



## Corporate Exposure: A Timely Review

**Harry P. Mirijanian**

*[Editor's note: For further background on this month's article, refer to the January and March issues of the Forum.]*

Each month I try to discuss current problems confronting your organization. Given recent headlines regarding investigations into documents maintained by corporations and corporate responses to crisis issues, I feel compelled to emphasize once again the need to review two major organizational exposures previously covered in this column.

### Managing Records

The first is records management. Repeatedly, we see situations that demonstrate the need for an organization to develop a formalized records management program. Every organization today is guilty of retaining old, valueless, and useless records, memos, reports, and other documents that could be subpoenaed during the legal discovery process. Though many of these instruments may have no bearing on the lawsuit in question, they are often twisted or slanted to portray an evil, contemptuous company, masterminding a scheme to conceal and cover up illicit activities designed to defraud the public. These old documents are retained because organizations do not realize how they can be misinterpreted or analyzed to arrive at certain deleterious conclusions. Furthermore, too many companies view records management as a low priority item and do not comprehend the importance of proper, efficient, and enlightened records management as an integral part of corporate administration.

### From Just One Memo...

A case in point is the Dow-Corning breast implant issue. Regardless of whether the product is safe, the infer-

ences drawn apparently from one internal memo have led many to conclude that Dow is guilty and deserving of the most punishing sentence permitted under the law. Certainly, guilt or innocence should not be determined here, but rather in the courts—once *all* the information is available for review. The issue for our purposes is quite simple: In our litigious society, every written document is subject to many different interpretations, today and in the future. The paper trail monster is

---

*Old documents may  
be twisted to  
portray evil or  
contemptuous  
business.*

---

simply out of control.

Let me offer another example. A recent *Wall Street Journal* article reported on two cosmetic companies involved in a legal dispute. One company shredded documents and threw them into a dumpster. Little did it know, however, that the other company had two investigators waiting to retrieve those shredded scraps. The company that shredded the documents was unsuccessful in its attempt to block the submission of these reconstructed documents as evidence. The lesson to be learned: Be careful what you destroy and how you destroy it.

### Re-evaluating Crisis Management

The second significant issue, the need for crisis management, has

been emphasized by recent headlines, again from Dow-Corning. It is our position that Dow has failed to implement an effective public opinion communication plan. Perhaps Dow feels it is innocent and that it is not necessary to respond to the negative press. Or perhaps the company lacks a properly designed crisis communication plan.

### Public Image

Besides the immediate effect failure to respond properly has on an organization, some evidence suggests that a company may never recover once its public image has been destroyed. The Union Carbide-Bhopal loss in December 1984 apparently still haunts the company both philosophically and financially. A *Wall Street Journal* article appearing in January said that management has reportedly become more tentative in its decisions, and perhaps more reactionary in its posture in entertaining business proposals. The crux of the matter is simple. During a crisis, your organization is placed under the microscope and is expected to perform properly. Your performance will only meet the standards if you have in existence a well-developed crisis communication plan that is constantly reviewed, audited, and practiced. Be prepared to be thrust into the limelight, and do not, for even a minute, believe you can stick your head in the sand to avoid notoriety.

Additional information can be obtained without charge by phoning Applied Risk at 914-365-2444.

*Harry P. Mirijanian is president of Applied Risk, an independent risk management services firm established to assist the business community in reducing exposure to loss and insurance costs. He is a frequent speaker at AMA seminars.*

