




## **Phil Lambert**

**The Relationship of Crisis  
Communications and Shareholder  
Value**

INTERNATIONAL  
CRISIS & RISK  
COMMUNICATION  
CONFERENCE • 2013

# THE RELATIONSHIP OF CRISIS COMMUNICATIONS & SHAREHOLDER VALUE

What your organization  
needs to know

A woman with short brown hair, wearing a light-colored blazer over a striped shirt, is sitting at a desk and smiling at the camera. A laptop is open in front of her.

*Phil Lambert MBCI, CBCP  
President  
Ripcord*

## PHIL LAMBERT MBCI, CBCP

PRESIDENT & FOUNDER

- ✓ 19 years continuity leadership & planning experience
- ✓ Global Director of BC/DR/CM Programs for two Fortune 500 company's
- ✓ Innovative methodology, solutions & implementation

## RIPCØRD SOLUTIONS

- ✓ Rapid Continuity Program
- ✓ eLearning Training Design
- ✓ Consulting, Advisory, Outsourcing

Since Jan 2004

Celebrating our 9<sup>th</sup> year



## NO INVESTMENT ADVICE GIVEN

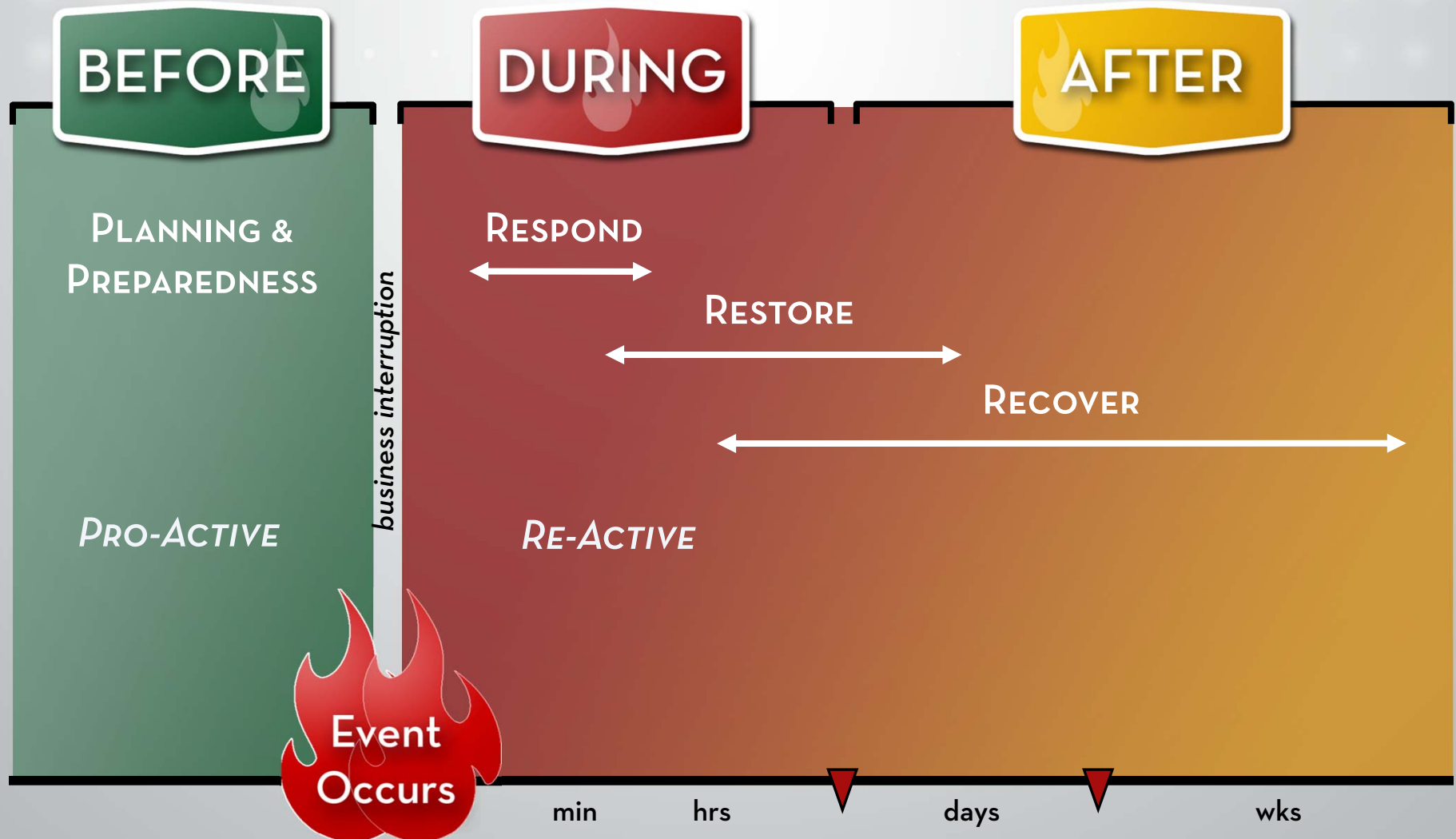
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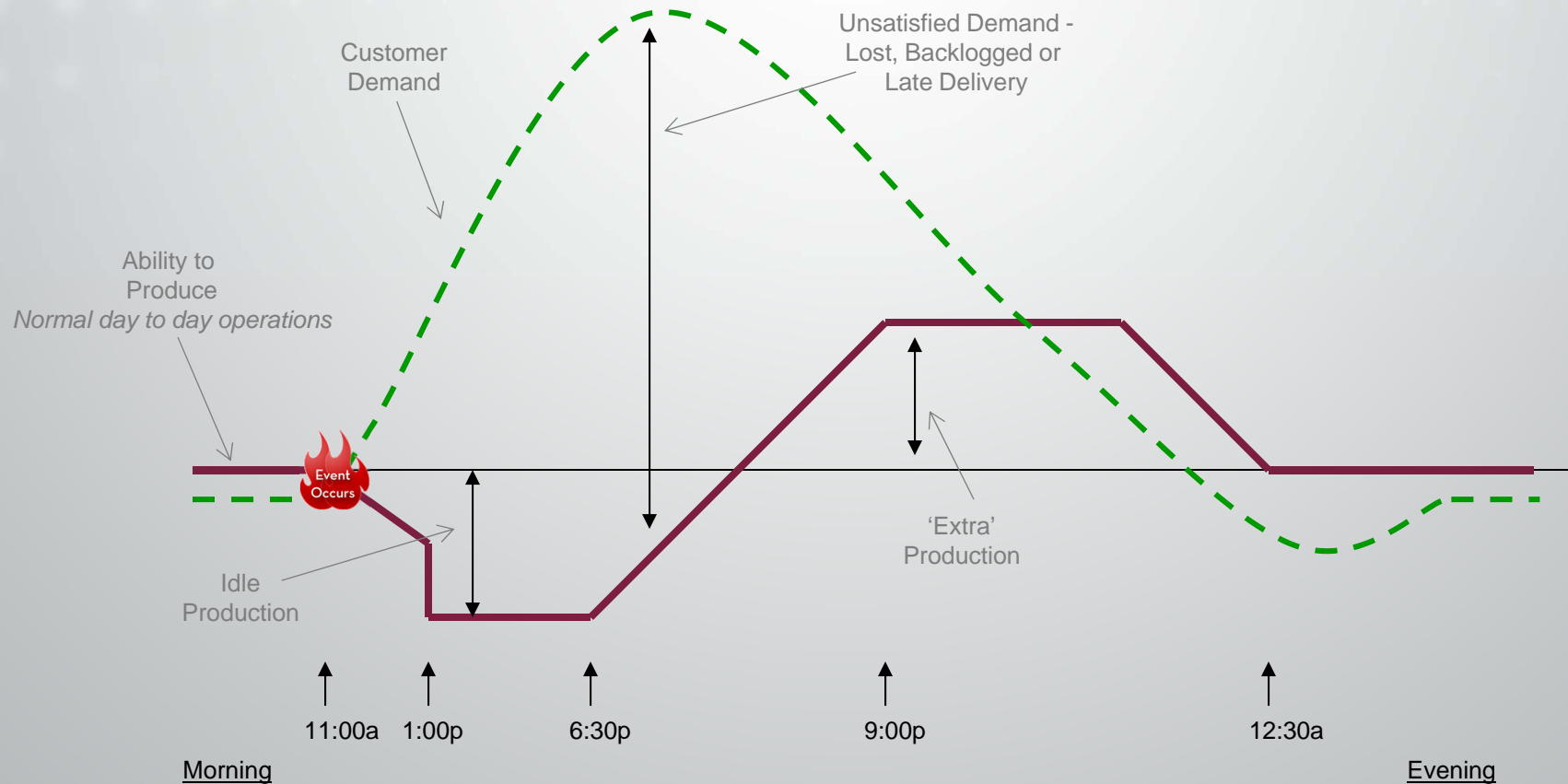
## SESSION OUTLINE:

- What is shareholder value
- When a threat becomes your reality
- Impacts of Catastrophes on Shareholder Value
- Snap shot of 3 companies
- Bottom Line
- 2 Keys to safeguard shareholder value
- Questions





# MAJOR INTERRUPTION / OUTAGE



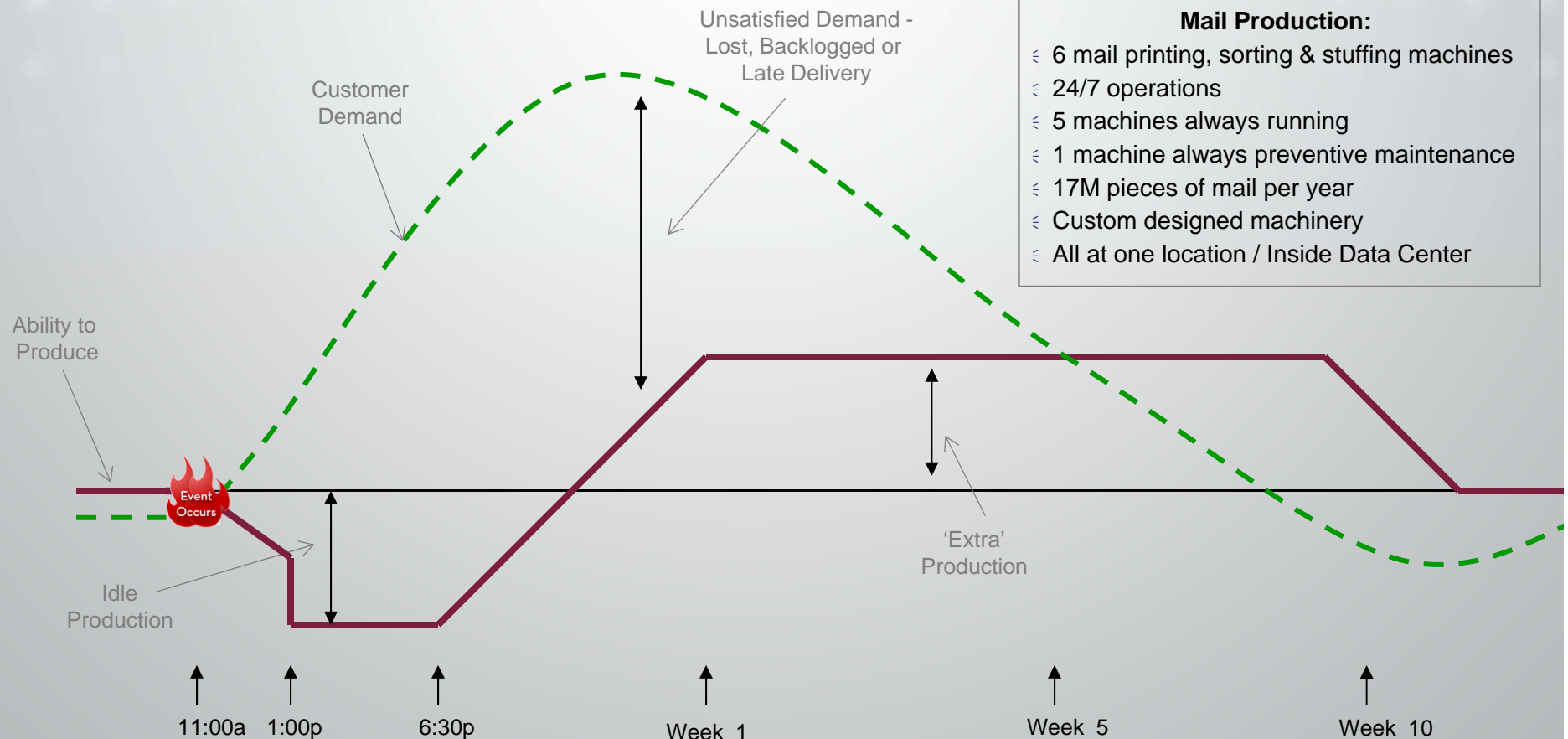


# ORGANIZATION'S MAIL ROOM OPERATIONS

*An insurance company*

## Mail Production:

- ⌄ 6 mail printing, sorting & stuffing machines
- ⌄ 24/7 operations
- ⌄ 5 machines always running
- ⌄ 1 machine always preventive maintenance
- ⌄ 17M pieces of mail per year
- ⌄ Custom designed machinery
- ⌄ All at one location / Inside Data Center





THE OXFORD EXECUTIVE RESEARCH BRIEFINGS

## The Impact of Catastrophes on Shareholder Value

Rory F. Knight & Deborah J. Pretty

A Research Report Sponsored by Sedgwick Group

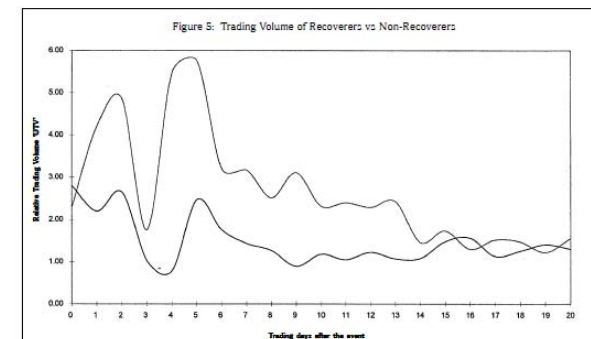
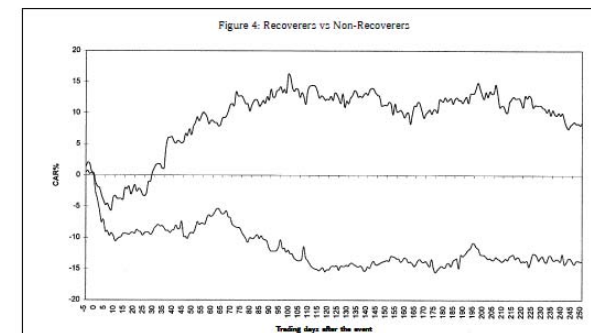
Templeton College, University of Oxford, Oxford OX1 5NY, England  
Tel +44 (0)1865 422500 Fax +44 (0)1865 422501 www.templeton.ox.ac.uk

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### 2. Why do some firms recover from loss in shareholder value better than others?

Interestingly, firms affected by catastrophes fall into two relatively distinct groups: recoverers and non-recoverers. The initial loss of shareholder value is approximately 5% on average for recoverers and about 11% for non-recoverers. Figure 4 shows that by the fiftieth trading day, the average cumulative

impact on shareholder value for the recoverers was 5% plus. So the net impact on shareholder value by this stage was actually positive. The non-recoverers remained more or less unchanged between days 5 and 50 but suffered a net negative cumulative impact of almost 15% up to one year after the catastrophe.

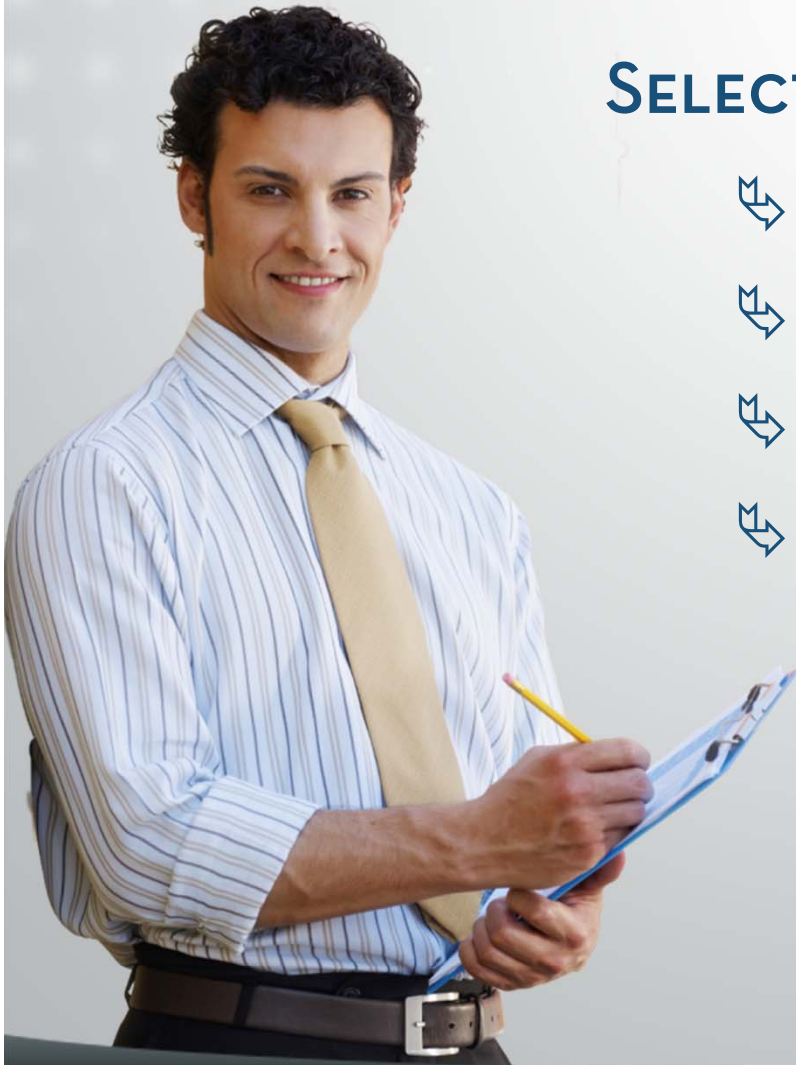


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## CORPORATE CATASTROPHES

### SELECTION CRITERIA

- ↳ Man-made events
- ↳ Involves publicly traded companies
- ↳ Received headline coverage
- ↳ Each occurred since 1980



## CORPORATE CATASTROPHES

### SAMPLE OF COMPANIES RESEARCHED:

✚ ValuJet

✚ Johnson & Johnson

✚ Union Carbide

✚ Shell Oil

✚ Pan Am

✚ Philips Petroleum

✚ Exxon

✚ Upjohn

✚ Eli Lilly

✚ Heineken



## CORPORATE CATASTROPHES MAJOR FINDINGS

### GENERAL OBSERVATIONS SETTING FUTURE EXPECTATIONS



- Initial negative impact
- Average negative impact – 8%
- Two relatively distinct groups
  - ≡ Recovers
  - ≡ Non-Recovers
- Average full recovery 50 trading days
- Long term value varies considerably
- Trading levels of shares 4x initially
- Trading returns to normal after 1 month

## RECOVERS

- ↪ Initial loss of 5% share value
- ↪ At 15 days, share value was 5% positive
- ↪ Net positive of 7% after 1 year

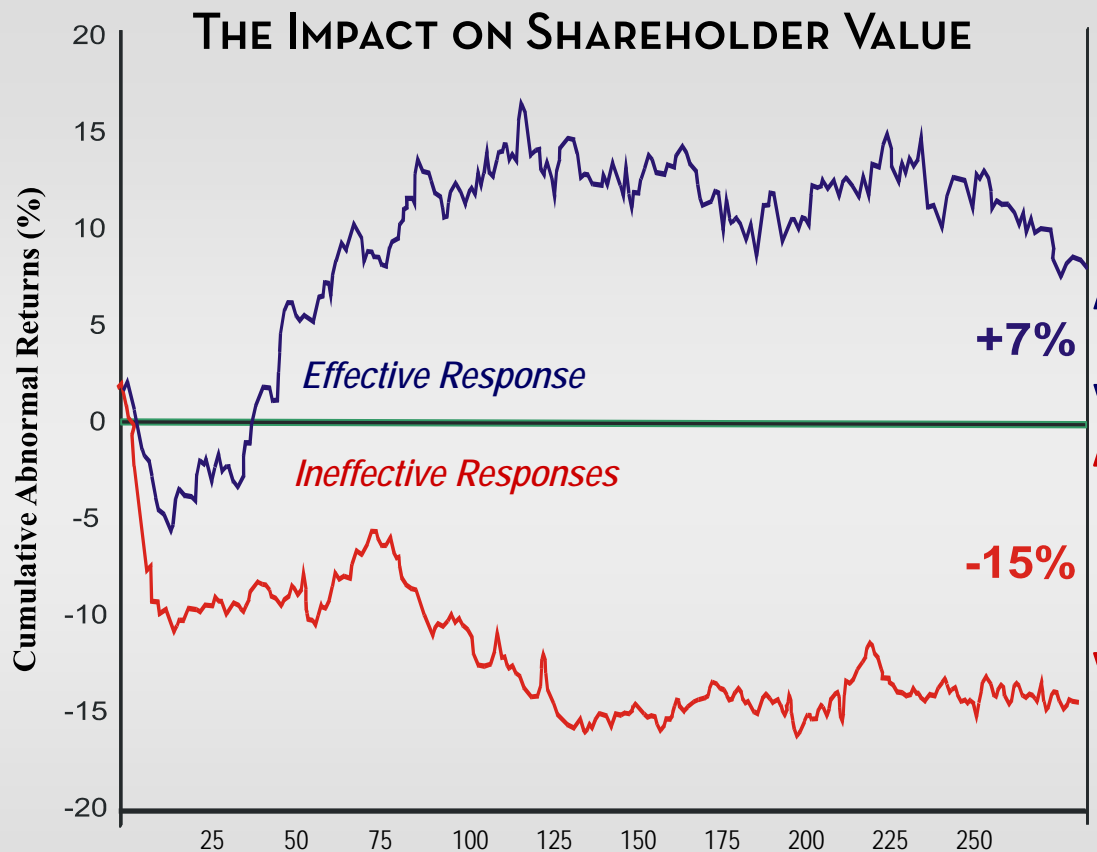
## NON-RECOVERS

- ↪ Initial loss of 11% share value
- ↪ Little change from 5 to 50 days
- ↪ Net negative 15% after 1 year



Company market  
valuation based on  
'perceived'  
management  
capabilities

**CRITICAL PERIOD:**  
First 7 to 20 days



Source: "The Impact of Catastrophes on Shareholder Value," Rory F. Knight & Deborah J. Pretty, Templeton College, University of Oxford, p. 3.



# DISTINCTIONS OF RECOVERS & NON-RECOVERS

## EMPIRICAL RESULTS

### ↳ Direct financial consequences of catastrophe

- ≡ Cash flow
- ≡ Recovery expense

### ↳ Events will reveal leadership's ability

- ≡ Justified scrutiny will be placed on senior leadership
- ≡ Market players will reevaluate leadership's ability to establish operations and regain cash flow





## THE IMPACT OF CATASTROPHES ON SHAREHOLDER VALUE

**THE MESSAGE IS CLEAR:**

*Benefits of what is revealed about  
senior management far outweigh the  
net financial loss of the catastrophe.*



## CASE STUDY

Martha Stewart Living Omnimedia, Inc.  
NYSE: MSO - Jan 4 4:03pm ET

2.69 +0.02 (0.75%)



1d 5d 1m 6m 1y 5y max

## CRISIS TIMELINE

- Dec 2001 = Sells ImClone stock
- Feb 2002 = Speaks to SEC
- Jun 2003 = Stewart indicted
- Mar 2004 = Convicted, resigns from board
- Mar 2005 = Released from prison
- Aug 2006 = 5 yr ban on financial leadership
- May 2011 = Back on MSO board  
= Stock shot up 32% in one day

## CASE STUDY II

BP plc (ADR)

NYSE: BP - Jan 4 4:01pm ET

43.66 +0.39 (0.90%)



1d

5d

1m

6m

1y

5y

max

## CRISIS TIMELINE

- Apr 2010 = Explosion & fire / spill begins
- May 2010 = CEO says "...small spill..."
  - = "New efforts 60-70% success"
  - = Next day efforts failed
  - = CEO says "I'd like my life back"
- Jun 2010 = Lowest stock price in 18 years
  - = Multiple billions lost
- July 2010 = Temporally stopped spill
- Sep 2010 = Permanently sealed
- Oct 2010 = Hayward steps down as CEO
- Nov 2012 = US government prosecution
- Nov 2012 = Ongoing civil law suits

**Tony Hayward, BP CEO at time of spill**

# CASE STUDY III

# ORECK



**Private Company**

**No public financial information**

## CRISIS TIMELINE

- Aug 2005 = Hurricane Katrina  
= Proactive planning strategy executed
- Sep 2005 = People are #1 priority  
= Plant in operation within 10 days  
= Bought staff RV's to live in  
= Staff considered "Hero's"  
= "Buy an Oreck, support victims!" =media
- Oct 2005 = Experienced 'Cinderella' syndrome
- Feb 2007 = Moves plant out of area

# TWO KEYS TO SAFEGUARD SHAREHOLDER VALUE

## SIMPLE, ACCURATE & VIABLE DOCUMENTS

- ↪ ER / BC / DR / CM Plans
- ↪ Workable / sensible strategies
- ↪ Update on regular schedule

## KNOWLEDGEABLE, TRAINED & READY PEOPLE

- ↪ People always respond intuitively
- ↪ #1 Weakness in industry
- ↪ Engage, Equip, Empower



## OH, AND ONE MORE KEY

### CORPORATE RESILIENCY IS:

- ✚ NOT crisis management
- ✚ NOT turnaround programs
- ✚ NOT reactive

### BUT IT IS PROACTIVE:

- ✚ Organizational Conditioning
- ✚ Rapid Change
- ✚ Superb Communications





# QUESTIONS?

*..and thank you!*

Phil Lambert

President & Founder

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