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Corporate Terrorism: Thinking About the Unthinkable

Last Monday's bombing of an International Business Machines office in Purchase, N.Y., has once again heightened corporate fears of terrorism. The attack, reportedly carried out by the United Freedom Front (an offshoot of the Weatherman, the 1970s radical organization), followed similar attacks in New York City by the same group against Motorola in January and Honeywell last December.

According to Mike Ackerman of Ackerman & Palumbo Inc., a Miami-based secu-

city consulting firm, the Federal Bureau of Investigation is aware of a UFF hit list of 20 or so top corporations. He warns that "high profile companies in the New York area should take this latest bombing seriously."

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 in-depth contingency planning by corporate crisis-management teams to be able to cope with such a crisis if it happens.

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 diffi-

cult 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 repackaging 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 coming 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.

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Manager's Journal

by Sam Passow