Setting up crisis management and crisis communication procedures for Tikkurila Group

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Abstract

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The purpose of this work was to design crisis management procedures for Tikkurila Group, and making an implementation, follow-up and audit plan for them. Another purpose was to observe this process and reflect on how different arising questions were identified and handled.

In the theory part, the elements of good crisis management were identified and discussed.

A team was formed for designing crisis management procedures for Tikkurila Group; the author participated in this team. The team produced a crisis management manual on the basis of a proven model from another company, taking into account Tikkurila's risks, stakeholders, company structure and resources. Implementation was planned and partially carried out during the time observed.

The development and authoring process was monitored and described, especially solving the arising questions like culture differences and identifying a crisis. The resulting manual and other procedures were compared to the identified elements of good crisis management. Theoretically, all elements were in place. However, at the time of writing, the implementation phase is still ongoing. It would have been interesting to follow through the whole process and assess its effectiveness. The author will observe the process closely and adapt possible improvement suggestions timely.

Keywords: crisis management, crisis communication

Contents

1 Introduction

This work includes designing crisis management procedures for Tikkurila Group, and making an implementation, follow-up and audit plan for them. The work requires co-operation with group communications, company management and local safety responsible persons. During the process there will be many questions to decide. One purpose of this work is to observe this process and reflect on the way these questions are identified and handled.

2 Background

The Tikkurila Group has separated from the Kemira Group and has been listed in the Helsinki Stock Exchange 26th of March 2010.

While Tikkurila Group was a part of Kemira, it was understood that the Kemira crisis management procedures would apply also for Tikkurila Group. However, the Kemira procedures and instructions have been quite distant and unfamiliar to Tikkurila managers and personnel. Also, there have been many changes in the Tikkurila organization during 2010, and any previously agreed information routes must be renewed.

The different sites of Tikkurila have varying levels of crisis management procedures and preparedness. These have been drawn up to meet local requirements and do not include informing the Group management.

Therefore, there is a clear need to set up group level crisis management and to update the local plans to be in line with it.

Questions to be decided are e.g.:

- scope: for which types of crises are the procedures designed?
- what is required of good crisis management and communication?
- designing the Tikkurila procedures, justifications for them
- training plan
- exercise plan
- plan for continual maintaining, auditing and revision of the procedures

3 Requirements for Good Crisis Management

3.1. General

Crisis management is a part of risk management of a company. Crisis communication is an essential part of crisis management. The role of communication has increased recently due to the internet and social media, which are extremely quick and uncontrolled. Bad news or even just misunderstandings can spread quickly and harm the reputation of a company.

Protecting the reputation means having a good reputation to start out with. A good reputation has to be earned. It is not enough just to be compliant with laws and regulations. Social acceptance is also needed. It is a result of corporate performance, launching innovations, inspiring work environment, management behavior, employee behavior etc. It is the result of long term systematic work, taking care of stakeholder relations (e.g. media and authorities). If the company has had a chance to define itself before anything happens, it is in a better position to get its messages across in a crisis situation. (Susanna Aaltonen, 2010)

Developing a crisis management plan is important, because without a plan a company might be paralyzed. No plan can cover every possible catastrophe that can happen, but a well thought-out crisis management plan provides direction to make better and faster decisions during a crisis. The ultimate goal of an effective crisis management program is never having to use it. (Reid, p. 171)

To be successful in crisis management and communication, the following is required:

1. Warning / follow-up processes
2. Competent crisis team
3. Procedures and tools
4. Knowing the stakeholders
5. Rehearsing, simulation

(Viestintätoimisto Pohjoisranta Oy web pages, extracted 13.7.2010)

3.2. Warning / follow-up processes

To be able to react to a crisis, mechanisms to identify and report it are needed. Basically, there are two types of crises: sudden and slowly developing. Sudden crises are easily identified. They are initiated by a sudden event, e.g. accident, fire, crime or customer claim. Slowly developing crises are more difficult to detect early on. Something may start small, smolder a long time, and overnight turn into a big issue. One purpose of crisis management is to detect issues before they turn into crises, and handle them while still small.

To help employees to understand what and when to report, crisis management manuals and instructions usually include definitions and examples of crises. This item is further developed in Appendix 2.

Media monitoring is also a good tool for following up events in the branch. A part of this can be done automatically using software, which scans electronic media by keywords like the company name and branch terminology. A part needs to be monitored by people. This may be one reason why many companies set up profiles in social media. This way they try to have some control on the discussions around the company.

3.3. Competent Crisis Team and Other Roles

To handle a crisis, a team is required. In determining the responsibilities for a crisis situation, it is important to consider business continuity. The resources needed for rescue and other acute activities should not be part of a crisis team, whose role is focused on decision-making and communication.

Members of a crisis team could be: (Waittinen and Reid):

- team leader
- personnel manager
- communications manager
- legal counsel
- safety manager
- secretary / team administrator

The roles of a crisis team must be planned and documented beforehand. Deputies must also be assigned. When needed, the team will call upon specialists.

The spokesperson is the company's external communicator to various audiences, primarily with news media. Reid (p. 22) advises against making the president the spokesperson, for many reasons. One important reason is that it is good to have an even higher person in store, in case there would be a need to override the previous messages.

Spokesmen must be prepared and trained for working with media.

3.4 Procedures and Tools

When a crisis is on, these factors are important for crisis communication:

Speed
Ethics: respect and compassion
Truthfulness
Credibility of the person doing the informing.

To enable this, different kinds of scenarios have to be identified beforehand and procedures planned for them. Useful tools on group level (from a list by Reid, p. 36):

- first-hour response checklist
- communication chart
- procedures for identified crises
- emergency procedures contact list
- stakeholders and their contact information
- tips on working with media
- company fact sheet, past emergencies, safety history
- foreign language expertise

Additionally, the practical details need to be planned (M. Waittinen, 2010):

- where will the crisis team meet
- what equipment do they need, how will that be arranged

The crisis communication activities towards the media must be dimensioned according to the seriousness of the crisis. Activities can be e.g. (Henriksson and Karhu, Kriisit ja viestintä, p. 52):

- be prepared to answer media questions
- limited info (internal, local, customer)
- national press release
- press meeting (local or national)
- international press release
- regular press info meetings
- setting up a press center

It is possible to prepare tools for these, e.g. press release examples or a checklist for organizing a press conference.

3.5. Knowing the stakeholders

A crisis situation will have many audiences. There are legal requirements on informing the personnel and certain other stakeholders. Additionally, many others will want information, even out of mere curiosity.

In all crises, the personnel is the most important stakeholder. Employees have a big part in how the company communicates externally. This is why it is important to keep the employees informed on events and on their effects on the company. It is about their jobs, safety and future. (Henriksson and Karhu, Kriisit ja viestintä, p. 43)

A listed company will also have to inform its owners about events that may affect the value of the company. Other possible stakeholders are customers, suppliers, neighbors, authorities, competitors, insurance companies, employee organizations, next of kin, etc. It is important to identify the stakeholders and include them in the scenario procedures.

3.6 Rehearsing, simulation

When planning training, it is useful to consider that people remember a part of what they have been taught, not everything. The part is the bigger the more active they are during the training. The following list gives learning methods in order of activity level. (Reid, p. 139):

- reading
- hearing words
- looking at pictures
- watching a movie
- looking at an exhibit
- watching a demonstration
- seeing it done on location
- participating in a discussion
- giving a talk
- doing a dramatic presentation
- simulating the real experience
- doing the real thing

The lower down on the list a method is, the more people remember after the training.

It is commonly understood, that emergency procedures need to be rehearsed in practice. Spokespersons need to be trained for media contacts, and the crisis team needs to train different scenarios.

4 Setting up Crisis Management Procedures for Tikkurila Group

4.1 Project Group

Setting up crisis management should be done by a project group, which consists of a core team, which invites specialists in when needed. To ensure coverage, level and quality of work, diversity is recommended. Skoglund (p. 20) even considers it important that both men and women are represented, because they fill in on each other on what reactions could be anticipated from different interest group members and what is considered ethical.

A project group was set up for the work. The members were:

Chief Financial Officer
Manager, Internal Communications
Director, External Communications
Risk Manager

The main criteria for setting up the group were responsibility and experience. The CFO is responsible for the Corporate Office, which includes communications. He also had previous experience of setting up crisis communications for another company. The Risk Manager had conducted a risk assessment of the main risks of Tikkurila group, where the necessity of having good crisis communication was identified and delegated for her to co-ordinate. The communications personnel were included because of their important role in crisis communication, and to write and produce the guidelines.

Diversity was not a criterion, but the members had a varying level of Tikkurila experience, from 25 years to a few months. Both genders were represented. All group members were from the corporate head office.

4.2 Work Process

Ideally, setting up crisis management has five process stages: (Skoglund, 20)
1. Identification of risks and threats
2. Consequence analyses of the risks and threats
3. Strategy, resources and organization
4. Implementation - training
5. Continual follow-up and learning process

In practice, the work did not progress in this order. Rather, the stages were:
1. Find a good example of a crisis plan/manual and use it as a basis for creating a similar document for your own company.
2. Take into account the previously identified risks and threats. These appeared to well understood by the project group.
3. Define the persons involved and create a communications list or diagram.
4. Create the plan, get comments from all necessary people and organs (people mentioned in the plan, risk management steering group, audit committee, management team), get approval and publish the plan
5. Create procedures for identified scenarios and other more detailed instructions
6. Implementation: training, rehearsing
7. Follow-up

The work was started in May 2010 and the draft was ready for commenting in July. Comments were asked from crisis team members, top management, business unit managers, process managers, communications, personnel managers, site managers and HSE & security personnel. Some changes were made after comments.

The publishing was planned for November, trainings for January.

4.3 Questions / Decisions during the Process:

The first question was, whether we are making a crisis management manual or a crisis communication manual. The project team decided on emphasizing the communication part, due to the following reasons:

- all sites already have emergency preparedness and rescue plans for the events of fire, accidents, chemical leaks and other physical events, which can easily be identified as crises
- other crises are more difficult to detect, understand or handle - and here the difficulty is particularly in communication: who should be informed, when, by whom and how

It is easy to make a crisis plan. It is also straightforward follow it when it is known, that there is a crisis. The difficult and most important question is **how to make sure the personnel can identify a crisis at an early stage**. All crisis communication plans include a definition and examples of crises, to help to identify a crisis when it is at hand or just starting to develop. There is long experience of reporting HSE (Health, Safety, Environment) related incidents, but not much about reputation issues. It was realized that crises are definitely not understood in the same way in the Group, so special attention had to be given to this issue. To help identification, examples of possible crises were written in the manual.

Another important question was how to handle **sensitive crises**, like frauds or other crime committed by own personnel, or a threatening situation to a member of the personnel.
In sensitive crises, it will be decided case by case, when and how to go public. There have been some cases of persons who have been caught for a fraud, and they have been dismissed immediately. In these cases only the local personnel and top management have been informed.

Usually crisis management manuals include detailed plans for chosen crisis scenarios. It was discussed, whether a group level manual should include such scenarios. The project group decided to require that certain scenarios are included in the local crisis manuals (e.g. fire, major accident), and not in the group manual. On group level, the necessary instructions would be designed in the training phase, which would be led by an external trainer.

4.4 Cultural differences

In designing the manual, culture differences inside the group presented challenges:

East/West:

Generally, the East European culture is such that crises are kept secret, if possible. There are several reasons to this: the culture of finding the guilty one, punishment, excessive bureaucracy in case of an accident and corruption. In the other extreme, in Sweden, the communication is very open. It was recognized that there is a need for a change in organizational culture. All employees must be encouraged to report to the management any activity that could damage the reputation or cause an accident or other hazard. If the company´s own management does not know the truth about a crisis, it could lead to a quick worsening of the situation. To make reporting about these cases easier, two email addresses were set up:

- one email address for crises, this goes to the crisis core team
- another for code of conduct breaches, this goes to the group lawyer and audit committee

Local vs. Group:

As nearly all sites have formerly been independent, they have strong local cultures and no routines for informing the group management. They may see serving local media and other local interest groups sufficient. Also they may suffer from the "head office syndrome", i.e. there may be reluctant to adopt instructions designed at the head office or elsewhere. This has to be taken into account by informing and involving people and asking for their comments early in the process. Everyone must understand that Tikkurila is a group and the whole group is affected by local issues anywhere. The local crisis plans must include a step of informing the group management.

On the other hand, when a crisis is on in one location, it should be handled as local as long as possible. E.g. choice of a spokesman is a strong signal of how serious the crisis is. Local spokesmen will be used whenever possible.

Private vs. listed company:
Being a listed company is new to the whole Group. (Actually, the Group has belonged to a listed company, Kemira, but little of the effects were seen at that time, since all reporting was done by Kemira.) This has brought on the disclosure requirements for listed companies. All information that may have a material effect on the value of the company must be disclosed without undue delay (Finnish Securities Market Act 1989/495).

4.5 Tikkurila Solutions for the Basic Elements of Crisis Management.

4.5.1 Warning / follow-up processes

Tikkurila follows up the media through a media monitoring service, provided by Cision, and by Business Intelligence portal by Global Intelligence Alliance.

The media monitoring service looks for the word Tikkurila and other agreed keywords in articles. Cision's personnel read the articles, stamp them with attributes (e.g. positive/neutral/negative) and lift them onto the intranet front page for Tikkurila personnel to read. The Business Intelligence portal works in a similar way, but provides news also on competitors, markets and trends.

Additionally, in special cases the social media is monitored manually by Tikkurila's own personnel.

To ensure social acceptance, Tikkurila has documented and published a Code of Conduct, and it is required that everyone adheres to it. The Code of Conduct is available in the intranet in English and the main languages of every country where Tikkurila operates. Training has been extensive. If someone observes a breach, they may report through their line management, or if that is a problem, through an email address, which goes to the company lawyer and audit committee.

Much of the warnings come directly from personnel through the line management. E.g. quality complaints, neighbor concerns, production upsets, delivery problems, accidents, incidents, audit non-conformances and such have their own procedures. These should cover much of the events, which can occur or develop quickly. Slow events may be more difficult to capture.

Sometimes early warnings come directly from external sources, like financial auditors, authorities, branch organizations, trade unions or competitors. Having good contacts and relations to these enables getting information early.

4.5.2 Competent crisis team

The Group Crisis Team was determined on the basis of responsibilities. The following people were named:

Core team:

- CEO, head of crisis team
- Chief Financial Officer, crisis team coordinator
- Group Vice President, Communications & IR, crisis team coordinator

Other members called in if needed:

- Group Vice President, Human Resources

Risk Manager
Group Vice President Supply Chain Management
Group Vice President, Group Marketing & Brand
Group Vice President, Legal, internal advisor

In addition, internal and external specialists are consulted or involved as needed.

4.5.3 Procedures and tools

The Crisis Management Manual contents are described briefly in the following.

1. *INTRODUCTION*
   - includes motivation, objectives and requirements for crisis management

2. *PRINCIPLES OF CRISIS MANAGEMENT*
   - defines crisis
   - stresses the importance of identifying risks and planning pre-emptive measures
   - lays down the principles of crisis communication: quick, open, honest, proactive, relevant and consistent

3. *IDENTIFICATION OF CRISIS*
   - divides the different types of crisis by group vs. lower level, and major vs. minor, giving examples

4. *CRISIS ORGANIZATION*
   - defines the group-level crisis team
   - gives a contact chart on who should contact whom

5. *ROLES AND RESPONSIBILITIES OF CRISIS TEAMS*
   5.1. Before the crisis – preparing for the crisis

- describes how to prepare in advance for a crisis
- describes how to monitor issues and to handle them while they are still small

5.2. When the crisis is on – managing the crisis

- describes the communication, logging and follow-up activities during the crisis

5.3. When the crisis is over – lessons learnt

- describes the analysis, reporting and corrective actions after a crisis

6. GUIDELINES

6.1. Crisis communications with target groups

- describes collecting facts, identifying target groups, writing key messages, identifying spokespersons, choosing the channels and working with media

6.2. Guidelines for spokespersons

- gives tips for the spokespersons.

6.3. Guidelines for employees

- gives general instructions on how to inform about an encountered or assumed crisis situation and what to do when in danger

The Crisis Communication Manual is a group level guide. It is aimed to enable Tikkurila to deal promptly and respond effectively to group-level crisis events and to local events with the potential to develop into group-level issues. As the manual is targeted to managers and communication personnel, very little instructions for employees were included. These will have to be a part of the local plans, in local languages.

At Tikkurila, the Swedish and Finnish sites already had a crisis communication plan. It was recognized that local plans are necessary and cannot be replaced by a group level plan. Local authorities and media may have to be informed, and people need instructions in their own languages. The main change to local plans was to introduce a step for **informing the group crisis team**.

Sites without a crisis plan were obligated to make one.

Procedures for identified crisis scenarios were planned to be developed after the manual. Certain concrete items will be agreed or acquired: a meeting place for the crisis team, spare mobile phones with prepaid cards and folders with paper prints of all instructions in case the internet is down during the crisis.

4.5.4 Knowing the stakeholders

In the crisis management manual, pre-crisis actions are e.g.:

- Keep up relations to different stakeholders and update information regularly
- Create media contacts, update and strengthen them in normal day-to-day situations
- Prepare and update group-level and local basic crisis communication packages (models, holding statements, “desk-top statements” etc.)
- Prepare a comprehensive list of internal and external target groups with immediate need of information.

The stakeholders are listed as follows:

Internal

- Crisis team(s)
- Top and local management
- Employees

- Persons responsible for communications

External

- Officials (police, fire department)
- Families
- Media (national, regional, local)
- Stock exchanges (shareholders, investors)
- Customers, subcontractors and other partners
- Other interest groups (inhabitants, neighboring properties, parties suffering direct damage, like owners of land or property etc.)
- Insurance companies
- Public audience

Different target groups should be handled separately. Decision what to communicate, to whom and in what order is always made case by case depending on the crisis situation.

4.5.5 Rehearsing, simulation

See next chapter "Implementation plan".

5 Implementation plan

5.1 Implementation of the Crisis Management Manual and Guidelines

The implementation included publishing the Crisis Management Manual in the intranet, and puffing it with a group level campaign. The campaign includes:

- publishing news about the manual in the intranet
- publishing a presentation, which can be used in company meetings
- sending direct emails to everyone involved in the commenting stage

- presenting the key points in the management team, business unit meetings and supply chain meetings
- training and rehearsing (see next chapter)

The time of publishing had to be carefully considered, since there were numerous new policies, procedures and guidelines being published with short intervals. People were suffering from too much information. Also, there were other duties, like the quarterly reporting. The publication was set to be after the Q3 reporting in late October, and commenting time was given to mid-November. In December, training invitations were sent out for the trainings in January.

5.2 Training

The training plan was as follows:

1. Crisis management briefing for Communications & HSE network: in small groups (per business unit) by video conference. Trainers: risk manager and communications manager.

   The briefings were held in English and they took a good hour each. The local personnel were assigned the task of making local crisis management instructions, if they had none. Group communications promised assistance in the form of examples and templates.

2. Group-level kick-off: face-to-face training for key persons (top management and group-level crisis team, spokespersons). Trainers: external trainer.

   As this training was given at the headquarters in Vantaa, the Vantaa communications and HSE personnel were invited as well. The training took three hours, and the feedback was very good.

3. Media training for spokespersons by external trainer.

   Not yet carried out at the time of writing.

4. Group-level rehearsals of chosen scenarios, which escalate during the training. External trainer.

Not yet carried out at the time of writing.

After the implementation is over, a plan will be made for maintaining the preparedness. This will take into account the target groups, training and rehearsing intervals and contents.

5.3 Local Crisis Management Guidelines

Group communications support making local crisis management guidelines by setting timetable, minimum requirements and example material.

All production sites already have emergency plans for possible accidents, fires, chemical releases and other identified accident risks. Ten of the eleven production sites have a certified Quality management system according to ISO 9001, four sites have environmental system certificates (ISO 14001) and two have Occupational Health and Safety system certificates (OHSAS 18001).

Now also other sites, like warehouses, will be required to make such plans, if they don't have any.

The local crisis management guidelines must be a part of local HSEQ management system documentation, so they are subject to approval, review, updating, distribution and auditing procedures.

Local training and rehearsing plans must be made or reviewed against the revised instructions. In making these, the site size and type, as well as locally possible crisis scenarios must be taken into account.

The responsibility for the local crisis management guidelines lies with the local line management, but usually they will let the local HSE and communications people do the actual writing and training.

5.4 Follow-up and auditing plan

Group communications & Group HSE follow up that local crisis communication plans are done, trained and rehearsed. A time table will be made together with the local personnel, and updates on the situation will be requested regularly. Progress will be reported along with the regular risk reporting to the Audit Committee.

Group HSE audits also follow up the progress and later the maintenance of the crisis management system.

Local quality and HSE audits, both internal and external, as well as some authority inspections, will also be a part of the follow up. The findings of these audits are reported to Group HSE.

6 Conclusions

The work process produced a usable group level crisis management manual, which was focused on communication.

During the process, it became clear that culture differences inside the Group will be a challenge in both understanding crises or communicating about them. This will require a great deal of work in the form of trainings, rehearsals, monitoring the development of local instructions and audits.

It would have been interesting to observe the implementation phase further, but at the time of writing the implementation is still ongoing.

7 Summary

The purpose of this work was to design crisis management procedures for Tikkurila Group, and making an implementation, follow-up and audit plan for them. Another purpose was to observe this process and reflect on how different arising questions were identified and handled.

The crisis management manual was produced by a team, using a proven model from another company as an example. In the work, the previously identified risks, Tikkurila's stakeholders, company structure, resources etc. were taken into account.

Some interesting questions came up.

There are culture differences between the different countries where the company operates. One main difference is the degree of openness. It was feared that not all beginning crises will come to the management attention timely. Therefore, a possibility to report to the crisis team by email was set up.

Another question was how to help the personnel to identify a situation, which could escalate to crisis. In the manual and the accompanying training material, a great deal of attention was given to identifying such issues. HSE issues were familiar to the employees, but brand protection is newer thinking. Here the Code of Conduct and the absolute requirement to adhere to it is the starting point.

At the time of writing, the crisis management manual is in the implementation phase. It would have been interesting to be able to report how the manual helped in the exercises. The author will observe the process closely and adapt possible improvement suggestions timely.

It remains to be seen, how the procedures work in a true situation. However, there is good reason to expect that it will help very much compared to not having one. Also, it was designed according to the principles of good crisis management, available from literature and examples from other companies. The ultimate goal of having a crisis management manual is never having to use it.

8 Literature and Source Material

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Attachments

Appendix 1. Description of Tikkurila Group

Appendix 2. Crisis Definitions and Different Types of Crises

Appendix 1. Description of Tikkurila Group

General

Tikkurila Oy was established on 14 August 1862 on the bank of the river Keravanjoki, in Vantaa, Finland. In the beginning it was a small oil press, manufacturing linseed oil and varnishes for painters' needs. Through acquisitions and growth it has become an international company for manufacture and marketing of paint. Tikkurila Oyj is currently in the process of being listed on NASDAQ OMX Helsinki Oy.

Tikkurila is the leading paint company in Finland, Sweden and Russia, as well as one of its sector’s leaders in the Baltic states. Tikkurila provides brand products to consumers, professional painters and industrial customers in approximately 40 countries. The product range includes decorative paints as well as coatings for the wood and metal industry.

In 2009 Tikkurila’s revenue totaled approximately EUR 530 million and the number of personnel was in average 3,750.

Strategy

According to its strategy, Tikkurila aims to be the leading paint company in the Nordic area and Eastern Europe, including Russia. From the beginning of 2010 Tikkurila has changed its organization and reporting structure to reflect the new geographic division and to improve its customer service and operational efficiency.

Tikkurila locations

Tikkurila has production units in 7 countries. Additionally, Tikkurila has 45 warehouses, of which 20 are greater than 1000 m2, and several sales offices. Tikkurila operates in a total of 18 countries.

Table 1. Tikkurila production units, no. of employees (2009 average) and HSEQ certificates

Country	City	Empl. Ave/09	ISO 9001	ISO 14001	ISO 18001	EMAS	RC
Estonia	Tallinn	80	x	x			x
Finland	Vantaa	850	x	x	x	x	x
Germany	Ansbach	40					
Poland	Debica	410	x	x	x		
Russia	St. Petersburg	880	x				
Russia	St. Petersburg	120	x				
Russia	Staryi Oskol	160	x				
Russia	St. Petersburg	110	x				
Russia	St. Petersburg	50	x				
Sweden	Stockholm&Nykvarn	330	x	x			
Ukraine	Kiev	120	x				
	sales & warehouses	600					
	Tikkurila Group	3750					

Research & Development

Tikkurila has Research and Development units in Vantaa, Stockholm, Sweden; Debica, Poland and St. Petersburg, Russia. At each production site, a site laboratory takes care of the localization of products. There are several Group-level functions at the Vantaa R&D center for coordinating research projects, for sharing special knowledge and for supporting all Tikkurila Group companies. These functions include R&D support for subsidiaries, analytical and microbiological services, product safety and information services.

Supply chain

The Tikkurila Group's Supply Chain function is responsible for supplying products and services for the various business units in an efficient way, on agreed service level and based on commonly agreed forecasts. Supply Chain includes Global Sourcing, demand planning, production and logistics.

Tikkurila Group's logistics in brief:

Total warehouse area: 92,000 m^2 (12 football fields)

Storage capacity: 82,000 pallet places (99 km when put one after the other)

Deliveries: 1,134 tons / day (63 full-load trucks)

Global Sourcing

Tikkurila Global Sourcing (GS) is part of the Supply Chain function. The key responsibilities of GS are material and service availability, and cost and inventory management.

The Global Sourcing is divided into teams according to raw material categories (RMC). Each RMC team has a business responsibility on the Tikkurila Group level covering all geographical areas, in which materials and services are used. RMC teams optimize Tikkurila's supplier and material portfolio from the point of view of R&D, production, logistics, marketing, sourcing and procurement, and that of the Tikkurila Group.

One of the main risks is that for some raw materials there is only one supplier. Work is ongoing to find alternative suppliers.

Production

Decorative paints are made in Finland, Sweden, Estonia, Russia, Poland, Germany and Ukraine. Industrial wood and metal coatings are produced in Finland, Poland and Russia. The production capacity is approximately 300 million liters/year. Approximately 60% of the total production and 70% of decorative paints are water-borne, the rest are solvent-borne.

Making paint is a simple process of mixing. There are no chemical reactions involved. Raw materials are added into a dissolver, where they are mixed. Some products need grinding in a bead mill. The product is moved into a finishing tank, where it is adjusted to final quality. Some products are tinted. After this, the products go to filling and packing. (See picture 1.)

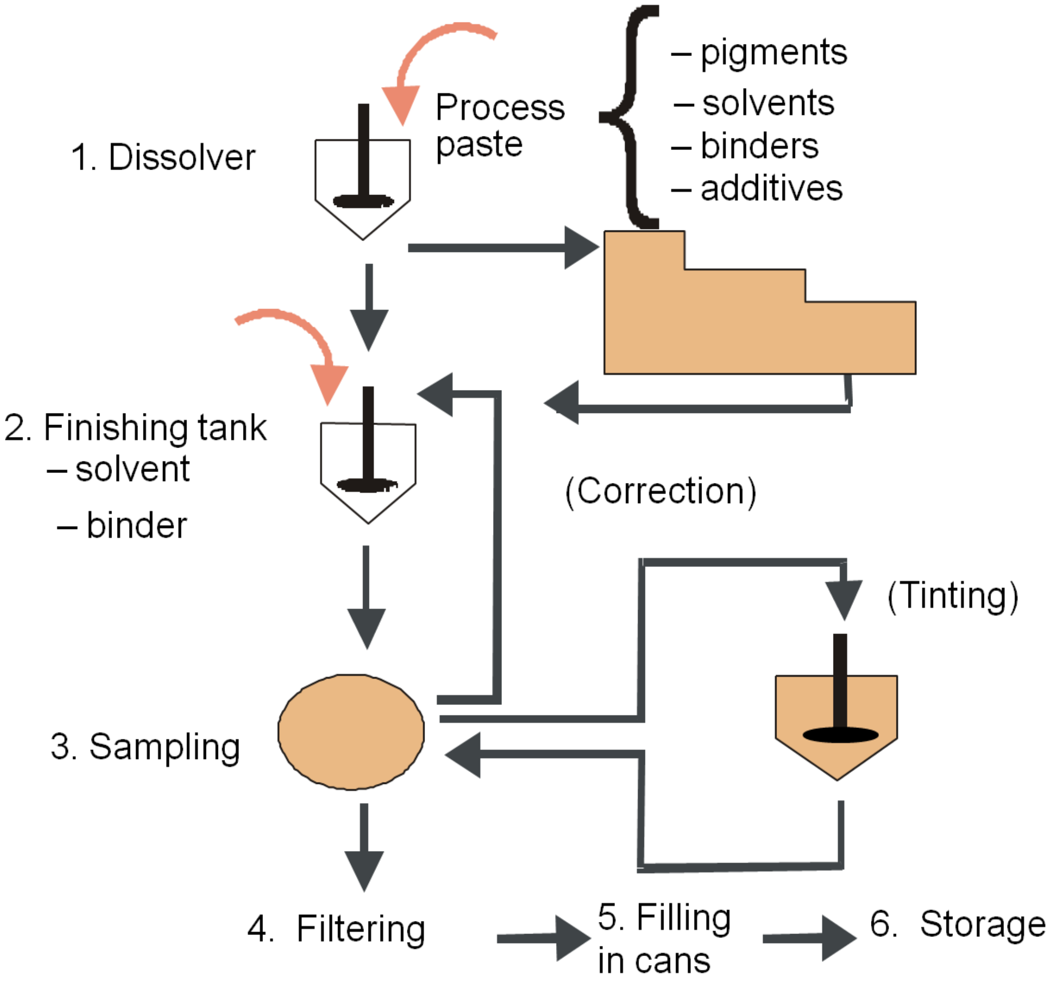
All plants have raw material storage areas, production facilities (paint production, filling lines, quality control laboratory) and a warehouse for finished products. Also there are technical rooms (e.g. for building HVAC, air compressors), maintenance facilities, dressing rooms and other social facilities, and offices. Additionally the Vantaa plant has a VOC incinerator for treating of solvent emissions, a waste water treatment plant for pre-treatment of washing water from production and a solvent regenerator for cleaning of dirty washing solvent.

Two of Tikkurila's plants have a resin plant, where different kinds of resins are produced for use in Tikkurila's own paints. The resin production involves an estherification reaction, which is endothermic.

The main risks to the environment are a fire or a chemical leak. To prevent these from happening, all sites have many precautions (of varying level). The Vantaa site has a factory fire brigade.

The main risks to employees arise from handling of chemicals and manual work, additionally on the resin plants there is handling of hot product samples.

An environmental due diligence audit has been carried out on all sites which have been bought. All production plants are regularly audited by Group HSE function, insurance company, local fire inspectors and other authorities. HSE statistics is collected regularly.



Picture 1. Paint production

On most sites, production works in one shift during the quiet season and in two shifts during the peak season. Many summer workers are employed.

Site security

The plants are of varying sizes, ages and levels of protection.

The Vantaa site has fencing, camera surveillance, access control and security service on site 24/7. Approximately the same level of security is on the Polish, Swedish and some of the Russian sites. Some plants operate on the same site with other companies, some have gates open during the day, some small sites do not have security personnel at all.

Appendix 2. Crisis Definitions and Different Types of Crises

Crisis definitions

1. a. A crucial or decisive point or situation; a turning point.
b. An unstable condition, as in political, social, or economic affairs, involving an impending abrupt or decisive change.
2. A sudden change in the course of a disease or fever, toward either improvement or deterioration.
3. An emotionally stressful event or traumatic change in a person's life.
4. A point in a story or drama when a conflict reaches its highest tension and must be resolved.
(The Free Dictionary at thefreedictionary.com, extracted 24.6.2010)

Critical event or point of decision which, if not handled in an appropriate and timely manner (or if not handled at all), may turn into a disaster or catastrophe (Business Dictionary at businessdictionary.com, extracted 24.6.2010)

A crisis (plural: "crises"; adjectival form: "critical") (from the Greek κρίσις) is any unstable and dangerous social situation regarding economic, military, personal, political, or societal affairs, especially one involving an impending abrupt change. (Wikipedia, extracted 24.6.2010)

Different Types of Crises

In all books about crisis management some kind of list of crises is given, usually categorized by some criteria.

The Finnish State Research Centre (VTT) uses a division of

external risks (market, society, crime, natural catastrophes)
internal risks (incl. logistics and infrastructure, research and development, production, personnel and economy)
risks the company poses to outsiders (product, environmental, major accidents, society)

Janine Reid uses a combination of causes, themes and effects to categorize crises:

natural disaster
operations
environmental accidents/liabilities
employee safety and health
labor relations
management issues
employee/management misconduct
government affairs

Karhu and Henriksson have a similar approach:

accidents
violence
personnel crises
economic crises
branch crises
publicity crises

A very different and interesting viewpoint is provided by a presentation, of which only a few slides were available, and the source is not known. The crises were categorized by the emotion it produces in people:

touching
terrifying
enviable / interesting

This is not elaborated further in the material. I would anticipate some difficulties in using this categorization. It can be argued that the emotional reaction depends very much on what a person gets to know about an event, whether he/she has or develops a relation to anyone involved, and what the emotional matureness of the person is.

A current example is the trapping of 33 mine workers in Chile, which was reported in so much detail and concentrating so much on the individuals, that it could be categorized more as touching than terrifying. Other similar or worse mining accidents the same year have not reached this status. E.g. in March 2010 at least 200 people were killed when a trench collapsed at a gold mine in Sierra Leone. (Thomson Reuters Association: AlertNet: Factbox - Some of the world's worst mining accidents, 17 Jun 2010, taken from internet 25.10.2010 at http://www.alertnet.org/thenews/newsdesk/LDE62I20Q.htm.) People hardly remember reading or hearing about this.

It can be seen that categorization can be done in many ways. There are many examples of the same crises being placed differently. For example, fire can be placed under "operations" (Janine Reid) or "accidents" (Henriksson and Karhu). Other possible classes could be "crime" (if intentionally started), "major hazard" (if big), "internal" or "terrifying".

The purpose of categorization is usually to help the company in structuring a checklist, which can be used to identify crises. Checklists are valuable tools for identification, but no checklist can cover everything. Therefore also free brainstorming from many viewpoints should be used when doing the identification. Possible viewpoints could be:

- interest groups or audience: what would they consider significant?
- business processes: what would stop or hamper them?
- the items to be protected: personnel, property, environment, information, reputation, operation - what could harm these?