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COMMENTARY

Crisis of the Week: Scandal Directs Bad Ending for Weinstein Co.

By Ben DiPietro

Oct 18, 2017 6:00 am ET

Harvey Weinstein poses after arriving at the 89th Academy Awards in Hollywood, Calif. on Feb. 26, 2017. PHOTO: REUTERS

This is a weekly commentary by external experts.

Weinstein Co. takes the crisis hot seat after the namesake and chief executive of the movie-production business, Harvey Weinstein, was accused of sexually harassing women for at least two decades. The company first announced Mr. Weinstein would take a leave of absence, then new allegations surfaced and the company said the leave was indefinite. As the allegations mounted, the company announced its board had voted to fire Mr. Weinstein, citing "new information about misconduct by Harvey Weinstein that has emerged in the past few days." Even after his firing, more women continued to speak out.

Mr. Weinstein, while still CEO, responded to the first story in the New York Times by apologizing for behavior that "has caused a lot of pain," adding he was "trying to do better." One of his attorneys denied "many of the accusations." Mr. Weinstein then put out a statement through an attorney that he was taking a leave of absence to "conquer my demons."

The experts break down how Weinstein Co. handled this crisis.

Andrea Bonime-Blanc, chief executive and founder, GEC Risk Advisory: "All of the parties to this drama were unprepared for the eruption of this scandal even though they shouldn't have been. First and foremost were the responses of Mr. Weinstein…these statements were ill-conceived, poorly timed, disingenuous and self-serving. His and his lawyer's defensive comments denying the accusations and claiming the improprieties were merely 'consensual' in the face of a mounting barrage of accusations ranging from harassment to rape quickly rang more than hollow.

"Mr. Weinstein's brother's and the board's actions were also random, disjointed and incoherent. First, Harvey was 'suspended.' Then, as the allegations mounted, several board members resigned. Then there were reports the remaining members of the board had voted to fire Harvey. The company itself did not handle any of this well, coming across as highly reactive, unprepared and disingenuous. A highly homogenous board of only men–all from the entertainment business, handpicked by the CEO–only served to deepen the crisis, as no one appeared to be competent or in charge.

"Given the pervasive and long-standing rumors about Mr. Weinstein's behaviors, the board was blind at best or negligent and complicit at worst in its lack of risk governance. And because of all this, the scandal appears to be yielding the worst possible outcome for a company: a fire sale. Lesson learned: Have a diverse and independent board that holds the CEO accountable for the risks that are strategic to the organization and have a well-rehearsed risk, crisis and PR plan in place before the scandal erupts."

Peter LaMotte, senior vice president, Chernoff Newman: "There are stark differences in the statements made by Harvey Weinstein compared to those of his former company. These differences are a prime example of the serious risk competing statements from multiple stakeholders pose during a time of crisis.

"First, typically an ousted or suspended CEO would be prevented or strongly encouraged away from issuing individual statements. Yet, Mr. Weinstein issued a hastily written apology combining both an admission of guilt and the partial placement of blame on the changing times. By contrast, the statement issued by Weinstein Co. the following day followed a well-worn path of a carefully worded public statement. It addressed the situation and the steps in progress to rectify a culture that would allow overt sexual harassment to exist. It attempted to distance the company from the individual actions of Mr. Weinstein.

"In measuring the two competing statements, there is a substantive risk Mr. Weinstein's personally issued statement would undercut the credibility of the Weinstein Co.'s official statement. Weinstein Co. said all the right things to show it addressed the issue, had empathy for the victims, and new leadership was in place to put the company on a better path forward. However, its recently discharged leader gave a less-contrite account and this made it harder to believe the new Weinstein Co. leaders should be absolved of any accountability."

Richard Levick, chairman and chief executive, Levick: "Current and former Weinstein Co. board members have some reason to be grateful for Harvey Weinstein's public performance in the aftermath of the Oct. 5 New York Times expose; after all, it completely overshadows their own reputational predicament–for now.

"By Oct. 6, one-third of the directors resigned after contentious debate over Weinstein's future. Specific questions still need to be answered. Why exactly did they resign? Why is the board all male? Why has it done nothing through decades of abusive behavior by its founder? The company must now at least address the need for systemic cultural change.

"We have a company that, though it churns out public entertainments, was apparently ill-prepared for public communications when it mattered most. Not that the crisis caught anyone by surprise. The company's limp response to a persistent stream of salacious disclosures suggests there was none of the essential 'red-teaming' that must be done at the outset of a crisis engagement. Red-teaming is a deep, independent investigation whose purpose is to unearth facts and develop a compelling sense of how the world will view the unfolding situation.

"Mr. Weinstein…when not blaming his behavior on the turbulent 1960s…is abjectly apologetic but angered enough by the alleged machinations of the New York Times [that his attorney said he plans] to sue the paper for $50 million. The lawsuit undermines what little credibility the apology might have had."

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