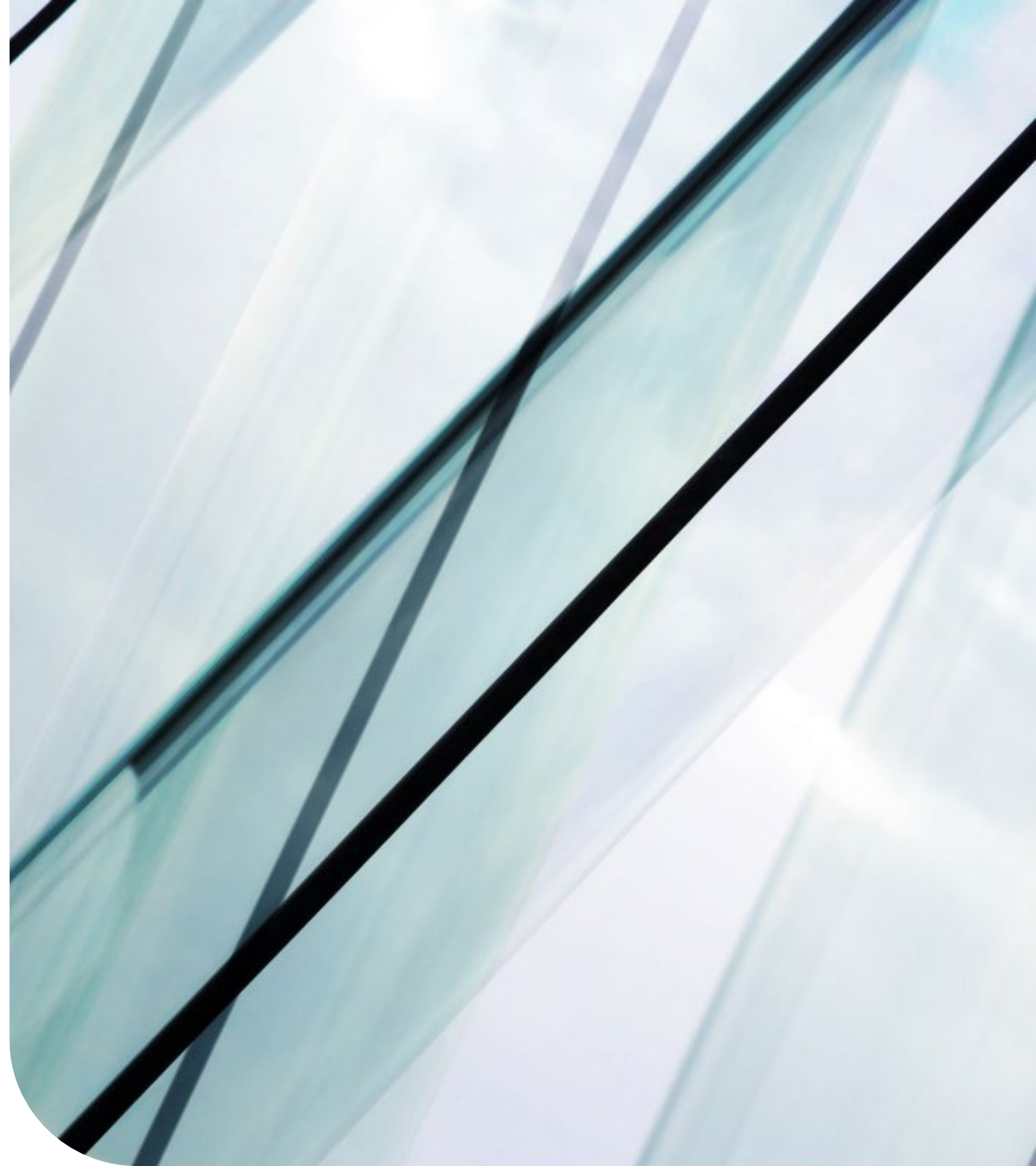


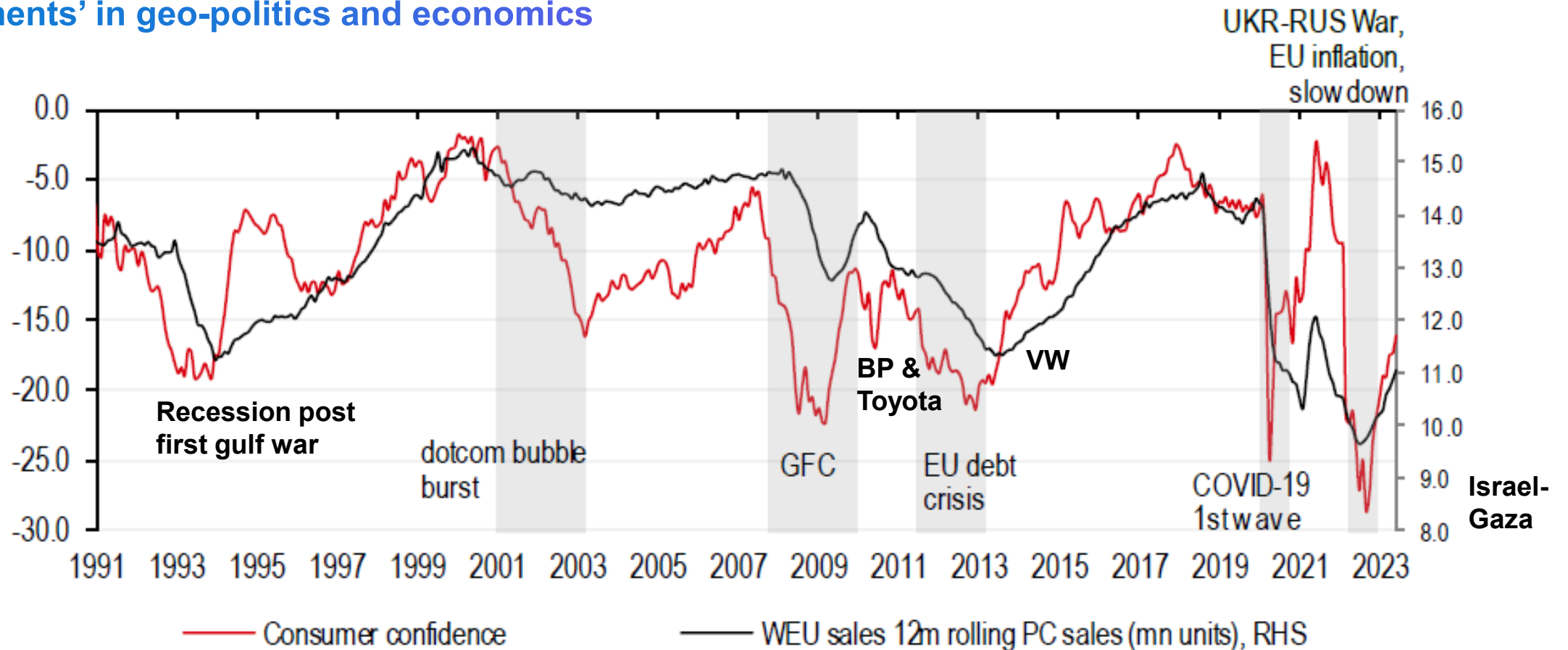
Managing Crises and Learning Lessons from Others

November 2023



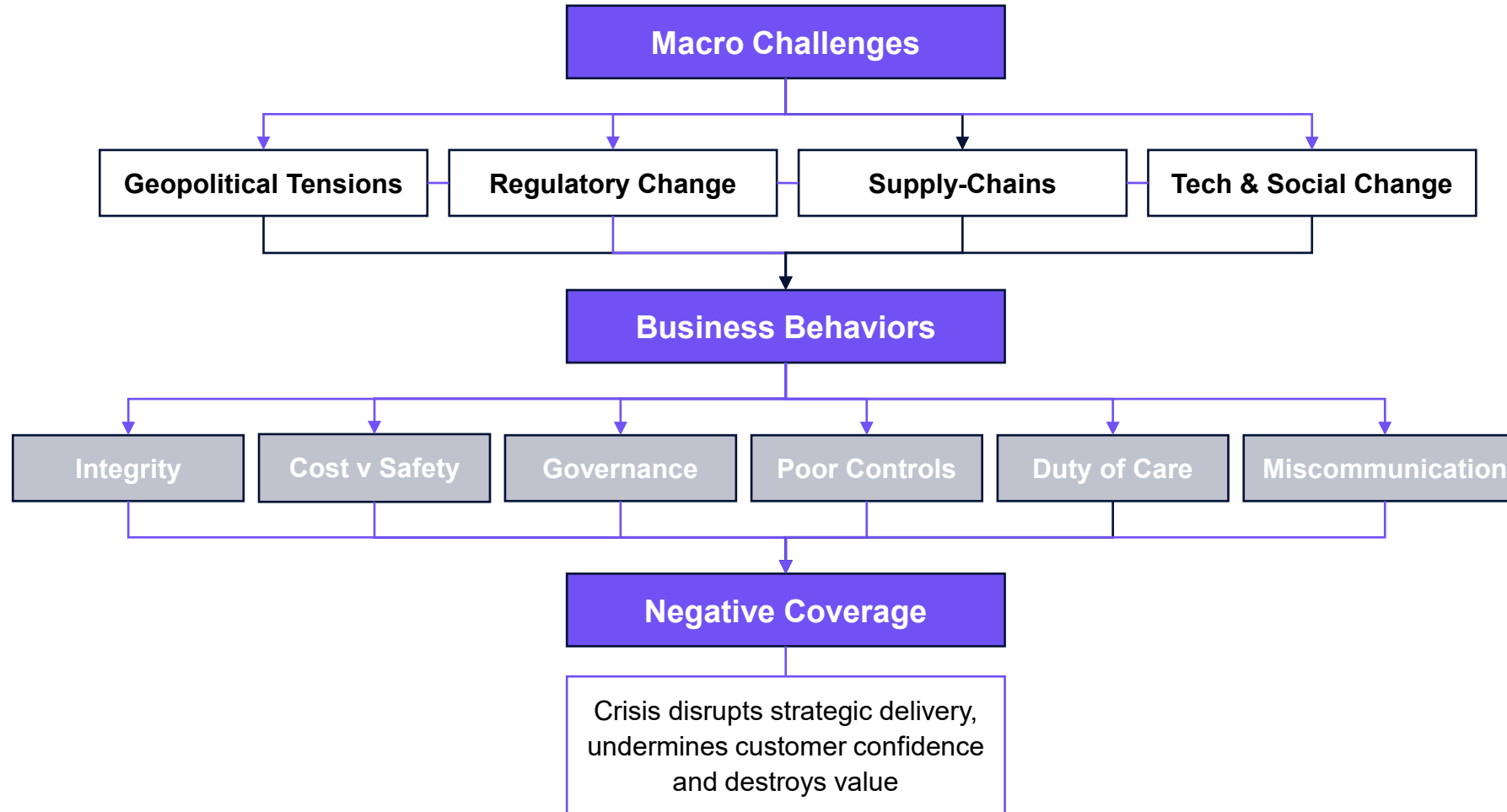
What drives crisis exposure – the anxiety cycle

Business exposure to crisis often tracks wider 'anxiety moments' in geo-politics and economics



Source: Refinitiv, HSBC Research

Areas of Crisis Vulnerability



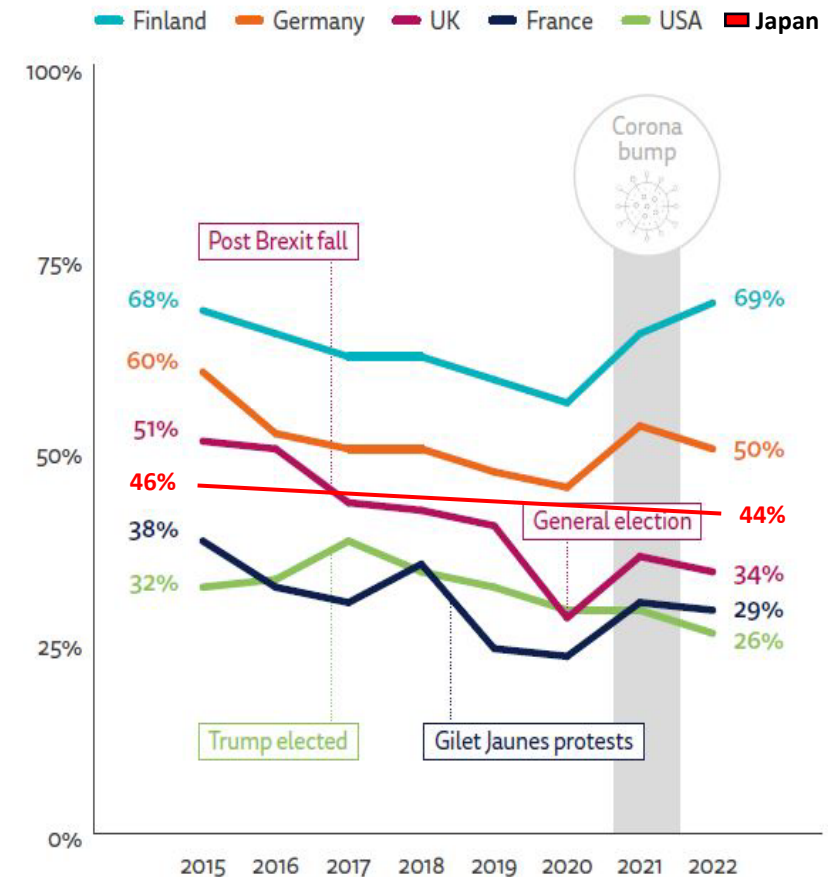
Brands adversely impacted by crises in recent years

Crises amplified by media behaviour & falling trust

- Blurring of lines between news and opinion
- Blending of news and advertising, sponsorship or other commercial relationships
- Problems and pitfalls inherent in pack journalism
- Issue of conflict and context
- Exaggerated tendency towards pessimism
- Growing media fascination with the bizarre, the perverse and pathological
- Social orthodoxy, or political correctness
- Media's short attention span

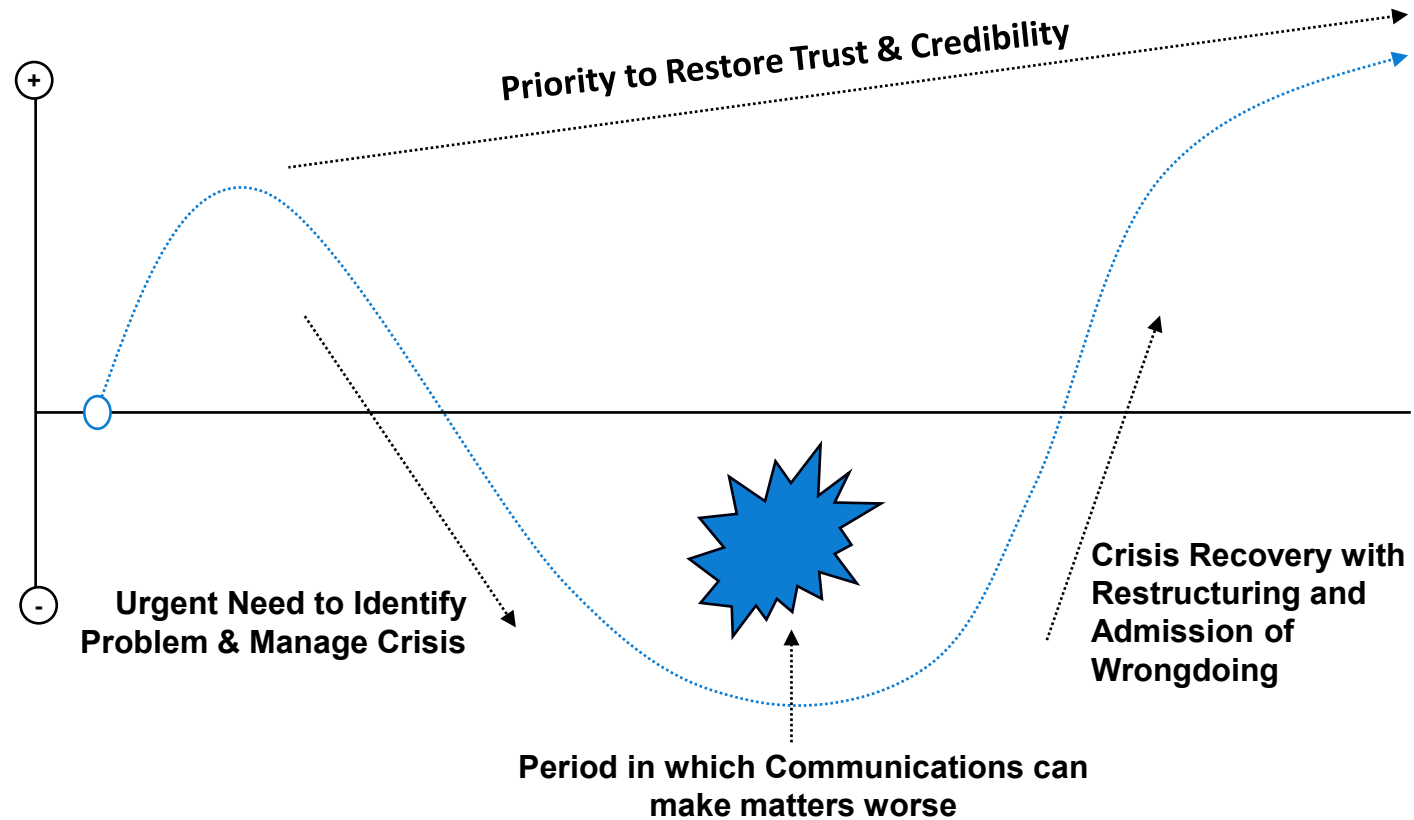
PROPORTION THAT TRUSTS MOST NEWS MOST OF THE TIME (2015-22) - SELECTED MARKETS



The Typical Crisis Cycle

In many cases, communications becomes part of the problem rather than the solution.

Crisis plans fail to address the problem; exacerbated by management 'DABDA'



Case-study: OEM crisis-cycle management plan

Phase	Media Focus	Risk	Opportunity
Issue leaks or recall announced	What? Why? How?	Loss of control of the story	Get on the front foot – communicate proactively
Company response/ actions announced	Can it be fixed?	Siege mentality in communications	Remediation actions exceed expectations
Customer stories come out	Who's to blame?	Lack of facts to counteract emotion	Company seen as sympathetic to consumer issues
Predict / speculate on impact on company	The damage?	Potential write downs and one-off costs	Rapid response to stabilize financial impact
Crisis overshadows other company news	Other news put in context of crisis	Media scrutiny intensifies	Engage with media to manage expectations
Features written in the aftermath	Can it happen again?	Company loses goodwill among multiple audiences	Cases studies on how Nissan learned lessons
Dust settles	DANGER ZONE	Competitors & enemies keep story going	Company fills info gap with own news flow
Longer term view taken	Performance of company going forward	Provide evidence of change, deliver on promises and overcome negative impacts of the crisis	

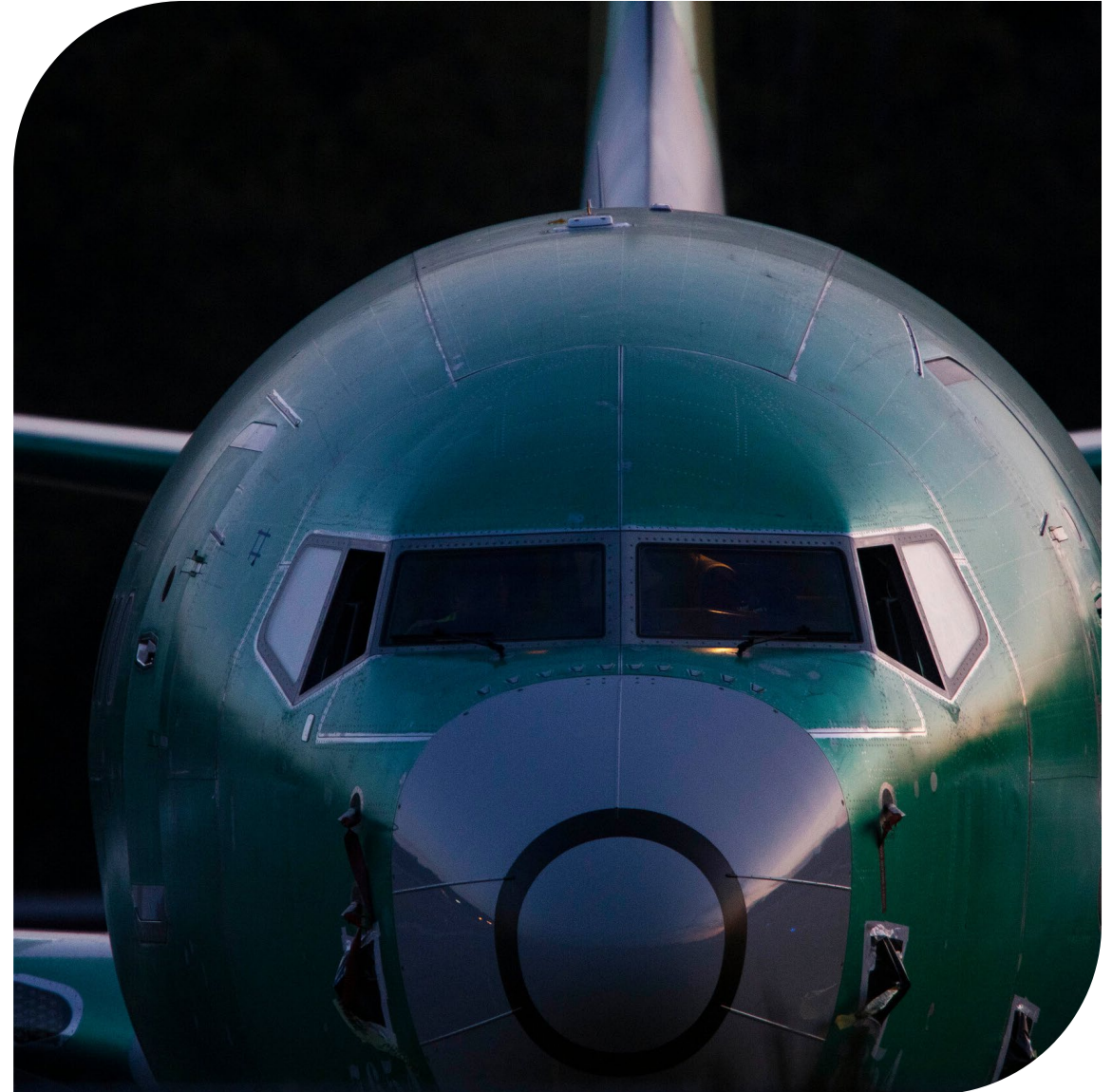
Common denominators in crisis response – Boeing case study

Crisis

- Under-resourcing of engineering and new product development
- Corners cut to develop competitor to new Airbus on old airframe
- 346 people killed in two crashes involving 737 Max in 2018/19
- Boeing deceived FAA about MCAS tech
- Aircraft grounded; production halted: company lost \$18.4bn in '19 and \$11.9bn in '20
- DoJ accuses Boeing of putting profit before safety

Response

- Company pays out \$2.5bn in settlement costs
- Dennis Muilenberg fired as CEO
- Max re-engineered and new systems introduced during 20-month grounding
- Special training for all pilots
- New reporting systems on regulations and fault finding
- Aircraft re-certified and airline deliveries resume



Common denominators in crisis response – Toyota case study

Crisis

- Company was cutting costs post 2008 financial crisis under new management
- Introduced electronic braking technology with insufficient testing
- Refused to believe link between fatalities and Toyota technology
- CEO summoned to testify before US congress – issues apology and admits safety lapses
- Defects and recalls cost more than \$5bn
- Comms becomes part of the story

Response

- Management committee formed to address quality and enhance reporting systems
- New customer first quality and safety systems introduced
- Communications moved from S&M reporting line to corporate planning; new risk management approach
- Internal council created to coordinate all future crisis response activity
- Major action plan developed to handle future areas of reputation risk



Common denominators in crisis response – VW case study

Crisis

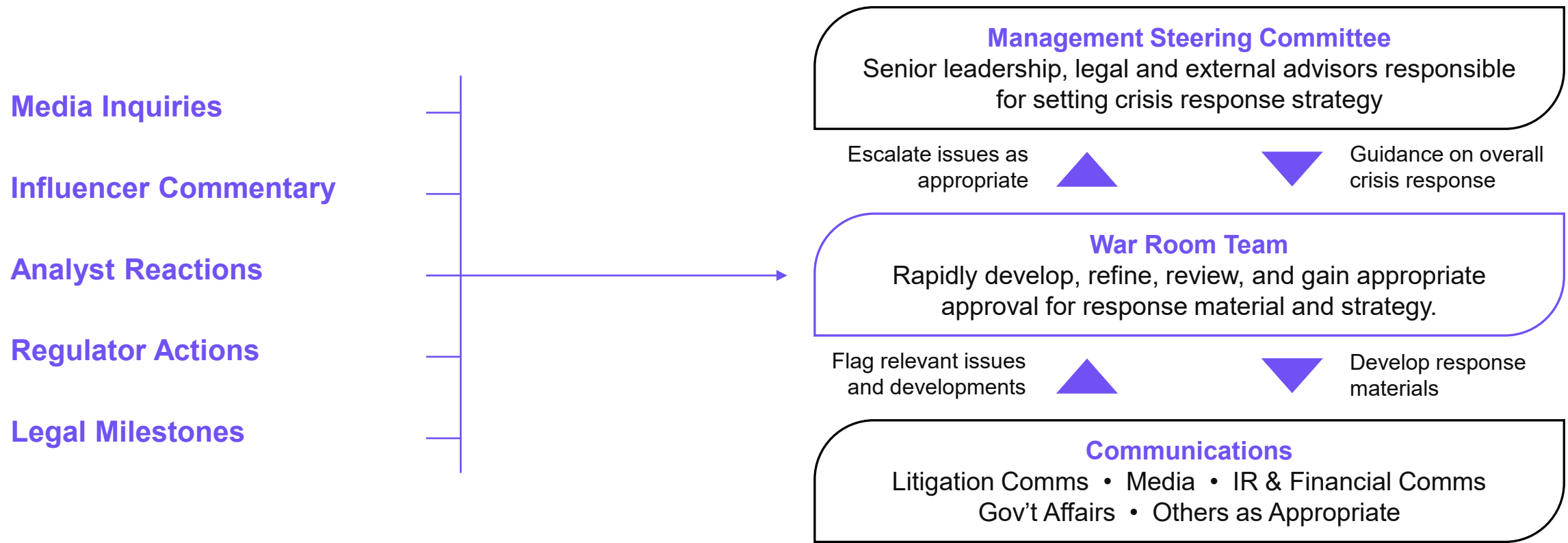
- EPA accuses VW of using defeat devices to alter diesel emissions test results
- After initial denials, VW admits installing devices and recalls 10m vehicles worldwide
- Liability to EPA put at \$18bn before class action lawsuits and US state fines; share price declines 40% in few weeks
- Winterkorn issues video apology and urges customers not to blame worldwide workforce

Response

- CEO charged in US with fraud and conspiracy; Audi boss convicted and jailed; Winterkorn resigns
- VW, Audi and other group brands pay out more than \$33bn in fines and settlements
- VW abandons diesel in US; prioritizes EVs; and implements new business structure
- Four stage campaign to restore trust: Replace, Redevelop, Restructure & Rebrand
- Decentralized group structure introduced



Case Study: War Room model at Fortune-500 company



Crisis-avoidance: Mitigating potential risks



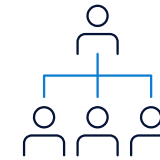
Securing Stakeholder Trust

- **Customers & Employees:** ensure they understand the company's commitment to change and buy into the transformation effort.
- **Investors & Analysts:** Tell the financial story so analysts, banks, credit rating agencies, and the financial media understand business strategy.
- **Partners and Others:** Create advocates among business partners



Financial Performance

- **Transform Cost Structure:** Demonstrate value over volume approach to performance.
- **Operational excellence:** Identify and execute immediate and strategic actions to enhance margins.
- **Develop Next-Gen Capabilities:** Redeploy savings and invest capital in accretive ideas and capabilities designed to transform the business.



Organisational Redesign

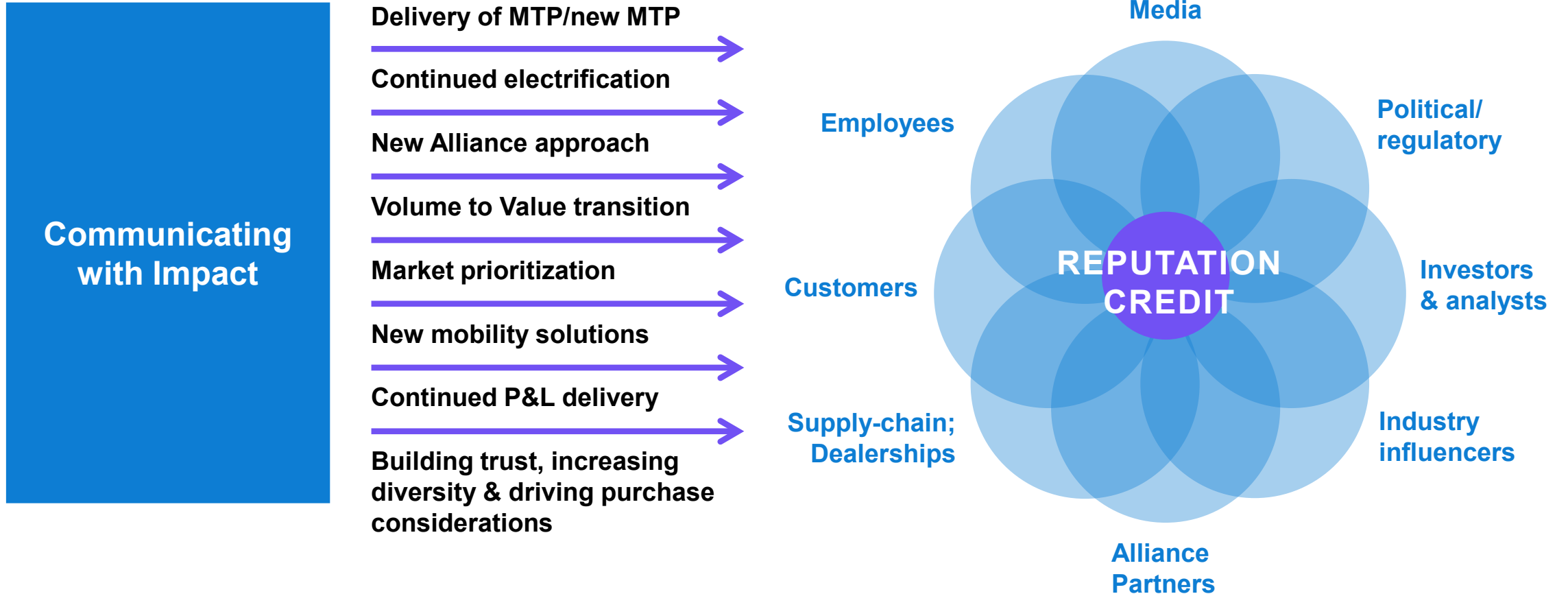
- **Customer Value Proposition:** Develop deep customer insights to foster brand engagement and loyalty.
- **Business Model:** Define and deliver organizational structures to support agile crisis response strategy.
- **Technology & Innovation:** Position enterprise to maximize ROI of investments in tech and innovation to achieve growth and profitability.

Where future crises may arise

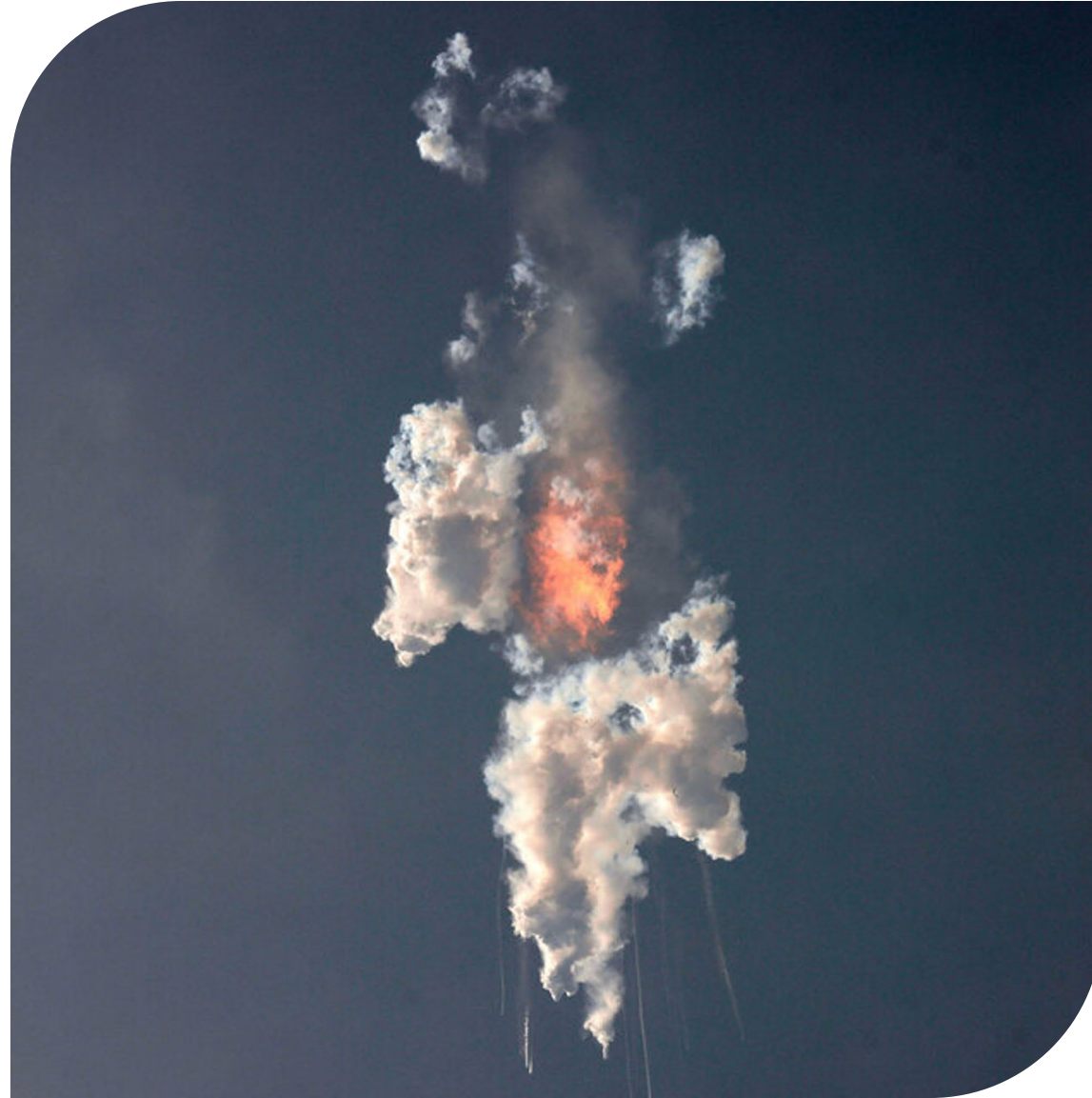
- Issues of corporate integrity and trust
- Alliance tensions/disputes
- Whistleblower revelations
- Product failings and recalls
- Supply chain misconduct
- Labor disputes
- Activism campaigns by shareholders, NGOs, employees, consumer groups etc
- Legal challenges/class actions
- Trade wars/sanctions
- Natural disasters/environmental accidents
- Collateral damage from industry misconduct at other brands



Mitigate potential risks by communicating consistently



Tell it how it is...



Thank You.