
**THE WALL STREET JOURNAL
ON
MANAGEMENT**

**The Best of the
Manager's Journal**

Edited by _____
David Asman and Adam Meyerson

DOW JONES-IRWIN
Homewood, Illinois 60430

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1985

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ISBN 0-87094-685-4
Library of Congress Catalog Card No.
85-71919

Printed in the United States of America

1 2 3 4 5 6 7 8 9 0 K 2 1 0 9 8 7 6 5

Introduction

The idea for this book comes from readers of *The Wall Street Journal*. Enthusiasm for the weekly Manager's Journal column has grown steadily since its inception in 1979. Copies of articles have often been posted on company bulletin boards, distributed at board meetings, and taught in business school curricula. As editors of the column (Meyerson was editor until 1983, Asman afterward), we received an increasing number of suggestions to put together a book of the best of the Manager's Journal.

Our goals in editing the Manager's Journal column were always simple. We sought practical advice about the real-life dilemmas that every manager must grapple with. We sought the same kind of lively, jargon-free writing that the rest of *The Wall Street Journal* is known for. And we focused on management problems that were narrow enough to be covered sufficiently in a short space, but broad enough to be of interest to general readers.

One of our great joys as editors was to discover how well managers and consultants can write when they tell stories and draw down-to-earth generalizations based on their own business experiences. Too often business writing is colorless and preachy. But managers can be just as entertaining and informative in their writing as they are in their conversations with friends and business associates. And when they focus on the subjects that they know best, managers have an incredible amount of wisdom to share. The Manager's Journal column, and this book, try to capture some of this wisdom, and to make it accessible to the broadest possible audience.

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Corporate Terrorism

By Sam Passow

While business executives often avoid taking preventive steps unless there is a demonstrable threat, there is a growing awareness by corporate executives, especially among the top echelons of the Fortune 500, that there is indeed a need for crisis-management teams to be able to cope with terrorist attacks if and when they happen.

An effective CMT must include executives responsible for finance, risk management, legal matters, personnel, public relations and whoever is earmarked to be the chief negotiator in the event of an extortion threat, be it a bomb or the sabotaging of a product or, perhaps the most difficult challenge, a hostage situation.

According to Richard Clutterbuck, whose book "Kidnap and Ransom: The Response" (Faber & Faber, 1978) is considered by many in the security industry to be the manual on the subject, "with very few exceptions, terrorists view kidnapping as a business transaction where the eventual return of the victim is necessary in order to consummate the deal."

In extortion cases, the fundamental principle is often keeping the threat from the media, which is the terrorist's trump card. A mere rumor, for example, that some foods in a large chain store have been polluted can cause sales losses

running into millions of dollars within a week or two.

A company's moral obligation to protect consumers during the crisis might require the recall and/or destruction of the suspect product. Though this cost might seem exorbitant, it is a critical step in regaining public confidence. Johnson & Johnson recalled all its Tylenol capsules, at a cost of \$100 million, after cyanide poisoning of some of its capsules left seven Chicago-area residents dead. Although most analysts had predicted Tylenol would never recover from the incident, it now boasts a share of the non-aspirin pain relievers market almost equal to levels recorded before the poisonings. The company's immediate recall and re-packaging of the drug was paramount in restoring its market share.

What can a company's CMT do to prepare for corporate terrorism? Peter Goss, who heads the Washington office of Control Risks Ltd., a London-based political-risk analysis firm, contends that a "CMT can best be trained by simulation exercises." One of the best techniques available is a formula developed by the Harvard Law School called the "hypothetical." All those in responsible positions are seated around a horseshoe table facing inward, and are presented with an ongoing hypothetical situation that is developed by a skilled moderator who throws the problems at the executives or officials concerned and carries the story forward in light of their responses.

In a study for Rand Corp., Mr. Clutterbuck notes that "a highly successful 'hypothetical' was run jointly by the British Broadcasting Corp. and the Ford Foundation in late 1979." The seminar took place shortly after the seizure of American hostages at the U.S. Embassy in Tehran, and a seizure of the Iranian Embassy in London was suggested as a hypothetical situation for the workshop participants. No one knew such an incident would actually take place. However, in April 1980, that's exactly what happened.

Participants in this simulation included the senior police officer from Scotland Yard who was destined to handle the actual event when it occurred, army officers, lawyers and journalists—including a BBC television reporter who was at

the scene when the rescue attack force went in. Also included was the editor of BBC-TV News, who played a crucial role in working with the attack force. The attack force knew the terrorists were watching television coverage of the event, so the BBC editor agreed to avoid filming scenes of the attack force moving in.

Mr. Goss sees four major areas in which any CMT should be able to operate efficiently:

"The CMT must be able to calculate and prepare a contingency plan to compensate for the loss of management time as senior executives will be taken away from their normal jobs during the crisis.

"There is also the factor of public policy. If a firm gives way and pays a large ransom to keep the matter quiet, the government and other firms may complain that this encourages repetition of the crime.

"Failure to remove the stock or to warn the customers could in the end be even more expensive than paying the extortion demand, as the management would have to justify the morality of its response in the event a customer is poisoned. This, in turn, could lead to heavy legal liabilities if no warning had been given of a known risk.

"Finally, there are the media, which can either be a liability or, if their cooperation is obtained, a powerful asset. In most countries, sadly, the media are under direct government control. In others, they may be totally irresponsible, aiming only to compete for readers and listeners no matter what the risk to human life. It is essential for the public-relations representative of the CMT to know his way around, to know how to best keep unscrupulous or hostile journalists away. If possible, the P.R. rep should develop friendly contacts with some reliable journalists, who can be repaid for their cooperation and forbearance by being the first to get news and exclusive comments. None of this, however, will be achieved unless painstaking preparatory work and development of contacts has been done before there is a crisis."

The first minutes or hours of a crisis are often crucial, and

blundering into negotiations with criminals can be disastrous, especially if strategy policy is not set in advance.

Mr. Passow is a free-lance writer in New York who specializes in writing about corporate responses to terrorism and white-collar crime.