

Crisis Scenario Planning for China:

Crisis preparedness for the
risk averse

Conrad Hotel, Hong Kong

Friday 12 December 2003

“It’s not the hardest punch that knocks you out; it’s the one you didn’t see coming.”

- Mohammad Ali

Crises cost money

- ❖ Bhopal (1984)
 - Union Carbide paid US\$470 million in compensation
 - Dow Chemical is now haunted by claims it should compensate people of Bhopal
- ❖ Exxon Valdez (1989)
 - US\$2 billion for the clean up
 - Reputation never fully recovered
- ❖ SEAR's Auto Centers (1992)
 - Revenue fell US\$80 million due to crisis
 - Legal fines of US\$11 million
 - Mandated employee training of US\$5 million
 - Immediate stock price fall of 1.5% cost company US\$565 million
 - Following year revenues fell by a further US\$1.5 billion



The one percent test

- ▣ It is estimated that crises can wipe between 5% and 50% from a company's stock price
- ▣ Can you afford to lose even 1% from your stock price
 - Ask yourself how much it would cost your company if a "1% crisis" hit today

Crisis handling v's crisis management

- ❑ Every organization will experience a crisis at some time
 - Context is important
 - People will ask "how prepared were you?"
 - And if you weren't, "why not?"
- ❑ Good crisis management is about systems and processes, and planning for the unthinkable
 - Fix what you control
 - Prepare for what you have little or no control over

Lessons from SARS

- ◻ Paradox of Transparency
 - Democratization of the media & the 24/7 news cycle
- ◻ Too many companies remained complacent throughout the crisis
 - While steps taken to deal with “technical crisis” very little had been done to prepare for the communications aspects
- ◻ Smart companies prepared
 - SARS risk audits
 - Scenario planning
 - Message development per scenario
 - Implementation plans in place
 - Crisis manuals updated
- ◻ Are you ready for SARS II?

China corporate risk matrix

Company Cause/Responsibility

Poor corporate governance

Insider trading

Environmental damage

Company restructure/downsizing

Consumer/public injury/death

Product contamination

Workplace injury/death

Unfair dismissal

Graft and corruption

Discrimination between expats and locals

Embezzlement

Sexual harassment

Workplace murder

**Devastating
Impact**

**Minor
Impact**

Terrorist attack

Computer virus

Electricity blackout

Major epidemic

Extortion

Equipment failure

War

Serious international trade dispute

Financial crisis

Political/social unrest

Earthquake

Flood

Typhoon

Snowstorm

External Cause

Five Steps to Crisis Preparedness

Fully prepared: Dark Site in place; regular crisis audits and regular “high performance” crisis training drills and Online training.

High-level preparedness: crisis audit completed; crisis management center established; early warning system in place; plans and strategies per risk scenario in place; regular crisis scenario training for crisis mgt team.

Medium-level preparedness: crisis manual localized and media spokesperson trained; but still dependent on HQ/agency to handle crisis.

Basic-level preparedness: corporate crisis manual in place/ “HQ/PR agency will help us out if shit hits the fan”.

Unprepared: no action taken.

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A check list for today

- Do we have a Greater China/China crisis management team?
 - Have they been appropriately trained?
- Do we have a designated Greater China/China spokesperson?
 - Has he/she been trained?
- Do we have a readily accessible crisis manual?
 - When was it updated?
 - Is it available in Chinese as well as English?
- Do we know where we are vulnerable?
- Do we have an early warning system to detect issues before they become full-blown crises?
- Do we benchmark our crisis management capability against leading organizations?
- Can we afford to lose even 1% from our stock price by mishandling a crisis?

Thank you

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