

American Electrical: Managing an Environmental Crisis

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AS WALTER MARTINSON returned from lunch on Thursday, he sensed trouble. The visitors' spots in the parking lot outside American Electrical, Inc. headquarters were filled with vehicles from the Georgia Department of Environmental Protection (GDEP). Martinson had seen them before. In fact, the GDEP Hazardous Materials Crew had been on American Electrical property three times in the past six weeks.

This visit came without warning. "Whatever they want," Martinson thought to himself, "it can't be good."

Angela Curran, his secretarial assistant, met him as he came through the door. "They're in the Conference Room. Todd McLemore, George Willett, and Terry Salter are with them."

"How long have the GDEP men been talking to the Executive Committee?" Martinson asked.

"Most of the morning," she replied. "I've cancelled your one o'clock and postponed the Department Meeting. I've told them you would join them just as soon as you could."

"Thanks, Angela. Call Roger Mullins and tell him I'll reschedule our meeting. And get me the GDEP file, please." Angela Curran was already two steps ahead of American Electrical's chief executive.

"Here's the file, sir. I've already called Mr. Mullins."

Walt Martinson's Company

American Electrical, Inc. (AEI), located in Marietta, Georgia, a suburb of Atlanta, is a stable yet growing firm in a mature industry. The company produces industrial-grade electrical equipment, including transformers, voltage regulators, power converters, and electrical

transmission devices. The firm, founded by Martinson's father, was held as a family enterprise for over 30 years. Five years ago, however, Martinson sought additional capital to expand production and broaden both his product line and customer base. After listing the \$36 million firm on the NASDAQ, he saw its stock price double within 24 months.

Then, six months ago, AEI bought out Multi-Phase Equipment, Inc., a small competitor in the Atlanta area. It seemed like the perfect move at the time. In exchange for \$6.5 million in stock and cash, AEI swallowed Multi-Phase Equipment, Inc.'s assets, inventories, and balance sheet. AEI acquired additional plant capacity, relatively new buildings and equipment, and a small but promising list of new customers.

When AEI made the acquisition, Multi-Phase Equipment was a small local firm that specialized in rebuilding electrical transformers. Their client base included large utilities, such as Georgia Power and Light, as well as smaller customers, such as Kennesaw State College, which operated its own power generating station on campus. The firm used PCBs¹ in dry, micropellet form as insulators within the inner casings of electrical transforming and transmitting equipment. As transformers were disassembled for re-winding or replacement armatures, the old PCB insulating material was dumped into polyvinyl chloride (PVC)-lined 55-gallon drums for temporary storage. Eventual removal of the discarded PCB drums was contracted to a firm known as Wiregrass Disposal, Inc. of Dothan, Alabama. The contractor was responsible for packaging, loading, transporting, and properly disposing of the PCBs in a federally licensed toxic waste facility. Wiregrass Disposal was also responsible for maintaining both state and federal records regarding the materials removed from the Multi-Phase Equipment site.

Prior to purchasing the Multi-Phase Equipment plant, Martinson had hired a group of bioenvironmental consultants to perform a survey of air, water, and soil quality at the firm. Independent Laboratories, Inc., of Atlanta, which came highly recommended from many of his business associates, gave the Multi-Phase property a clean bill of health just eight months ago. Based in part on their report, American Electrical's board of directors approved the purchase and stock swap.

The Georgia Department of Environmental Protection Case File

Before joining the meeting of the GDEP Task Force and his Executive Committee, Martinson briefly reviewed the case file that had been accumulating over the past eight weeks. Among the issues that concerned him most was possible pollution of the local water supply. In response to complaints about the water from residential customers ("tastes funny, smells bad"), officials of the Water & Sewer Authority (WSA) of Cobb County began testing water samples for contaminants. Despite persistent reports of unusual taste and odor in the Marietta water supply, Cobb County WSA officials were unable to link changes they had observed in the local water supply to any particular source.

Following two weeks of water sampling and lab testing, Cobb County WSA called on the state GDEP for assistance and advice. GDEP officials, led by Dr. Charles Puckett, followed up on an anonymous tip that the source of local water contamination might be the old Multi-Phase Equipment yard located just 300 meters from the Chattahoochee River. The Cobb County WSA treatment plant, which provides all fresh water supplies to the City of Marietta, is located on the Chattahoochee River, just two miles downstream from the Multi-Phase Equipment site on Roswell Road. (The river itself is fed by Lake Lanier, some 45 miles to the northeast; water volume and runoff are regulated by Buford Dam, located at the southeast corner of the lake.)

The anonymous tip, which Martinson suspected came from a former Multi-Phase employee, alleged that the company had improperly stored PCBs on company property. Early last month, the GDEP requested permission from American Electrical to excavate several parcels of land on the former Multi-Phase Equipment site. Martinson agreed, knowing that the department could force the company's cooperation with a court order. He wondered how long he could keep this out of the papers. The GDEP promised a confidential report to the company and its directors in advance of any public announcement, but nothing had been forthcoming yet.

Martinson Meets with GDEP Officials

As he headed into the conference room where the Executive Committee was meeting with the GDEP representatives, Martinson was greeted by Todd McLemore, AEI's executive vice president.

McLemore had been a friend and confidant of Martinson's since their undergraduate days together at Georgia Tech. They'd been through a lot together, including the IPO² that took the sleepy, little electrical supply firm public five years ago.

McLemore spoke softly. "I'm afraid we've got some bad news, Walt." Turning to the visitors he continued, "You know these gentlemen from the DEP?"

Martinson forced a smile. "I sure do, Todd. I can't say it's good to see you fellas. I hope you're close to concluding your work here."

The GDEP's Northern Field Chief, Damon Ledbetter, responded quickly. "Mr. Martinson, our work here may have just begun. Here's a copy of our preliminary findings from the Multi-Phase Equipment site. There's an executive summary on page one that re-caps our findings."

The GDEP Preliminary Findings

Walt Martinson quickly scanned the executive summary. The bad news was up front: The GDEP Preliminary Report in the matter of American Electrical, Inc. revealed that a "relatively serious pattern of abuse appears to exist with regard to the storage and disposal of hazardous materials at the former Multi-Phase Equipment site." The pattern, according to the report, which had continued for several years, involved the improper packaging and storage of polychlorinated biphenyls.

"What's your assessment of the situation, Dr. Puckett?" asked Martinson, flipping through more pages.

"Well, Mr. Martinson, the potential for damage is certainly present, but I do think that we can recommend a course of action that will help clean up the Multi-Phase site and contain whatever harm has already occurred."

Martinson suddenly stopped at an appendix in the GDEP Report. "It says here that you've uncovered 200 drums of PCBs on the Multi-Phase site. Twenty-five of them appear to be *compromised*. What does that mean?"

"It means," replied Dr. Puckett, "that they were either improperly sealed when they were buried or they've undergone corrosive perforation."

"Corrosive perforation?" asked Martinson.

"Rust," explained McLemore. "The barrels have rusted through, Walt."

"That's not half the problem, Mr. Martinson," Puckett continued. "Those barrels should never have been buried at Multi-Phase in the first place."

"He's right," nodded McLemore. "Multi-Phase Equipment contracted with an outfit from Alabama called Wiregrass Disposal. They were supposed to dispose of all PCBs removed during the rebuilding and refitting process."

"Where, exactly, did you find them?" Martinson asked incredulously.

"We found them on the far northeast corner of the Multi-Phase site," Dr. Puckett replied. "They appear to be clustered in a fairly small area about 350 meters from the river. We're not done, of course, but the location appears to be contained and clearly defined."

"How far is that from the plant?" Martinson inquired.

Todd McLemore could sense Martinson's concern. "The manufacturing facility is better than half a mile away. Dr. Puckett tells me that it's unlikely the PCB leakage could have spread beyond the immediate burial site."

"What do we say to our employees out there?" Martinson asked.

"Tell 'em not to worry," said Puckett. "The damage is significant, but it's confined to a relatively small area. I've seen no evidence of leeching into the water supply and the PCBs aren't airborne. There's no immediate danger to anyone working at your manufacturing facility out there."

"Well, that's a relief," said Martinson, visibly relaxing. "But... I'm really puzzled. Why in the world would the contractor bury the stuff right there at the plant? They surely must have known it was dangerous and illegal."

"Who knows?" offered Puckett. "The most likely reason is money. Properly packaging, transporting, and disposing of hazardous materials in a federally licensed facility is expensive. If you're greedy and unscrupulous, you just charge the customer, bury it where you please, and pocket the money."

"Has anyone spoken with these fellas from Alabama?" Martinson inquired.

George Willett, American Electrical's attorney, spoke up. "Chapter 11," he said cryptically. "Wiregrass filed for protection under federal bankruptcy laws eight months ago. Our contacts over in Birmingham tell us the courts have yet to dispose of the assets. We can certainly queue up behind the rest of the creditors in this case, but I've gotta tell you, Walt, there isn't much there."

Martinson's reaction was swift but measured. "Look, George, I'm interested in recovering what we can from the contractor, but I'd also like to talk with the people at Independent Laboratories."

Dr. Puckett interrupted. "We've already begun our investigation of Independent Labs' records, Mr. Martinson. From what we've seen thus far, they performed a satisfactory, nominal review of the soil and water at Multi-Phase. He paused for a moment. "Keep in mind we've been out there for two months and just recently found those barrels. I'm not sure Independent Labs can be faulted for their work. Their core samples just missed the burial site."

"And we're still responsible for clean-up?" asked Martinson. "Is that right?"

"Yes," Puckett replied. "That's the bad news. The good news is that we've been able to establish no link between the PCBs on the Multi-Phase property and the drinking water complaints. And, even though we've found 25 barrels that are compromised in some way, the damage appears to be contained, since the PCB micropellets aren't water-soluble and they won't dissolve or spread contamination."

"Will you work with us to help select a reliable firm to remove them?" Martinson asked.

"We can provide a list of licensed contractors and can assist in documenting their work," Puckett replied. "The rest is up to you."

"I'm still curious about the water," mused Terry Salter of the Executive Committee. "If these barrels of PCBs aren't the culprit, then what's the reason for all the uproar in Marietta about bad water?"

Damon Ledbetter, the GDEP Field Chief, spoke up. "Well, it wouldn't be PCBs to begin with," he said, explaining that PCBs are essentially tasteless, odorless, and not water-soluble. "Actually taste and odor problems are proportionally more common in surface water than in ground water largely because of the presence of algae. That's what we're looking into right now. Autumn leaves, surface runoff, and

agricultural drainage provide plenty of nutrients for microorganisms that can often generate taste- and odor-producing compounds.”

“You think it’s algae?” Martinson asked.

“That’s most likely,” Ledbetter replied, “and that’s what we’re looking for right now. *Anabaena* and *Oscillatoria* are blue-green algae. *Ceratium* is a flagellate algae, and *Asterionella* is a diatom responsible for septic odors and bitter taste problems at a number of locations.” He paused for a moment before shaking his head and declaring, “It certainly isn’t the PCBs.”

“Once again,” said Martinson, “that’s a relief.”

“By the way,” Ledbetter added, “we plan to issue a public statement on Monday. That gives you a couple days to draft plans of your own.”

As each of the GDEP Task Force members filed out of the conference room, Martinson shook hands, saying, “Thanks for your help.”

“What now?” asked McLemore. “Tomorrow’s Friday, and they go to the press on Monday.”

Martinson looked up and responded, “We go to work. We need to figure out how to get the message out to our customers, our shareholders, the community, the city government, the press, and above all, our own employees.”

Notes

¹Highly toxic, polychlorinated biphenyls, or PCBs, are any of several compounds produced by replacing hydrogen atoms in biphenyl with chlorine. These compounds have various industrial applications but are environmental pollutants. When buried as industrial waste, PCBs can leak out of drums and pollute the environment. PCBs tend to accumulate in animal tissue. If people inhale them or if their skin comes into contact with PCBs, the compounds are known to cause cancer.

²An IPO is an initial public offering of a stock for sale to the public.

Assignments

Your position in preparing the assignments is the Director of Corporate Communication. For Assignment 5, however, you should assume the position of Director of Human Resources. Both positions report directly to Walter Martinson and the AEI Executive Committee.

Assignment 1: Communication Strategy Memo

As the Director of Corporate Communication, you are asked by Walter Martinson, AEI President, to prepare a comprehensive communication strategy. Present your plan in a memo for Mr. Martinson, who will share it with the Executive Committee. To develop the communication strategy memo, refer to the suggested content and format in Figure 1.

In addition to describing a communication strategy in the memo, consider attaching plans for each recommendation. For example, if you recommend sending a letter to major customers, outline the letter's purpose and strategy in an attachment, as well as its major points and supporting information. Although the communication strategy memo itself should not be long or highly detailed, the attachments/appendices should furnish sufficient information for the executive committee to understand each component and approve or modify it.

In describing your strategic plan, do not dwell on the operational details of an environmental clean-up or the finer points of pending litigation over the bankrupt subcontractor. Focus instead on the uncertainties among the various stakeholders, including employees, shareholders, customers, and the community. Also, keep in mind that even confidential memos may become public through leaks by disgruntled or attention-seeking employees.

Assignment 2: Communication Strategy for One Group of Stakeholders

As the Director of Corporate Communication, prepare and execute the communication strategy for dealing with one or more specific group of stakeholders, for example, shareholders, customers, city officials, or the community.

Assignment 3: Corporate Press Release

As the Director of Corporate Communication, prepare a final press release of 400 to 600 words. Refer to the suggested content and format for a press release in Figure 2 and consider these questions:

- **Facts.** What facts do you know for sure? What do you *not* know? What are you unlikely ever to know?
- **Assumptions.** What's reasonable to assume here? Should your public statement deal with assumptions? If so, how should they be identified?
- **Expert opinion.** Are the opinions of any experts available for you to cite? Can you use any direct quotes in your press release?
- **Spokesperson.** Who should speak on behalf of the company? Whose "voice" should the press release cite? Should it be a disembodied third person (as in a newspaper account or news report), or should you identify a source for the information you provide?

Assignment 4: Media Interview

As the Director of Corporate Communication, prepare to participate in a media interview conducted by a local television station newscaster. The interview (possibly videotaped) will last two to three minutes. Develop the company message on potential questions and practice answering in short, direct statements.

Assignment 5: Communication Strategy for Employees

As the Director of Human Resources, you are expected to prepare and execute a plan for communicating with company employees, notifying them about the situation and advising them about reacting to community comments. Whatever plan you select, prepare the relevant communications to execute it. If you recommend holding a mass meeting for employees, you should provide a scenario for the meeting facilitator. If you plan to distribute a memo or an e-mail message, you should draft it for Walt Martinson's signature. If you plan to ask managers to hold meetings with their own work groups, you should draft materials for them to use

American Electrical, Inc.
Interdepartmental Correspondence

DATE: July 25, 0000
TO: Management and Business Communication Students
CC: Interested Parties with No Responsibility for
Action
SUBJECT: Communication Strategy Memo: Format and
Contents

This memo demonstrates the recommended format for a communication plan in response to a specific event or circumstance facing an organization. Such a memo briefly summarizes the details of the event or circumstance; discusses their implications, importance, or probable outcome; and provides a specific list of any actions taken and a list of actions recommended.

Introduction (optional)

An introduction may provide a preview of the contents and purpose of the strategy memo including the situation, key issues, what the writer has done, and a summary of the conclusions and recommendations.

Background

The background section briefly reviews the facts of the case. It contains historical data, information that is a matter of public record, and facts that are relevant to the recommended communication strategy.

- Crisp, tightly expressed sentences set apart from the main paragraph by bullet points highlight significant facts.
- Speculative information and assumptions are not included, and neither are gratuitous references to the writer (e.g., "I think . . .", "In my opinion . . .").

- more -

Figure 1. Standard Format for Communication Strategy Memo

Communication Strategy Memo: Format and Contents
July 25, 0000
Page 2 of 3

- Sources should be included if available. They may be embedded directly in a sentence, as, for example, "According to The Wall Street Journal (February 12, 1997, p. A3) . . ." or listed in parentheses immediately following the information, as, for example, "Mead Corporation's Stevenson, Alabama, mill has an annual production capacity of 400,000 tons of corrugated containerboard (Mead Financial Fact Book, Mead Corp., 1995, p. 5)."

Discussion

This portion of the memo expands on the implications of the facts. The writer explains what those facts mean and why they matter. The discussion paragraph usually becomes the basis for the recommendations that follow. If the discussion is extended or complex, separate paragraphs, sub-headings, and bullet-points can highlight various issues.

Action Taken

If some actions have already been taken, the memo explains them here. It is always useful for the reader to know what tasks have already been done and what tasks he or she is being asked to approve.

Recommendations

This paragraph lays out each proposed action or recommendation in specific terms. Where possible, recommendations lead with a verb, are separated with white space, are underlined or printed in boldface type for emphasis, and may be numbered or bullet-pointed. Usually, the persons responsible for executing the actions are specified, the times are scheduled, and events that should be sequenced (first this, then that) are duly noted.

- more -

Figure 1. Continued

Communication Strategy Memo: Format and Contents
July 25, 0000
Page 3 of 3

Here are some sample recommendations:

1. Sign the attached letter of apology to the customer. The letter not only apologizes for the flaw discovered in our shipment of July 1, but offers a 2% discount on the shipment and a full replacement of all defective parts. (Action: President).
2. Forward the defective parts to Quality Control for examination. When the QC report is complete, send copies of the findings to Sales & Marketing, Customer Service, and members of the Senior Management Team. (Action: Customer Service).
3. Contact the retailer who sold the equipment to review return/refund procedures. We must make certain that each retailer handling our products fully understands his or her obligation to accept customer returns and to provide full refunds, if appropriate. (Action: Sales & Marketing).
4. Follow up to make sure the customer is satisfied with our actions on his or her behalf. This is a particularly large account and, while each customer is important to this company, some customers are more important than others. Direct, personal contact to assure customer satisfaction, followed by an after-action report for company files, is essential. (Action: Customer Service).

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Figure 1. Concluded

NEWS RELEASE
American Electrical, Inc.

Contact: [Your Name Here]
Phone: 000/316-7938
Fax: 000/316-2522

For Immediate Release

Format Suggestions for Preparing a News Release

Marietta, Georgia, July 25, 0000—This is a sample of what a typical press release might look like. News releases should be typed, printed, or reproduced cleanly on standard 8-1/2" by 11" paper and transmitted to all media whose audiences would have an interest in the subject matter. As press and airtime deadlines approach, hand-delivery may facilitate publication.

- Identification: The name, address, and telephone number of the source should appear at the upper left. Include the name and number of the person to contact for more information.
- Release Date/Time: Most releases should be immediate. Stipulate a "Hold for Release" time and date only when circumstances warrant holding until a certain hour.
- Format: Use wide margins. Double-space copy for print media; triple-space copy for broadcasters.
- Headlines: Many news/press releases do not indicate a heading; others, such as this one, include a

- more -

Figure 2. Standard Format for News Release

Format Suggestions for Preparing News Release
July 25, 0000
Page 2 of 2

brief, descriptive headline. When preparing a release without a headline, leave two inches between a paragraph from first to second page. Put "more" at the bottom of the first page to indicate that another page follows.

- Slugline: Journalists include a traditional "slugline" at the upper left of a second page, similar to the second page heading of a memo.
- Style: Use a summary lead (who, what, when, where, why) for most releases. Editors prefer short, punchy sentences with active verbs.
- Check: Proofread every original. Never trust your typist or keyboard operator. Make sure spelling and grammar are 100 percent correct. Check the accuracy of your copy with your sources. Get approval from the highest-level supervisor or manager possible; he or she will initial a file copy of each release. Most public relations specialists still conclude their releases with the symbol - 30 -, a holdover from the days when wire service codes indicated end of story.

- 30 -

Figure 2. Concluded