keep the messages consistent, Deveney drafted talking points for SMA's top management that highlighted how the leadership change was part of the company's growth plans, key stats on its growth, and the seasoned experience of the interim CEO.

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