

BASIS POINTS

LITTLE THINGS THAT HELP YOUR BUSINESS GROW

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Welcome to Basis Points! Each month, Basis Points provides you tips and techniques that we've gleaned from a variety of sources to help better your business life. This month's issue focuses on "Crisis Management" - a particularly timely subject, we think, given the current and extraordinary turmoil in the world's financial markets.

Do You Have a Crisis Management Plan?

Steven Fink, author of "Crisis Management: Planning for the Inevitable", observes that executives confronted by sudden catastrophe are most unsettled by the element of surprise. "The savviest chief executive in the world often falls victim to a kind of paralysis when a crisis strikes."

When bad things happen, what should you do?

1. Have three discrete plans: an operations plan, a communication plan and a continuity or business recovery plan.

2. Identify and train spokespersons (it might be you!) and agree on:

- what your firm will say
- to whom you will say it
- how to deliver that message best

3. Communicate first with those who matter most: your colleagues and co-workers. It's important to remember that your internal audience might well be the most important.

4. Pay close attention to what's being said by all constituencies: employees, customers, traditional media and bloggers.

Source: Institute for Crisis Management Annual Report, March 2008

"I always tried to turn every disaster into an opportunity."

- John D. Rockefeller

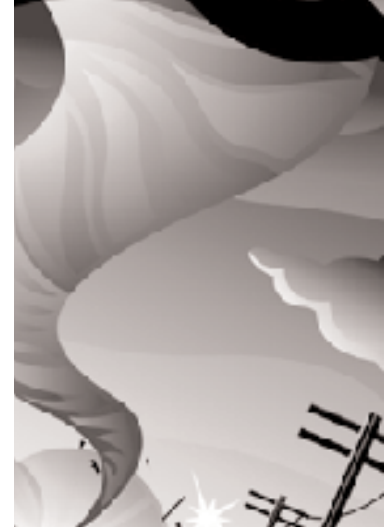
Catastrophes and Shareholder Value

One of the foremost recognized studies conducted on the impact of a catastrophe on the stock value of a corporation was published by two Oxford University researchers in 1997. The two performed a detailed study of the stock price (post-event) of organizations that had experienced a catastrophic event.

The findings revealed two types of businesses: those that, a year later, had recovered (and in some instances, exceeded) their original stock price; and those whose stock price was down (on average, 15%) one year after the crisis.

It's said that conflict builds character, but crisis defines it. Crisis situations place the spotlight directly on the firm's top management. If senior executives communicate well and investors/shareholders view the incident - no matter how unexpected and damaging - as having been managed intelligently, the impact on stock values is generally positive.

Source: The Impact of Catastrophes on Shareholder Value, Rory Knight and Deborah Pretty, 1997



What Defines a Crisis?

According to W. Timothy Coombs, Ph.D., a noted expert in crisis communications, a crisis is a "major, unpredictable event that threatens to harm an organization and its stakeholders". Dr. Coombs has stated that while crisis events are unpredictable, they should not be unexpected. While events can never be fully controlled, smart executives pre-plan strategic responses - using "what if" scenarios - to prepare for worst-case situations.

When the Smoke Finally Clears

When the crisis has subsided - and as you deem appropriate - continue to reach out to all those affected. Engaging with investors, clients and suppliers who might have been negatively impacted by this event is neither easy nor fun. But damage control doesn't end when the incident concludes.

The importance of rebuilding trust with stakeholders and earning anew their confidence can't be overlooked. Remember: your business reputation has a value that should never be put at undue risk.

Source: Diana Reid, President and Founder, Conscious Communications