

ICM ANNUAL CRISIS REPORT 2020

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GLOBAL NEWS COVERAGE OF BUSINESS CRISES IN 2020

Issued August 2021

As anticipated, we saw major shifts in crisis news story categories in 2020. The COVID-19 pandemic is an incongruity in our annual review that has continued to impact crises news well into 2021. Here at the **Institute for Crisis Management**, we've been reviewing this year's numbers and assessing the



relationships between categories that help explain the changes. The sheer volume of news stories in this year's review is overwhelming: **1,709,419**, nearly a million more than 2019. We attribute the increase to two factors. First is the **pandemic which accounted for 614,944 items**. The news sources in ICM's database also have increased as advances in technology facilitate better tracking of web-based news stories on blogs and social media apps.

It is important to note that because we report categories as a share of all crisis stories tracked, in some cases the actual number of stories may increase year-over-year while the category's percentage may decline. The reverse may also be true. Hence, a direct comparison of raw numbers alone is challenging.

COVID-19 stories are counted with **Catastrophes**. While this category typically comprises natural disasters such as earthquakes and hurricanes, we believe this was the best fit for this extraordinary event. For 2020, Catastrophes account for 37.15%, the largest single category number we've ever had. In a year of precedents the pandemic impacted other categories in both expected and unusual ways.

COVID was not the only headline-dominating issue of 2020. While we don't fully report raw numbers of crisis stories, they still inform our analysis. For example, the murder of George Floyd in Minneapolis triggered societal outrage, became a hot topic in the U.S. presidential election and drove thou-

sands of people to criticize companies that they believed had failed to "walk the talk" regarding issues of discrimination, equity and inclusion.

For the first time in our report's 31-year history, sudden crises accounted for more than 50 percent of the stories we tracked.

Global behemoths like Amazon made headlines for record revenue and profits as well as allegations of poor treatment of employees in the pandemic. Major players from numerous industries found themselves in hot water, including Johnson & Johnson, Bayer AG, Zoom, Facebook, Twitter, Capital One, Walmart, General Electric, Airbus and Best Buy.

BUSINESS CRISIS DEFINED

Any issue, problem or disruption which triggers negative stakeholder reactions that can impact the organization's reputation, business and financial strength

TYPES OF BUSINESS CRISES

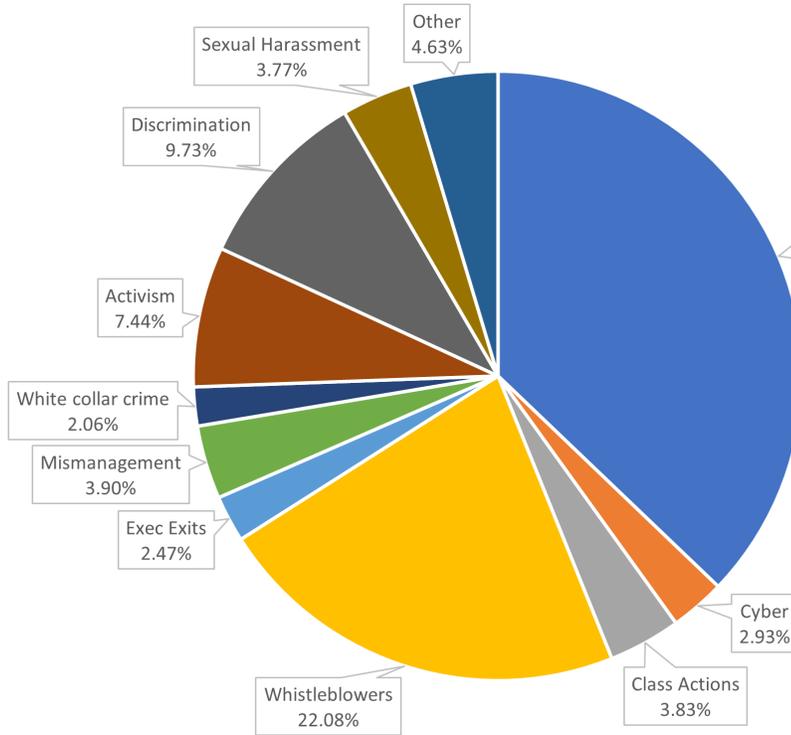
Sudden Perceptual Smoldering Bizarre

CATASTROPHES

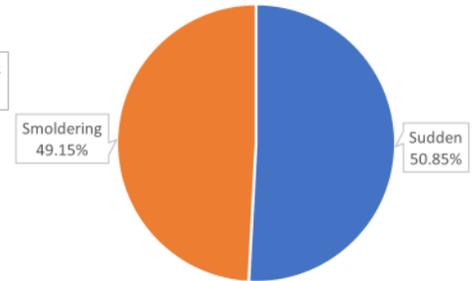
While this category exploded to **37.15%** of the total thanks to COVID-19, numerous natural disasters took their toll around the globe, with recovery efforts hampered by the virus. According to Statista, there were 416 natural disaster events in 2020, just four fewer than the previous year. Statista reported that the collective cost was \$95 billion, almost twice that of 2019. There were 30 named storms in the Atlantic in 2020, only the second time that the alphabetical list of hurricanes was used up and we moved to Greek letter names. Topping the

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2020 CRISIS CATEGORY RESULTS



Sudden v. Smoldering Crises



Other: Workplace violence 1.52%; Labor issues 1.3%; Defects/recalls 1.03%; Hostile takeover 0.33%; Mass casualty 0.06%; Environmental accident 0.40%

2020 Most Crisis-Prone Industries

- Banking and Financial Services
- Technology
- Health care
- Government agencies
- Food production
- Travel/Hospitality

\$43 billion in overall hurricane damage was August's Hurricane Laura, which cost \$13 billion and killed 77 people in the Caribbean.

Convective storms came in second in the U.S., causing \$40 billion in losses in 2020. Wildfires caused another \$16 billion in damage.

In Asia natural disasters caused a collective \$67 billion in damage, about four percent of which was covered by insurance. The costliest disaster in Asia was a series of floods in China which caused \$17 billion in damage. Floods devastated areas of Brazil, Indonesia, East Africa, Jakarta, Sudan and Yemen. In Midland, Michigan, heavy rains caused the Tittabawassee River to flood, causing the failure of two dams.

Earthquakes shook the planet from central Idaho to Zagreb, Salt Lake City to the Aegean Sea. An earthquake and subsequent tsunami in Greece and Turkey killed 118 in October.

Wildfires took an enormous toll. More than four million acres burned in California, with the August Complex Fire alone ravaging a record-breaking one million acres.

The Philippines took a double hit with a volcano eruption killing 39 in January, and Typhoon Vamco killing 42 in November, the deadliest of 21 major storms the country endured last year.

CASUALTY ACCIDENTS

This category accounts for just **six-tenths of one percent** of the total, the lowest since 2016. Aviation deaths rose last year while

Category	2018	2019	2020
Catastrophes	8.21%	2.26%	37.15%
Casualty Accidents	0.59%	0.68%	0.06%
Class Action Lawsuits	0.72%	1.19%	3.83%
Consumer Activism	2.32%	1.82%	7.44%
Cyber Crime	12.81%	13.28%	2.93%
Defects and Recalls	2.78%	2.59%	1.03%
Discrimination	14.30%	11.92%	9.73%
Environmental Damage	2.98%	2.26%	0.40%
Executive Dismissal	1.00%	2.19%	2.47%
Hostile Takeovers	1.17%	1.17%	0.33%
Labor Disputes	9.39%	10.62%	1.30%
Mismanagement	22.12%	19.56%	3.90%
Sexual Harassment	9.42%	16.43%	3.77%
Whistleblower	5.46%	8.13%	22.08%
White Collar Crime	5.37%	4.32%	2.06%
Workplace Violence	1.37%	1.59%	1.52%

the number of crashes fell by half. According to aviation consultants To70, there were 40 accidents involving large commercial planes that resulted in 299 fatalities. The deadliest involved 176 people killed in January when Iranian military shot down a Ukrainian jetliner. The sports world was rocked in January when retired NBA star Kobe Bryant was killed in a California helicopter crash along with his daughter and seven others enroute to a youth basketball tournament.

There were 783 rail deaths in the U.S. in 2020. In February in Italy, a Frecciarossa high-speed train derailed leaving two dead and 31 injured. One person died and 127 were injured in March when a passenger train in China derailed after a landslide left debris on the tracks. In May in India, 16 migrant workers were killed while sleeping on railroad tracks, mistakenly believing that no trains were running due to the COVID lockdown (freight trains continued to operate). A massive industrial explosion in Texas in January claimed at least two lives and caused millions in damage.

CLASS ACTIONS



Class action stories rose to **3.83%** after a two-year lull. Optical retailer 1-800-CONTACTS settled a consumer complaint and U.S. Federal Trade Commission (FTC) actions related to anti-competitive behaviors. The \$15.1 million settlement marked the end of consumer litigation, with the FTC investigation ongoing. In December the FTC and 48 U.S. states' attorneys general sued Facebook for alleged anti-competitive conduct.

In the face of growing litigation, Johnson & Johnson discontinued sales of its talc-based powders in the U.S., leaving them on the shelves elsewhere. This move occurred after the company was dealt a \$750 million judgement related to its talc, a \$6.8 million judgment related to its antipsychotic Risperdal, and a \$344 million judgment accusing J&J of deceptive

marketing of its surgical mesh devices. Bayer AG moved closer to a \$10 billion settlement of 42,000 lawsuits it inherited from its costly 2018 acquisition of Monsanto and its Roundup herbicide. Ford Motor Company agreed to pay at least \$30 million to settle a class-action related to faulty transmissions in multiple models.

CONSUMER ACTIVISM

This category increased fourfold over 2019 at **7.44%**, with tech companies at the forefront of activity. The year started



when hundreds of Amazon employees violated its communications policy by publicly calling out the company for its climate policy, attempts to silence dissent and work with certain federal agencies. In Germany, antitrust watchdogs looked into allegations that Amazon influenced price-setting of third-party traders on the platform after COVID erupted.

Google workers walked off the job in September in protest of corporate climate policies. Microsoft employees criticized the development of facial-recognition software fearing misuse by governments. Zoom Video Communications, Inc. faced litigation from advocacy group Consumer Watchdog over allegedly false promises of security on its platform when usage rose during the pandemic.

Southern California Gas Co. fought regulators and consumer watchdogs for months, refusing to comply with subpoenas for records amid allegations of inappropriate use of customer money to fight climate change policies.

In Ontario, Canada, activists slammed what they called an "ag-gag" law, intended to crack down on animal rights activists who trespass on farms. Farmers praised the law, citing the need for more protections against activists and trespassers.

In India in February, traditional cellphone retailers called for a three-day boycott of Samsung, alleging the electronics manufacturer damaged business due to "unfair and unethical tie-ups with online portals."

Animal rights advocates asked the FTC in July to investigate Tyson Foods, a market leading chicken pro-

ducer, for misleading advertising claims related to its treatment of chickens.

CYBER

The Cybercrime category dropped precipitously in 2020, to **2.93%** from 13.3% in 2019 and the lowest since ICM added it to our research in 2014. Still, cybercrime ranks as the fastest-growing crime in the U.S., where damages are expected to reach \$6 trillion in 2021 according to cyber consultancy ISACA.

Among the worst attacks in 2020 was the December hack of SolarWinds. Investigators later found that one of SolarWinds' servers was compromised allowing attackers to inject malware code that impacted multiple entities at once. Victims included Microsoft and the U.S. Defense Department.

Capital One agreed to an \$80 million settlement of regulators' claims that it lacked proper cyber security protocols. In a shocking Twitter hack, several high-profile individuals' "handles" were compromised and used to fraudulently post tweets about Bitcoin. Among those impacted were Bill Gates, Elon Musk, Warren Buffett, former President Obama, then-presidential candidate Joe Biden and former New York Mayor Michael Bloomberg.

In the second major hack in as many years, Marriott revealed that 5.2 million guest records were accessed, including names, addresses, birth dates and telephone numbers. Fast-growing Zoom experienced several security incidents in 2020, the most notable of which was the emergence of more than 500,000 user accounts for sale on the dark web.

In the *Verizon Business 2020 Data Breach Investigations Report*, the communications giant said that web application attacks doubled to 43 percent of 32,000 reported security incidents and 3,950 confirmed breaches.

DEFECTS AND RECALLS

This category dropped to its lowest level in five years, accounting for just **1.03%** of the stories tracked in 2020. Auto recalls remained high, with 31 million vehicles recalled including 5.5 million in China. Toyota recalled the most autos, 13.3 million, mainly for safety flaws. Ford, Hyundai and BMW issued recalls of electric vehicles due to fire risks.

The U.S. Food and Drug Administration (FDA) and Department of Agriculture (USDA) reported 363



recalls, a number in line with previous years. Recalls fell during the worst of the pandemic, rising in the fourth quarter. Nearly half of the recalls were for undeclared allergens in food and beverages. Milk topped the list with 83 recalls. Ninety food products were recalled due to contamination by foreign materials. Poultry producer Pilgrim's Pride recalled 59,000 pounds of chicken nuggets over rubber contamination. Salmonella and listeria contamination accounted for another 116 recalls.

Among notable product recalls issued by the U.S. Consumer Product Safety Commission were 467,680 Fiskars pole saw/pruners; 77,400 pairs of toddler boots sold at Target (due to a choking hazard); 118,600 Honda off-road vehicles (for crash and injury hazards); 350,000 Ring video doorbells (due to a fire hazard) and 241,500 YETI travel mugs (due to faulty lids posing burn hazards).

DISCRIMINATION



This is one of the categories where the raw number of stories nearly doubled but its slice of the pie decreased to **9.73%** from 11.9% in 2019. Much of this change is attributed to the backlash after the May murder of George Floyd in Minneapolis and the protests that followed across 3,000 communities in the U.S. #BlackLivesMatter, a movement that began years earlier, gained significant traction.

Numerous companies publicly stated their support of the movement, while many were called out for not backing their statements with action. Amazon endured a backlash after their supportive public statement, when thousands accused the retailer of failing to pay a living wage and intolerable working conditions in its warehouses.

In April, a judge approved a \$14 million settlement with Walmart amid allegations that it discriminated against pregnant workers by denying them necessary workplace accommodations.

The now former CEO of the Recording Academy, which hosts the Grammy Awards, filed a discrimination complaint alleging harassment and retaliation for raising concerns about the Board's involvement in award nominations.

ENVIRONMENTAL DAMAGE

This category hit an all-time low in 2020, accounting for **0.40%** of stories tracked. Much of the decrease in stories may be attributable to the pandemic shut-down that shuttered factories across the globe for several months.

In one of the category's largest stories of the year, mining conglomerate Rio Tinto came under fire for knowingly destroying ancient indigenous ruins in Australia. In June, Russia launched a major clean-up operation after more than 15,000 tons of diesel fuel was released into a river in Siberia. A gas leak at an LG Corporation industrial plant in India killed 11 factory workers and sickened hundreds.

EXECUTIVE DISMISSALS

In a slight uptick over 2019, this category claimed **2.47%** of the crisis pie. According to recruiting firm Spencer Stuart, there were 56 CEO transitions among Fortune 500 companies. Transitions were on



pace early in the year but declined significantly in the second half as the pandemic took hold.

Ford Motor Company CEO Jim Hackett stepped down after three years following poor financial performance early in the year. Disney's Robert Iger stepped down suddenly in February, returning just two months later to help the entertainment giant weather the impact of the pandemic.

Steph Korey, CEO of Away Luggage resigned twice, first stepping down after a damning report of a toxic corporate culture. She became a co-CEO just

weeks later and was then expected to leave the post by the end of the year after suggesting in an Instagram post that female journalists target female CEOs to "get more clicks." CEOs departed LinkedIn, IBM, Salesforce, Mastercard, Harley Davidson, Hulu, Hallmark, Tribune Publishing and AB InBev.

HOSTILE TAKEOVERS

This category had a five-year low at just **0.33%**. In one of the most notable takeover dramas of the year, Xerox tried to acquire Hewlett Packard with its unsolicited, heavily leveraged \$35-billion offer. The company finally withdrew its offer in April citing the global pandemic. In Calgary, Canada, Calfrac Well Services Ltd. managed to refocus on its restructuring plan after a U.S. Court rejected competitor Wilks Brothers LLC's bid to take over the financially troubled company. In June, Uber lost its months-long bid to take over meal-delivery rival Grubhub. Tech company Nokia refused comment on media reports that it was fending off a takeover attempt, enjoying a 12.5% share price surge when announcing a billion-dollar deal with one of India's largest mobile operators.

LABOR DISPUTES

COVID had a strong impact

on labor issues with this category, nosediving to **1.3%** from 10.62% in 2019. Businesses worldwide shut down completely or sent employees home to work remotely for most of the year. Still, there were eight major work stoppages in the U.S. in 2020 according to the U.S. Bureau of Labor Statistics, the third lowest number of major work stoppages since 1947. A major work stoppage is defined as involving at least 1,000 workers and lasting at least one shift. The education and health services industries accounted for 75% of that total. BLS data failed to capture the numerous examples of employees walking off the job in protest of unsafe working conditions in the pandemic, however.

In September, more than 4,000 employees at the University of Illinois at Chicago went on strike after



a year of failed negotiations over working conditions and pay. On May 1, front-line workers at many of the nation's largest retailers, including Amazon, Instacart and Target staged a walkout in protest of inadequate protections against the COVID-19 virus. At General Electric, employees staged protests in an attempt to save jobs during the pandemic, suggesting the company should transition to manufacturing ventilators.

MISMANAGEMENT

In probably the biggest surprise in this year's data, mismanagement stories accounted for a 30-year low of just **3.90%**, exponentially lower than 2019's 19.56% share of the crisis pie. We view this as another outcome of the mass global pandemic shutdowns. In Switzerland, banking titan Credit Suisse AG CEO Tidjane Thiam stepped down amid a spying scandal allegedly ordered by the bank's chief operating officer, who also resigned.

Retailer Best Buy investigated an alleged inappropriate relationship between CEO Corie Barry and a fellow executive.

The U.S. Department of Transportation issued a report in February alleging that Southwest Airlines failed to prioritize safety and that the Federal Aviation Administration (FAA) exercised lax, inconsistent oversight on the airline.

Restaurant chains Chipotle and Qdoba ran into trouble when the state of Massachusetts accused the companies of violating child labor laws.

SEXUAL HARASSMENT

In another category predictably impacted by COVID, news stories dropped to **3.77%** from 16.43% in 2019. With hundreds of millions working from home, there were far fewer opportunities to harass coworkers.



There were still a few notable cases reported. L Brands (parent company of Victoria's Secret and Bath & Body Works) senior executive Monica Mitro was locked out in an alleged retaliation for reporting episodes of sexual harassment and gender discrimina-

tion. An Associated Press investigation alleged that numerous senior FBI officials accused of sexual harassment avoided disciplinary action. Some chose to retire or leave the bureau quietly following investigations into their misconduct.

The University of Michigan investigated allegations of sexual misconduct by the school's provost, its top academic officer. American gymnasts continued their battle against the U.S. Olympic and Paralympic Committee and USA Gymnastics, refusing to settle sexual abuse cases against convicted sexual predator Larry Nassar until the sport's governing bodies undergo a complete restructuring.

WHISTLEBLOWERS

One category's results surprised us a bit: whistleblower stories accounted for **22.08%** of stories tracked, a nearly three-fold increase over 2019. Numerous watchdog investigations re-



vealed a plethora of COVID-related cases. In May it was reported that more than 31 whistleblower reports were filed to date with the U.S. Office of Special Counsel and an additional 15 reports of retaliation stemming from concerns related to government agencies' response to the pandemic. The U.S. Department of Labor reported a massive increase in whistleblower activities in pandemic-related complaints alleging failure by employers to provide personal protective equipment (PPE) or protections against virus transmission in the workplace.

In October, The U.S. Securities and Exchange Commission (SEC) announced a record \$114 million award to a tipster who provided "extraordinary" assistance in their fraud investigation. In September the former chief of intelligence for the U.S. Department of Homeland Security alleged that superiors directed him to play down the threats of white supremacy and Russian interference in the presidential election.

Amazon threatened to fire employees who publicly criticized the company's environmental policies. Thousands of Amazon employees supported their colleagues in September by walking out in protest.

WHITE COLLAR CRIME

This category dropped by half to **2.06%** of the crisis pie although the number of stories increased by ten percent. The financial services industry was hard hit by allegations, fines and settlements. Raging Bull, a company offering investment tips, was accused of a \$137 million fraud in which they claimed they had identified a “hidden bull market” in the pandemic, bilking retirees and immigrants out of millions.

In February, Airbus agreed to external monitoring in a \$4 billion settlement with British, French and American prosecutors alleging bribery and export-control violations.

The U.S. Treasury Department fined U.S. Bank NA’s former chief operational risk officer Michael LaFontaine \$450,000 for his failure to heed warnings about violations of anti-money laundering laws. Goldman Sachs in January was negotiating with the U.S. Justice Department to pay a \$2 billion fine and plead guilty to violating anti-bribery laws.

WORKPLACE VIOLENCE

The percent of stories in this category remained fairly level at **1.59%** despite the number of stories doubling over 2019 in another COVID-related impact on the crisis pie. In the U.S. in 2020 and despite massive lockdowns due to the pandemic, there were more than 575 mass shootings, according to data collected by the Gun Violence Archive. A mass shooting is defined as a minimum of four victims injured or killed in an attack.

In March, shootings at a Colorado grocery store and at spas in the Atlanta area shocked a nation once again. Researchers said that the pandemic probably fueled increases in workplace shootings as anti-crime efforts were hampered by the spread of the virus.

In Manila, Philippines, a former mall security guard held 60 people hostage for 10 hours at a commercial hub east of the city. In a strange twist, hostages were released and the gunman was allowed to rant to a group of journalists before eventually being tackled by police.

At the MillerCoors headquarters in Milwaukee, Wisconsin, six people were killed by an ex-employee who had been fired earlier in the week. In Lumber-

ton, North Carolina, a gunman killed two women outside a Family Dollar store after shooting at cars in the parking lot. Earlier in the spring a Family Dollar security guard in Flint, Michigan was shot and killed over a mask dispute.

LESSONS LEARNED

While ICM had the privilege of supporting several clients throughout the pandemic last year, there were many organizations that halted their planning and preparedness efforts while addressing the pandemic. Some of those believed that the virus would be short-lived only to continue to deal with its impacts well into 2021. The results of our research this year certainly revealed some interesting developments in crisis news attributed to the (hopefully) once in a century event that continues to occupy us today.

Still, there are executives who continue to believe they don’t need a comprehensive crisis management and communications plan, refusing to recognize that a minimal investment in planning and preparedness can save them from the overwhelming costs of a crisis or disaster, absent a strategy.

We continue to urge organizational leaders to:

- **Involve the board of directors** in crisis management. Their leadership can help create the sense of urgency needed to appropriate the needed resources.
- Make the **investment in planning and training** as soon as possible. Hire outside help if needed but including planning dollars in the budget.
- Evaluate your company’s **risks and vulnerabilities** for the categories of crises that we share in this report and develop strategies to manage them.
- **Retain the lessons learned** in the pandemic and make updates to your crisis plan to address a widespread disaster.
- If you have a plan that has not been updated recently, dust it off and **make the needed changes**. Follow that with training exercises to build crisis team skills and prepare them to act when an issue or crisis erupts.

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About the Author

A globally certified strategic communication management professional (SCMP®), business leader, trainer, coach and consultant with more than 30 years' experience, **Deborah Hileman, SCMP** has led high-performing teams in health care, manufacturing, insurance and financial services, nonprofits and higher education. She has been CEO of ICM since 2014.



Known as an objective voice of calm in chaos, Ms. Hileman has earned a reputation as a trusted strategist and advisor to board members, C-Suite executives, operations leaders and other stakeholders. She has delivered crisis communications and media training to hundreds of professionals, teaching them to 'think on their feet' and manage through tough situations.

An avid writer on business communications, Ms. Hileman is a regular columnist for PRNews' monthly Crisis Insider and other publications. She lives and works in South Bend, Indiana and is active with the International Association of Business Communicators® where she is a former board member and current chair of its advocacy and public relations task force. She was the 2017-18 chair of the Global Communication Certification Council®, a worldwide accrediting body for communications professionals.

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