

# BRUNSWICK REVIEW

A JOURNAL OF COMMUNICATIONS AND CORPORATE RELATIONS ∞ ISSUE EIGHT ∞ SPRING 2014

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## THE CRISIS ISSUE

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### WEATHERING THE STORM

*BP's Bob Dudley reflects on the aftermath  
of the Deepwater Horizon accident*

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*Plus ANYA HINDMARCH:  
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*POOR OLD RICHARD III,  
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## BRUNSWICK

Brunswick is a corporate relations and communications consultancy. We provide informed advice at a senior level to businesses and other organizations around the world, helping them to address critical communications challenges that may affect their valuation, reputation or ability to achieve their ambitions.

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WE ARE ENORMOUSLY PROUD OF THE CLIENTS WE represent and aware of the trust and responsibility they place in us. That responsibility is felt most sharply at times of crisis. Over the past 27 years we have been privileged to work alongside leadership teams all over the world as they have faced myriad crises. This issue of the *Brunswick Review* is dedicated to that theme.

Perhaps the single most important idea to emerge from this issue is this: while many people continue to talk about “managing” a crisis, those who emerge strongest from a corporate crisis recognize that managing an uncontrollable event is impossible. Instead, the key is to show leadership.

We lead with an interview with Bob Dudley, CEO of BP, who discusses dealing with one of the most complex and difficult crises of recent times, following the explosion four years ago of the Deepwater Horizon oil rig in the Gulf of Mexico. As Dudley illustrates, one of the critical qualities of a leader in such circumstances is the ability to grasp the magnitude of the situation from the get-go, and to marshall all the appropriate resources required to come to grips with the crisis. We have rarely worked alongside a client facing such a tough external environment.

Companies have to survive such challenges but, as Sir Richard Olver points out, a crisis can also be a pivot point, presenting an organization with an opportunity to bring about radical change. The transformation of BAE Systems under his chairmanship over the past decade is a benchmark of how to revitalize a corporate culture.

We have many other examples of finding opportunities in crisis. Sinopec, for one, turned a freak accident into a campaign to raise awareness about the need to preserve Hong Kong’s beaches, enlisting the support of like-minded NGOs. Similarly, Steve Miller has become known as corporate America’s “Mr Fix-it.” Starting with Chrysler in the 1970s, he has helped transform a range of organizations in crisis, from aircraft manufacturers to symphony orchestras.

Several of our contributors focus on the importance of being prepared. Peter Ho, former Head of the Civil Service in Singapore, developed forward planning tools to help the city-state predict risks better. Dr Ali S. Kahn, of the US Centers for Disease Control and Prevention, used zombies to turn the often dull business of preparedness into a compelling story. His ability to combine a scientist’s rigor with an instinctive sense of how to react under pressure is echoed in Steve Forte’s article on the skills a pilot deploys to deal with a crisis at 35,000 feet. Meanwhile, Brunswick’s Eric Savitz reminds us that the starting point of recovery from a crisis is often a heartfelt apology, a defining statement of character.

Elsewhere in this issue, Steven Murphy gives a fascinating insight into how a great heritage brand like Christie’s can embrace new technology and explore new frontiers, demonstrated by its milestone expansion into China. If one of the keys to success is to have powerful values combined with a passion for your brand, then the success of designer Anya Hindmarch should not be a surprise to anyone, and she does this with panache and humor.

As many companies have come to recognize, social engagement is a key part of building brand value. Brunswick’s Lucy Parker and Jon Miller draw on their recent book *Everybody’s Business* to argue that today’s big companies are integral to society, not separate from it. As well as delivering financial value, forward-thinking organizations are more and more concerned with how they deliver social value. We also talk to K.V. Kamath, who has been credited with leading India’s banking sector into the modern age, a key factor in his country’s development.

I would like to thank all of our contributors – and thank you for your interest. If you have any feedback or ideas, please don’t hesitate to get in touch with me or any of the Brunswick team.

**SIR ALAN PARKER** – *Chairman, Brunswick Group*



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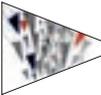


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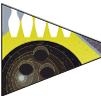
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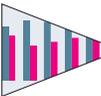
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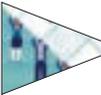
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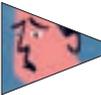
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In any crisis, the mindset matters as much as the method, says Brunswick Chairman SIR ALAN PARKER. Good leadership through adversity can help define an organization

# THE CRISIS ISSUE

**B**RUNSWICK HAS ALWAYS SPECIALIZED IN managing critical issues for clients and over many years we have served on the front lines at moments of extreme drama.

For more than 25 years, we have worked on everything from tragic plane crashes to oil spills, corporate fraud to financial meltdowns, supply chain disruptions to major product recalls. We have been proud to stand by our clients at some of the most difficult moments in their histories. We have learned a lot in the process and continue to do so.

In the past year, we have gathered our teams from around the world to develop a presentation for our clients setting out our point of view about “best practice” when dealing with a crisis. This article highlights some of the points in that presentation.

The first maxim is to act fast but don’t panic. A truly terrible event can batter an organization like a storm. It unfurls like a hurricane, gathering momentum and taking on a life of its own. This usually occurs because a trigger event reveals a deeper truth about an organization or collides with larger public or political agendas. Then suddenly, all credibility and goodwill is swept away and a howling gale of criticism sweeps all before it and drowns out your voice.

But a bad situation need not develop into a crisis. We all understand that, for example, a product recall can take place, that data can be vulnerable, and that no organization can inoculate itself entirely from individuals who act inappropriately or illegally. The question, though, is whether these are isolated incidents or whether they reflect

a deeper lack of values and integrity.

A common problem when a crisis hits is to think that you have to deal with all incoming fire, answering questions about what happened, how it happened, and who is to blame. But it is more important to establish *your view* of what is happening. If you can project that view from the outset, it will give credibility to your response.

It is important not to let the gap between your organization’s self-image and others’ perceptions of it grow too wide. This can be exacerbated at times of high political tension, for example in the middle of an election cycle. If management does not respond to this disparity appropriately, it can pay a high price.

There is a growing realization that companies in a crisis must contend with the opinions of many groups. They can face danger when they fail to fully realize the relevance of an event to the interests of others. There have never been so many stakeholders in a company’s reputation.

One central thought that emerges from our experience of the changing nature of corporate crises is that in today’s world too many organizations put their faith in “crisis management.” The word management implies control, but trying to manage a crisis can often compound a problem in a fundamentally uncontrollable environment.

To continue with the hurricane metaphor, you can prepare, you can train people and have them on standby, but you can never hope to manage the storm when it comes. Attempting to do so is a wasted effort and symptomatic of a command and control mindset, which can make matters worse. →

## ALL CHANGE

It is more important than ever for a business to show leadership at times of crisis. At Brunswick, we believe that while you may not be able to manage a crisis, effective leadership is defined by the ability to quickly and clearly grasp the issues and take appropriate action. Management then needs to engage and communicate in an authentic and credible way. The starting point is to recognize just how much the world has changed.

Three things have transformed the way audiences think and behave:

**The greatest transformational shift** was, of course, the financial crisis, which triggered broader economic and social change. The debate about the haves and the have-nots has become more polarized, and resentment has reasserted itself. It is not just about perceptions and feelings; the social impact has been staggering as millions of people have lost their jobs and their homes. The impact of all this is, understandably, a deep disillusionment with both government and big business. The old institutions seem to have let everyone down.

**The second transformation** was a revolution in the nature of the public conversation. In the past few years, we have seen the birth of what has been called the “public information space,” a mass of real-time, interactive content that has disrupted the old world of communications – “key messages” broadcast to “target audiences” have been overtaken.

We are now in “The Age of Conversation.”

In the new landscape, the snap of a single photo, an offhand remark, or an ill-advised phrase can create narratives from nowhere that can quickly alter the perception of a public figure or organization. These can become truly global events in a matter of minutes.

**The third transformation** is a product of the first two. People have lost faith in established institutions, which they no longer believe are on their side. As a consequence, politicians, regulators and the media are now all striving to reassert legitimacy and prove they are part of the solution, not part of the problem. Many of these groups now define themselves as being against powerful banks and big business, and vigorously prosecute anything that looks like bad behavior. Indeed, their personal and collective futures depend on being seen to be “the good guys.” We live in a world where regulators are being pushed to make examples of corporate wrongdoers and are judged by the harshness of the penalty and the seniority of the scalp.



A crisis unfurls like  
a hurricane, gathers  
momentum, and takes  
on a life of its own



## THINKING STRAIGHT

In a crisis, the response must be separated into the tactical and the strategic. Tactical moves alone will never be enough. You also need the right mindset but that is not always straightforward. Perhaps the easiest way to conjure it is to examine some common missteps and explode a few myths.

The most natural emotional response to a crisis can also create the most dangerous mindset, that is to say: “it’s not fair.” Believing that accusations or implications are overstated or inaccurate, or that a more balanced perspective would take all the particulars of a situation into account, is beside the point. It’s not about fairness. In the eyes of the public *you* are where the blame lies. Saying “it’s not fair” won’t help.

There is, of course, the temptation to say, “We can’t comment yet, it’s too early to tell.” That would be a mistake. You may not have a full or accurate sense of events or facts but it is always possible to express concern and a commitment to respond appropriately.

Protecting your reputation requires fast thinking and responsiveness by the leadership of a company and all its advisers. Marshaling an experienced and practiced team, seizing the initiative, and being clear about what you want to do are crucial. It is easier to reinforce a view that has been established early than it is to change an alternative view that has been allowed to take hold. Prevarication or searching for an elusive certainty in a fast-moving and dangerous situation will only increase the risks.

One of the most dangerous mistakes in a crisis is to dismiss negative attacks as ignorant and ill informed: “It’s too complicated, they don’t understand.” If you can’t explain something to a broad audience, it says more about you than them.

In the new order, lawyers take a leading role in all major crises. The great ones understand the value of winning in the court of public opinion as well as the court of law. Still, reputations are lost by hiding behind a legal defense or corporate-speak and avoiding open and honest dialogue in order to prevent a later legal challenge. It is a commonly held view that business leaders, when faced with serious problems, will not only try to avoid blame but hide behind technical or legal constraints. Instantly, you are 30-love down and the game has only just begun. Enlightened lawyers work to ensure that communication is clear and powerful, which helps to protect and enhance a client’s reputation.

Management needs to be open and transparent in all its communications, and this should start

with internal audiences, as they can be the keenest judges of what is authentic. Not only that, employees can be valuable brand ambassadors during periods of crisis.

It has been drummed into us that “content is king,” so it is worth remembering that it is acceptable – important even – to create your own. You may not be able to control what everybody else says about your company in a crisis, but at least you can decide what *you* want to say, when you want to say it, and in what format you want to deliver it: advertising, video, print, online, and so on.

The ability to tell your own story is an enormous step forward. While many of the old forms of corporate content – a press release, a speech – are still useful, you can now bring the power of digital and social media to bear. Just as everyone’s voice is legitimized by the public information space, so is a company’s. The voice of its leadership, its employees, indeed all of its key audiences, can be brought into the conversation.

Authenticity is crucial, especially when making an apology. Conversely, corporate- and legal-speak is not authentic. When a leader steps up and makes it clear, in his or her own words, why something matters, what is important, and the values they bring to fixing the problem, it is the true test of character, defining a leader and their business. This takes real bravery.

Indeed, there are many cases where reputation has actually been enhanced by adept handling of a crisis. Sinopec’s action over an environmental threat has reflected well upon them. Bob Dudley’s handling of the litigation following the terrible Deepwater Horizon accident has been widely recognized as showing great leadership and diplomacy. Sir Richard Olver at BAE Systems has also been an exemplar of stalwart leadership in a crisis.

That brings me to one final observation. Ultimately, a company’s reputation isn’t just about paying taxes, abiding by regulations, and doing the right thing by the law. The real test is whether you have wider social value. What we find inspiring is how many leadership teams and organizations are putting enormous effort into doing business in a way that they and all of their key audiences would be proud of. It is very exciting to work with so many people who are hugely committed to showing that their organization can be a force for good. The business that can demonstrate this will be the champion of its class. ♦

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**SIR ALAN PARKER** is the Chairman of Brunswick Group.

# WEATHERING THE STORM



## **BOB DUDLEY** on leading BP's fight to do the right thing in the Gulf

Few corporate leaders have had to manage a crisis as significant as the one that confronted BP on April 20 2010 in the Gulf of Mexico. Bob Dudley, at the time BP's managing director in charge of the Group's activities in the Americas and Asia, switched on the TV in a hotel room in India and learned about the explosion and fire aboard the Deepwater Horizon oil rig, an accident that killed 11 workers. Dudley was soon asked to lead the company's Gulf Coast Restoration Organization, which was set up to manage BP's response to what became one of the worst maritime oil spills in history.

In October 2010, Dudley became Group Chief Executive. Since then, he has led BP's efforts to restore the Gulf and defend the company's rights in litigation related to the accident and spill. He has also overseen measures to further enhance safety, based on the lessons learned from the accident and its aftermath.

In an interview with Brunswick's ELLEN MOSKOWITZ and STEPHEN POWER, Dudley explains how BP has responded to the crisis and the issues the company continues to face.

**What were some of the factors that BP had to consider in responding to the accident?**

From the outset, we believed it was important to work with government officials and others to address the needs of people who had been affected. This was quite personal for me, by the way, because I spent my childhood summers on that coast. In the aftermath, BP’s credit situation was difficult. Despite our considerable resources and valuable assets, the financial challenge we faced cannot be overstated.

Nonetheless, we stepped up, waived the \$75 million statutory liability cap under the Oil Pollution Act of 1990, and publicly committed to pay all legitimate claims, even establishing a \$20 billion trust to assure the American public that funds would be available for economic and environmental restoration – something that has never been done before. Finally, we said we would work to embed the lessons learned into the fabric of our organization and share those lessons with our industry colleagues and government regulators.

**What has happened since the accident?**

We have kept our word to the people of the Gulf Coast region. We have spent upwards of \$26 billion, which includes more than \$14 billion on the response and cleanup, and more than \$12 billion on claims paid to individuals, businesses and government entities. That is the wealth of many nations. In addition, the company has already spent approximately \$1 billion to support the Natural Resource Damage Assessment (NRDA). This includes more than \$500 million paid directly to the Trustees to conduct the scientific studies that underpin the final assessment of environmental injuries and restoration. On top of that, BP has voluntarily committed up to \$1 billion through an unprecedented agreement that has allowed early restoration projects to begin, even while the NRDA assessment continues.

Our commitment has gone beyond mere dollars. It has also included an enormous human component. Tens of thousands of individuals, including our employees as well as outside contractors, have worked tirelessly to help the region recover.

But we are still managing the fallout from the accident. To some extent, the current issues stem from the very first decisions we made at the outset of the crisis: to step up, do the right thing and address the needs of people who had been affected.

**What measures have you taken internally?**

We made a commitment to cooperate with all official investigations, but we also immediately launched our own. Its findings, posted on our website less than

five months after the explosion, concluded that it was a complex accident involving multiple causes and multiple parties. That conclusion has been substantially supported by all subsequent official investigations. We have also been giving presentations across the globe – in more than 25 countries so far – sharing what we have learned from the accident with government regulators, industry experts and academics.

On safety, which is and has always been of paramount importance to BP, we have made a number of enhancements. For example, the company introduced a stronger, company-wide safety and operational risk organization, staffed by safety experts who set standards and have broad powers to approve appointments to safety-critical roles and stop work if necessary. In addition, BP has enhanced its internal standards and practices for drilling, and has built the state-of-the-art Houston Monitoring Center, which provides additional monitoring support and resources to rig crews who have primary responsibility for monitoring BP assets in the Gulf of Mexico.

**What has the impact been on the company?**

We have come very far, and made great progress. The accident no longer poses a threat to the company’s future, and we have made BP a safer, stronger and better company. The accident caused us to look afresh at everything we do in BP – not only safety, but also how we create value in a way that is sustainable →



**BOB DUDLEY**

Bob Dudley started his career in 1979 at Amoco, which was acquired by BP in 1998. He has held a variety of senior posts at both companies, including President and CEO of Russian joint venture TNK-BP from 2003 to 2008. Following the Deepwater Horizon explosion in April 2010 he was chosen to lead BP’s Gulf Coast Restoration Organization, which handled the company’s response to the accident. He became Group CEO in October of the same year. Dudley, who was raised in Mississippi, trained as a chemical engineer and has Masters’ degrees in Management and Business.

BP is one of the world’s oldest and largest integrated oil and gas companies, with 85,000 employees, operations in more than 80 countries and sales of \$379 billion in 2013.

over many decades. It has also led us to simplify the company's structure.

Around the globe, we are following a very simple principle: play to our strengths and don't try to do everything. So we have been divesting non-strategic assets – we have reached our \$38 billion target a year ahead of schedule. This has significantly increased the quality of the upstream portfolio while reducing its age and complexity – and the risks that come with that. Our vision for BP is to continue to grow as a safe, focused oil and gas company, with a high performing, cash generating downstream, and most of our capital investment going into a pipeline of high quality upstream projects. Fundamentally, it is about making BP a safer and a stronger company – but also a sustainable one.

**You said BP has been sharing lessons learned from the accident with regulators globally. How has this affected their perceptions of the company?**

Many governments are recognizing the steps we have taken, both in responding to the spill and in reinforcing safety. The Brazilian government, for example, actually cited the steps we have taken to reinforce safety following the Deepwater Horizon accident in awarding us several exploration licenses.

**What about the litigation? Where does that stand?**

From the outset, we tried to settle claims on reasonable terms. We began paying claims immediately after the accident and we settled with our partners and several contractors. Then, in November 2012, we reached agreement with the US Justice Department to resolve all federal criminal charges and all claims by the Securities and Exchange Commission against the company that stemmed from the accident, oil spill, and response. We also reached an agreement to resolve the majority of legitimate economic loss and property damage claims. A lot of our legal efforts over the past year have been focused on that agreement, to make sure that it is implemented in a way that we believe is true to its language and fulfills its original, intended and lawful function: the compensation of claimants who sustained actual losses connected to the Deepwater Horizon accident.

At the same time, we have continued to defend ourselves in the federal civil trial in New Orleans that will determine, among other things, the cause of the accident, the appropriate allocation of fault among the various defendants, and the number of barrels of oil spilled. All of the evidence has been submitted in the first two phases of that trial, and we await a

decision from the District Court, which could come at any time now or after the penalty phase of the trial.

Finally, we were pleased to have reached an administrative agreement with the US Environmental Protection Agency lifting the suspension that was imposed on BP in November 2012. As a result of this agreement, we are once again eligible to enter into new contracts with the US government, including new deepwater leases in the Gulf of Mexico.

**BP also appears to be in a highly publicized battle with the Claims Administrator. What is this dispute about?**

We believe the misinterpretation of the agreement we reached in 2012 to settle economic loss and property damage claims has resulted in huge awards being made to claimants with fictitious losses or losses unrelated to the spill. More than half a billion dollars has been awarded for alleged losses with no apparent relation to the spill. As we have argued in court, this is contrary to the language of the settlement and violates established principles of class action law. We are fighting in court, not only because we have a duty to our shareholders, but also because it is simply the right and principled thing to do. I don't believe any company would agree to a settlement that pays businesses for fictitious losses or losses it didn't cause. And BP certainly didn't. I believe the ultimate resolution of this legal fight – whichever way it goes – could have enormous implications for the US justice system and the role that trial lawyers play in it.

**Can you give some examples of how the company believes the misinterpretations are affecting claims?**

Some examples from our legal briefs include: a wireless phone store that was closed for nearly all of 2010 as a result of a fire that predated the oil spill; a lawyer located around 200 miles from the Gulf, who lost his license four months before the spill; a wheat farm, more than 200 miles away, that elected not to plant and harvest crops in 2010. All got awards from the claims program. These are not just one-off, false positives – there are lots of these examples, resulting from the systematic misinterpretation of the agreement. This is not what we agreed to and not what any company would ever agree to.

**But you have gone beyond challenging the interpretation of the settlement agreement. One could argue that you have essentially said that you have little confidence in the claims program you helped create as part of the settlement. Why?** Eighteen months after the claims program started,

half of its senior leadership has resigned or been fired because of allegations of serious – and, in some cases, potentially criminal – misconduct. The independent investigation the District Court ordered to look into this continues to find problems and make recommendations – almost two years after the claims program first got up and running – to ensure that it operates efficiently and is free of conflicts and corruption. BP has spent more than \$750 million on the administration of a facility that should operate effectively, and we are doing what we can to assure the integrity of the program. We cannot sit idly by and allow dysfunction and problems in the claims program to continue.

**How are you getting your message across?**

One thing we have been doing is publishing advertisements in major US newspapers giving examples of how we believe the settlement agreement has been abused.

**What are you trying to achieve with this strategy?**

We have been running the ads to inform our stakeholders about the serious concerns that we have been raising for months now about the way in which the settlement agreement is being implemented. We hope that doing this will help people understand why the litigation over the settlement continues and the extent to which we believe that the company's commitment to the Gulf is being exploited. Our opponents have said in the media that we are backing away from our commitments, but, in fact, it is quite the opposite. Our commitment is real, and we want our stakeholders to know that.

**Where do things stand in the courts on this issue of interpretation of the settlement?**

We got a favorable ruling in the courts regarding the calculation of business economic loss (BEL) claims. It took 10 months of litigation, but in December 2013 the District Court reversed its prior rulings and found that the claims program must ensure, as we always maintained, that claimants' reported revenues and expenses are correctly matched when determining awards. This was a big victory for the company and will help to significantly restore the implementation of the agreement to its intended function.

Unfortunately, we have so far not been as successful on the other interpretive issue that has made its way through the courts. The US Court of Appeals for the Fifth Circuit denied the company's request for a permanent injunction preventing payments to BEL

claimants whose alleged injuries are not traceable to the accident and spill. We disagree with this decision and have advised the Fifth Circuit that we will seek rehearing by the full court. We continue to believe that this is a misinterpretation of the agreement and that neither the agreement nor the law allows for the systematic payment of claimants whose losses were not caused by the spill. We are obviously disappointed with the current state of play on this, but we also believe that our efforts to ensure that our commitment is not distorted and taken advantage of have yielded positive results, leading to the matching correction.

**Does BP wish it had made different choices, given some of the things that have occurred since the accident?**

In his latest book, Ken Feinberg, the expert who helped run the claims process shortly after the spill, wrote that most companies choose to delay accepting responsibility when faced with large potential liabilities, and that BP could have chosen to litigate from the outset, imposing long delays before claimants saw payment for their losses. BP did not do that. We did what we believed was right – which was to compensate those individuals and businesses in the Gulf that were legitimately affected by this accident. Unfortunately, there are some who are trying to take advantage of that. And judging from my conversations with business leaders around the world, our experience may well serve as a cautionary tale for other companies.

No other company in history has committed itself to a region in the aftermath of an accident the way BP has to the Gulf Coast since the spill. BP has said consistently, since the very beginning, that it would do the right thing. We meant what we said, and we are keeping our word. The bottom line is this: we are working very, very hard to meet the company's commitment to economic and environmental restoration efforts in the Gulf, while defending our interests in court.

Our intention has always been to compensate those genuinely affected by the accident. We will continue to fight to do the right thing – the right way. ♦

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*This interview was completed on March 14 2014*

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China's previous anti-corruption drives have often fizzled out after a few months, but the latest one is different.

**ST. JOHN MOORE** and **GORDON GUO** of Brunswick, Beijing consider a new campaign that shows signs it will run long and deep, as the government seeks to protect its legitimacy while addressing public anger over corruption

# NEW WORD

CLAMP



THE TRIAL AND CONVICTION OF HIGH-RANKING Communist Party official Bo Xilai in September 2013 – when he was sentenced to life in prison for bribery, embezzlement and abuse of power – was trumpeted by official Chinese media as the clearest sign to date that the country would no longer tolerate corruption at the highest levels and would prosecute offenders to the full, in open court.

As *Xinhua*, China's official news agency, noted, "Media commentaries said Bo's treatment, fully in accordance with the law, shows that nobody is exempt from Party discipline and national laws. Whoever is involved will be thoroughly investigated and, if punished, severely punished, in accordance with law."

The tough stance on corruption has extended to foreign companies, too. In August, for example, the Chinese authorities issued their largest-ever fine for alleged price fixing – \$109 million – against six infant milk producers, five of which are foreign: Mead Johnson Nutrition, Abbott Laboratories, Dumex Baby Food, Royal Friesland, Fonterra Co-Operative Group, and Biostime International, which is based in Hong Kong.

The latest crackdown on corruption is part of a major campaign led by Xi Jinping since he ascended to the leadership of the Communist Party of China (CPC) in November 2012.

While the downfall of Bo was set in motion months before Xi took office, his trial was seen as a move to dispose of a powerful political rival and also as a signal that corruption would not be tolerated at any level. "The resolute legal punishment of Bo Xilai fully demonstrates that there are no exceptions before Party discipline and state law," *People's Daily*, the Party's main newspaper, asserted.

Many anti-corruption drives under previous leaders were announced with a flurry of publicity but quickly petered out. This latest campaign, however, is clearly different. It has been running since late 2012 and all indications are that the current leadership will continue in their resolve. The new Xi leadership team has taken on board that corruption is one of the most corrosive problems facing the country, and the campaign is clearly aimed at protecting the very legitimacy of the Communist Party.

Xi stated early in 2013, "We must uphold the fighting of tigers and flies at the same time, resolutely investigate law-breaking cases of leading

officials, and earnestly resolve the unhealthy tendencies and corruption problems which happen all around.” Xi’s “tigers and flies” reference is a typical metaphor from Chinese officialdom, in this case signaling that both high- and low-ranking officials are targets.

In November 2013, two key documents were released following the meeting of CPC top brass at the Third Plenary Session of the 18th Party Congress: a communiqué and *Decision on Major Issues Concerning Comprehensively Deepening Reform*. Both stressed that the anti-corruption drive had official backing and would continue, and that endemic corruption threatens the legitimacy of the Party and long-term sustainable economic growth and innovation.

The smallest misuse of government expense accounts, official cars, private clubs, receiving pre-paid cards, or even hosting a wedding with too many tables, is enough to attract an investigation. Unlike earlier campaigns, previous sins are not being forgiven with just a warning and a slap on the wrist. At the time of writing, more than a dozen senior officials (ranked at the ministerial level) and about 20,000 junior officials have been replaced or put under investigation for corruption.

### CASTING THE NET WIDE

The fate of Bo Xilai, one of the highest ranked officials in China at the time of his downfall and a contender to join the higher ranked Politburo Standing Committee, is a rare outcome but not unprecedented. Historically, committee members have been exempt from investigation. However, reports indicate that committee member Wang Qishan, who heads the Central Commission for Discipline Inspection of the CPC, the top Party watchdog, scrapped a long-standing unwritten rule in 2013 that exempted incumbent and retired members of the Politburo Standing Committee from investigation for corruption.

The current campaign is not simply “killing a chicken to scare the monkeys,” as the saying goes. It goes deeper; senior figures in the domestic business community have come under scrutiny too. For example, Jiang Jiemin, a former Chairman of PetroChina and head of the State-owned Assets Supervision and Administration Commission, which is responsible for overseeing China’s leading state-owned enterprises, was relieved of his duties in September due to corruption allegations.

**Senior Party official Bo Xilai pictured (left) during his trial for corruption and abuse of power in 2013. “We must uphold the fighting of tigers and flies at the same time,” said Xi Jinping in 2013, shortly before taking office as President, warning both high- and low-ranking officials against all forms of corruption**

In addition, more than a dozen senior executives in major state-owned enterprises and private companies have been investigated for corrupt activities.

Academia hasn’t escaped scrutiny either. Several senior academic leaders at prestigious institutions, including Renmin, Zhejiang and Sichuan universities, have been removed from their posts.

The China Securities Regulatory Commission (CSRC) has also intensified oversight of listed Chinese companies. In September, the CSRC initiated 39 investigations, a 50 percent increase on the average for the previous eight months, resulting in a number of fraud penalties.

### RULES OF THE ROAD

It is not yet clear how many tigers and flies need to be caught, or how many organizations or companies will be investigated. What is clear is that both foreign and domestic interests are at risk and must ensure they comply with existing policies and practices. The authorities will act on individuals in companies if they are found to have conducted corrupt activities. They will also impose fines for wrongdoing. And, while at the time of writing no foreign investor has faced corporate criminal charges in China, this may just be a matter of time.

Responding to accusations of wrongdoing is challenging at the best of times. Chinese authorities are aggressively using the media and are able to quickly build a public case against those being investigated. Allegations travel quickly, undermining reputations in China and abroad. In this environment, companies must undertake an honest and thorough review of their operations to ensure that they are compliant with global values and principals – and that these are being effectively implemented locally too.

Local compliance requires more than just a translation of global documents and ensuring all employees, partners and suppliers have signed the appropriate forms. Many foreign companies have invested heavily in localization, with significant returns, and they need to undertake a genuine review of local market practices and investment in customized local procedures to verify compliance.

The risks of complacency are painful. They bring increasing chances of high profile investigations, a tarnished reputation among Chinese customers and consumers, and a →

potential long-term disruption to the China growth story. The risks beyond China can be even greater, with penalties from multiple jurisdictions in relation to foreign corrupt practices and a damaged global reputation.

In October 2013, the US-China Business Council (USCBC) published a report, based on a survey of 30 of its member companies, offering guidance for managing compliance in China. For decades, the basis for all US companies operating abroad has been the Foreign Corrupt Practices Act (FCPA), which applies to many non-US companies, too, since the US began to apply the act to foreign businesses with substantial US operations in an effort to level the playing field. The USCBC report notes that, “On paper, current Chinese regulations are extremely strict [but] these rules have only recently begun to be enforced.”

This is the dilemma for foreign companies operating in China. As noted in a previous USCBC report, a big concern for companies is that they might lose competitive advantage in China to other companies that aren’t required to comply with the FCPA and which operate according to custom, even if that custom violates official Chinese rules.

That is a temptation that should be avoided, especially in the new climate. As is becoming

**The campaign is not just targeting officialdom or foreign companies. The domestic business community has come under significant scrutiny, too**

increasingly clear, attitudes are shifting definitively and there are strong political underpinnings for this move. As Linda Yueh, Chief Business Correspondent for the BBC and an authoritative voice on Chinese business, commented recently, the crackdown is not aimed specifically at foreign companies but is driven by political realities.

“Chinese President Xi Jinping has made clamping down on corruption one of his main aims in his first year in office,” she wrote. “The reason is straightforward. There are tens of thousands of protests across China every year, and many of the complaints are over corruption. With growth slowing, such tensions lying just beneath the surface are more likely to flare up.”

The clampdown is, in other words, an inevitable consequence of the maturity of China’s continuing transition to a market-driven economy, even as the leadership tries to assert political control. ♦

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## In China, corrupt officials are second only to rising prices as a concern

China’s political elite has come to recognize what outside experts – and many of its own people – have long known: corruption not only is morally reprehensible, it also holds back economic progress.

In its annual Global Competitiveness Report for 2013-2014, the World Economic Forum noted that China remains stuck in 29th position, even though its economy vies with the US to be the largest in the world by GDP, because “weaknesses – including corruption, security issues, and low levels of accountability and ethical standards among businesses – remain.”

Meanwhile, the Pew Research Center’s Global Attitudes Report on China in September 2013 found that more than half of respondents in China thought political corruption is “a very big problem.” Indeed,

“corrupt officials” was the second greatest concern after rising prices, the survey found. (Notably, the next biggest concern was the “rich-poor gap,” followed by worries about the environment and food safety.)

It is no wonder that politicians in China are paying closer attention to the issue of corruption, especially the enrichment of well-placed officials seeking bribes and special favors from foreign companies.

Clearly, it has been a tough year for multinational companies in China, but domestic politics are the driving force. The corruption crackdown needs to be seen as consistent with the government’s efforts – as emphasized in November 2013’s five-yearly Plenary meeting of the Communist Party – to address citizens’ expectations, including more consumer protection, affordable healthcare and a better standard of living.

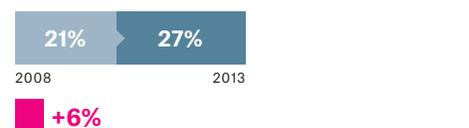
### PUBLIC CONCERNS IN CHINA 2008-2013

**In the survey, the Chinese public ranked corruption the 2nd and 9th biggest problems out of 17 issues of concern**

2nd biggest concern: **corrupt officials**



9th biggest concern: **corrupt businesspeople**



SOURCE: PEW RESEARCH CENTER’S GLOBAL ATTITUDES REPORT ON CHINA, SEPTEMBER 2013

# 05:46 GMT

## MARCH 11 2011 — DISASTER STRUCK

I awoke to a call from a friend who urged me to turn on the TV. I'd had an eerily similar call years earlier, on the morning of January 17 1995, when an earthquake had struck the city of Kobe (also at 5.46am - Japan time). Back then, I was a student living in Tokyo but my family lived close to Kobe, in western Japan, so my first concern then was whether they were safe. It was 24 hours before I could get through to them.

This time, I was working as First Secretary at the Japanese Embassy in London, responsible for communications. A magnitude 9 earthquake had struck the country's northeast coast, triggering a massive tsunami. Immediately, I headed for the office.

On the way, text messages began to pour in from people offering their condolences. At the embassy, my team was already inundated by calls from the public, concerned about family and friends, as well as interview requests from the media ...



THE SCALE OF THE CATASTROPHE CAUSED by the Tohoku earthquake and the ensuing tsunami on March 11 2011 was unprecedented in Japan. As the Prime Minister, Naoto Kan, put it at the time: “In the 65 years since the end of the Second World War, this is the toughest and the most difficult crisis for Japan.”

Nearly 19,000 people perished or remain missing. The country not only faced the wrenching loss of life caused by the natural disasters, but also had to deal with the risk posed by damage to several nuclear facilities at the Fukushima Daiichi Nuclear Power Plant complex, the worst such nuclear incident since Chernobyl. And the operator of the complex, Tokyo Electric Power Company (TEPCO), came in for severe criticism for how it managed the crisis.

Here, Brunswick’s **DAISUKE TSUCHIYA**, who at the time was First Secretary in charge of communications at Japan’s London embassy, gives a first-hand account of what it was like for a diplomat to deal with such a catastrophe in one of the world’s media hubs.

### **Reaching the embassy, we had to quickly decide our immediate crisis communications strategy.**

With time constraints and only limited information, we tried to focus our efforts on three main tasks.

First, we needed to inform the global audience of the action being taken by the Japanese government, which had established a special task force within four minutes of the earthquake. More than 100,000 Self Defense Forces were deployed in the first few days for rescue operations. Precautionary evacuation zones were put in place around the Fukushima Daiichi Nuclear Plant from day one. It was important to provide reassurance that the Japanese government was taking swift action.

Second, we needed to assure the global audience that transparency would be a priority. It was a very fluid situation and there was much that was unclear at the outset, with limited information available to the government. So, we felt it was important to emphasize that information would be delivered as accurately and swiftly as possible and nothing would be concealed.

Third, it was important for us in the diplomatic corps to express gratitude for the support offered to Japan. Being based in London, we needed to thank the British government, industry, and the public for their support.

The response was amazing, with endless offers of help and support from people all over the UK. For example, the designer Sir Paul Smith was in Japan shortly after the disaster and called on British businesses to continue to trade with the country. The Birmingham Royal Ballet went on its tour of Japan as scheduled, only two months later.

### **There was also a mid- to long-term task at hand: how to minimize any damage to the country’s reputation.**

We needed to ensure that false information did not put people off visiting Japan or from buying Japanese products. Many earthquake contingency measures had worked, the recovery was

moving ahead, and crucially the radiation levels in most of Japan were normal. The Chief Scientific Adviser to the British government was helpful in this respect, giving a factual analysis that helped calm concerns over radioactivity.

Some key messages we sought to convey to the public via the media were:

- The early warning system successfully halted around 30 high-speed trains that were running in the affected areas at the time, preventing them from derailing. The high-speed rail system resumed full service just over a month later.
- The main regional airport in northeast Japan, Sendai, was submerged entirely by the tsunami on the day, but was ready for operation just a month later, as were many damaged roads.
- The actual level of radiation in the main cities, such as Tokyo, and even Sendai, near Fukushima, were at or below those in London only three weeks later.

### **Correcting misinformation outside Japan was crucial.**

The embassy in London issued its own holding statement and began accepting interview requests. In total, I did around 30 in the first week, including the BBC, Sky, CNBC, Colombian and Iranian television, and local radio stations.

On day one, the media mainly had factual questions about the earthquake and tsunami. On day two, I was in a BBC Radio studio doing an interview, when news came in about the first explosion at Fukushima. The interviewer immediately asked me – on air – for information about an event I knew nothing about.

As time went by, the media’s probing became much more critical. We were asked why the evacuation advice given by the Japanese government was different from that given by some foreign governments. Some questioned whether the Japanese government was releasing all the information it had. There were erroneous reports, such as those claiming that foreign companies were not being allowed in for reconstruction. For us, the need for transparency and to correct

misinformation quickly in order to minimize reputational damage was key.

Criticism of both TEPCO and the government after an accident like that was inevitable. But I would absolutely refute the suggestion that there was a conscious attempt to conceal information. Transparency was our bottom line.

**To ensure timely and accurate information was being provided, we used multiple channels of communication.**

In the first week, the embassy set up a photo exhibition with the help of the Japanese media, showing scenes on the ground, including British search and rescue teams. Website content was updated constantly to stay current.

To communicate that Japan was up and running, ready to welcome visitors and to do business, the embassy held talks by academics, invited journalists to Japan, and held a “Visit Japan” campaign event with local celebrities.

London correspondents for Japanese media played a crucial role in communicating to the afflicted regions the significant level of international support – in our case, from the UK.

There were charity events to raise funds for the victims everywhere: at churches, shopping centers, even primary schools.

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**“I would absolutely refute the suggestion that there was a conscious attempt to conceal information. Transparency was our bottom line”**

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## BEWARE THE FEARMONGERS

**The specter of fear surrounding a nuclear incident is hard to combat, even in the face of hard evidence**

In an op-ed piece in *The New York Times* in October 2013, David Ropeik, a journalist and consultant who teaches a course on risk communication for public health issues at the Harvard Extension School, asked, “Why does our fear of all things nuclear persist?” This came after he noted alarmist reports about workers at the Fukushima plant being doused with radioactive water, even though the evidence from Fukushima and Chernobyl shows there is relatively little risk.

“The robust evidence that ionizing radiation is a relatively low health risk dramatically contradicts common fears,” Ropeik wrote.

It is a problem that is not confined just to nuclear but extends to other complicated, science-based subjects. Introducing his Harvard course, Ropeik explained, “Our ideas about complex environmental and public health issues, such as climate change, industrial chemicals, and species extinction are largely formed by simplistic and dramatized media coverage and distorting political spin from all sides.”

Ropeik told the *Brunswick Review*, “It’s not just a question of who the media talk to, of course, but how they use that information. As with many stories, the riskier aspects of radiation-related stories get played up. Such information comes more from anti-nuclear advocates, so they get quoted higher in the story, even if the reporter has talked to neutral sources as well.”

● **For more on communications about public health, see following story**

**Risk assessment: a worker checks for radiation at the Fukushima Daiichi power plant in June 2013 (above)**

### ► LESSONS LEARNED

One of the key communications lessons learned from this crisis was to be forthcoming, even if you do not immediately have all the answers. The fear of appearing incompetent often leads companies and governments to wait until they have the full picture, but the patience of the public does not allow that anymore. Today, someone somewhere will be accurately or inaccurately disseminating information. Silence is perceived as a lack of transparency and can be damaging rather than appearing inept.

Another lesson was how the response to a crisis can shape public sentiment for the better. The international perception of Japan actually improved in the wake of the crisis. In a BBC World Service poll of people from 22 countries between December 2011 and February 2012, Japan topped the table globally with 58 percent positive perception.

I believe this can be attributed to the way the media widely covered the great resolve and strength of those affected.

### ► THE FUTURE

Nearly three years later, the effects of the disaster are not over. Reconstruction will take many years. The full containment and shutdown of the Fukushima plant is something that Japan continues to deal with, while the damage and pain inflicted on victims and their families will never go away.

But Japan has a long history of crisis and reconstruction, and I believe the recovery of the afflicted regions will, in time, be yet another chapter in the story of the country’s resilience. ♦

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**DAISUKE TSUCHIYA** is an Associate in Brunswick’s London office. He specializes in Japan-related work, from cross-border M&A and crisis, to corporate reputation building.

Nobody knows a crisis better than **DR ALI S. KHAN**, who leads the US government's efforts to prepare the public for disease outbreaks and health emergencies, as Brunswick's **SARAH LUBMAN** discovers

**S**OON AFTER THE MARCH 11 2011 Fukushima nuclear disaster, the US Centers for Disease Control and Prevention (CDC) sought to reassure a nervous American public that the trace amount of radiation wafting over from Japan posed no harm. The agency's Office of Public Health Preparedness and Response, which pays close attention to online conversations, noticed some tongue-in-cheek chatter that radiation might reanimate the dead into zombies, the premise of George Romero's classic 1968 black-and-white horror movie, *Night of the Living Dead*.

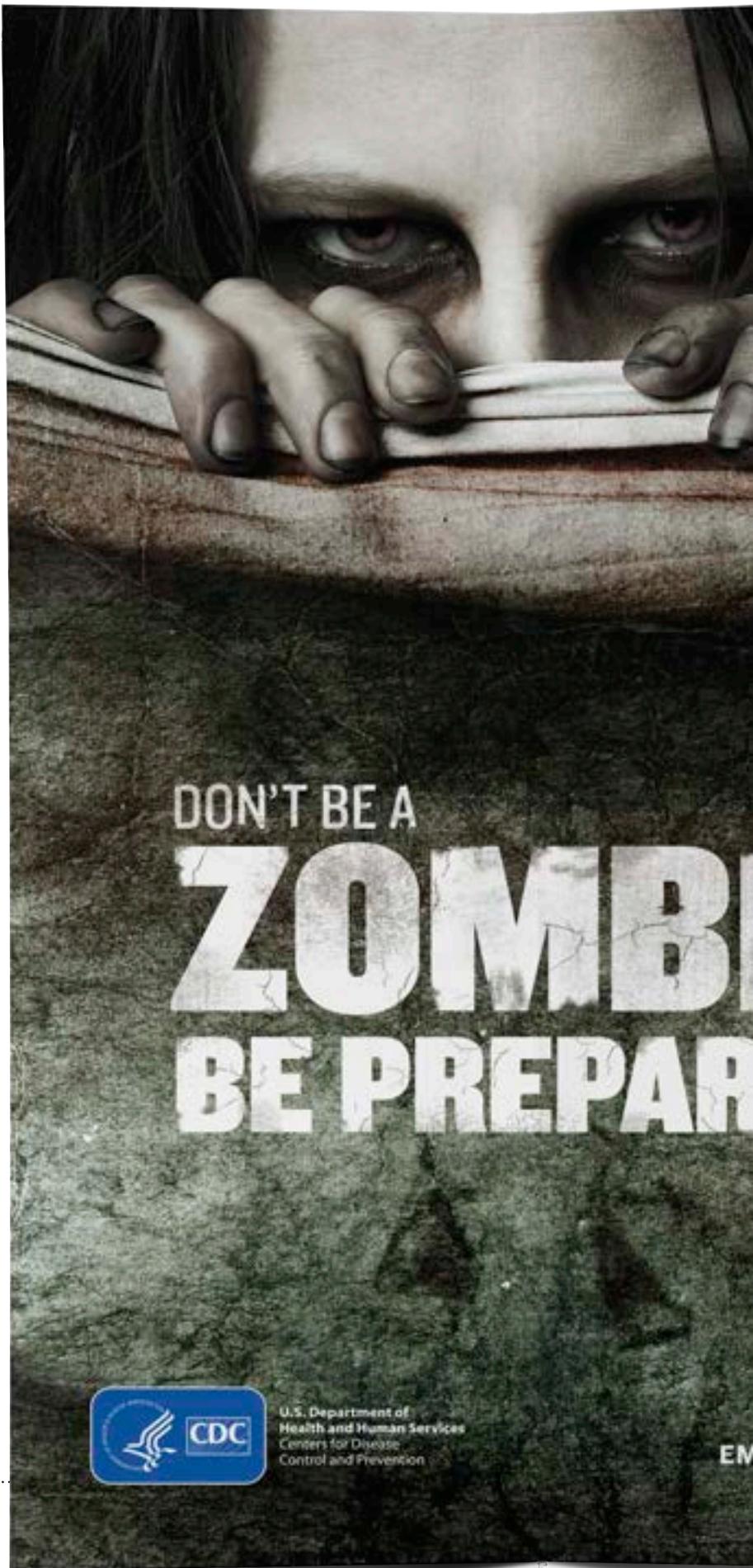
The CDC picked up the zombie meme and ran with it. A member of the CDC's communications team suggested doing a post on the agency's blog about disaster-preparation tips to help readers survive a zombie apocalypse (for the record, they include a proper survival kit and emergency planning, including an agreed evacuation route. Baseball bats, a common weapon of choice against zombies, were not on the list). Former US Assistant Surgeon General Dr Ali S. Khan, now director of the CDC's Office of Public Health Preparedness and Response, greenlit the idea. The result went viral, and the CDC's website crashed under the onslaught of the virtual hordes.

"We used this as a metaphor even though there were natural disasters already happening," says Khan. "Somehow, embracing zombies allowed people to think more concretely about how they – and more importantly their family and households – were prepared."

The CDC also dispensed more conventional advice after Fukushima, dispelling fears over US radiation exposure and urging the public not to take potassium

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**The US Centers for Disease Control and Prevention's award-winning campaign taps into the public's love of zombies to get across a serious public safety message**





iodide after noticing a push for it on social media. But the zombie blog demonstrates more than a rare display of institutional creativity and humor by a government agency. It underscores the importance of flexibility and the ability to listen and respond appropriately, all essential qualities for an effective crisis response, whether it is directed at a disease outbreak or a product recall.

Khan honed his skills in the field as an Epidemic Intelligence Service Officer, the virus hunters who travel around the world trying to determine why people in a particular community are getting sick. Khan's work has taken him to remote regions in search of clues about transmission of diseases, ranging from Ebola to SARS to the mouse-borne hantavirus. In an interview with *Microbe World* when he was a "disease detective," Khan described one of the more memorable hazards encountered on the job: taking blood samples from fanged monkeys in the Philippines during an Ebola outbreak.

In his current role, as responder-in-chief to public health threats, Khan's guiding principles are: "Be first and be credible." He acknowledges that it isn't always easy being both, and that the agency works hard to walk a line between providing accurate, science-based information and not "over-reassuring" the public. As he puts it, "You need to acknowledge people's fears, express what you do know, what they want to know, what you can't tell them – and when you'll have more information to tell them something."

It helps that the agency can often talk with certainty about the biology of a disease outbreak, whether the cause is a virus or food contamination. "We have some things that we can talk about that enhance our credibility, that are science-based and accurate," Khan says. "We can also then give somebody a point in the future to say, 'You know what? Tomorrow at three I'm going to come back to you and I'm going to tell you how many additional cases there are.'"

Pop culture depictions of health crises have evolved. Khan regards the movie *Contagion*, which features both an epidemic intelligence officer and a sophisticated understanding of incubation, as a "great example" of Hollywood getting it right. As a witness to deserted African villages, shunned healthcare workers, and patients left to fend for themselves, Khan thinks Hollywood has come to recognize that outbreaks are scary enough in their own right without requiring any added hype.

What the popular imagination and movie cameras can't capture is the day-in, day-out routine and rigor that the agency employs to stay on its toes. The CDC operates in a state of constant rehearsal and →



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## DR ALI S. KHAN

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Dr Ali S. Khan has worked in the public sector for more than 20 years, becoming Director of the Centers for Disease Control and Prevention's Office of Public Health Preparedness and Response in August 2010. Khan qualified as an MD at State University of New York's Downstate Medical Center in his hometown of Brooklyn, New York. He earned a Master of Public Health degree from Emory University. His professional career has focused on bioterrorism, global health, and emerging infectious diseases, and over the past decade he has led public responses to high profile emergencies, including Ebola, avian flu, the Asian tsunami and Hurricane Katrina in New Orleans.

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### WATCHING THE DISEASE DETECTIVES

The Centers for Disease Control and Prevention (CDC) describes itself as "the nation's health protection agency." It has 15,000 employees operating in all 50 of the United States and 50 countries worldwide, commanding a budget of nearly \$7 billion. The CDC has a wide brief, but the single largest expenditure is on "preparedness" to protect Americans from natural and bioterrorism threats (\$1.3 billion). One way the CDC does this is through public education, an example of which came after the 2011 film *Contagion*, starring Kate Winslet, when the CDC deployed its "disease detectives," who had advised on the film, to sort fact from fiction. "While the movie is a work of fiction," the CDC said, via a live Twitter chat, "real-life stories of CDC's elite Epidemic Intelligence Service [where Khan started his career] are just as exciting as the story on the screen."

planning for any number of different crises, going so far as to hold mock press conferences where real members of the media are invited to attend and ask tough questions. “We take that part very seriously,” Khan says. “We’re a public health agency. We could have the brilliant diagnosis of what happens, and if we can’t communicate that, we’ll never get the control measures and preventions in place. We have to be able to communicate.”

### MAPPING THE FUTURE

The CDC has time-tested protocols in place for different events and disease outbreaks, with clear guidelines – or “critical information requirements” – for what needs to be flagged and how far up the chain it goes, including to Khan himself. The agency also gives training and classes around the world on emergency risk communications, working with the World Health Organization and various governments.

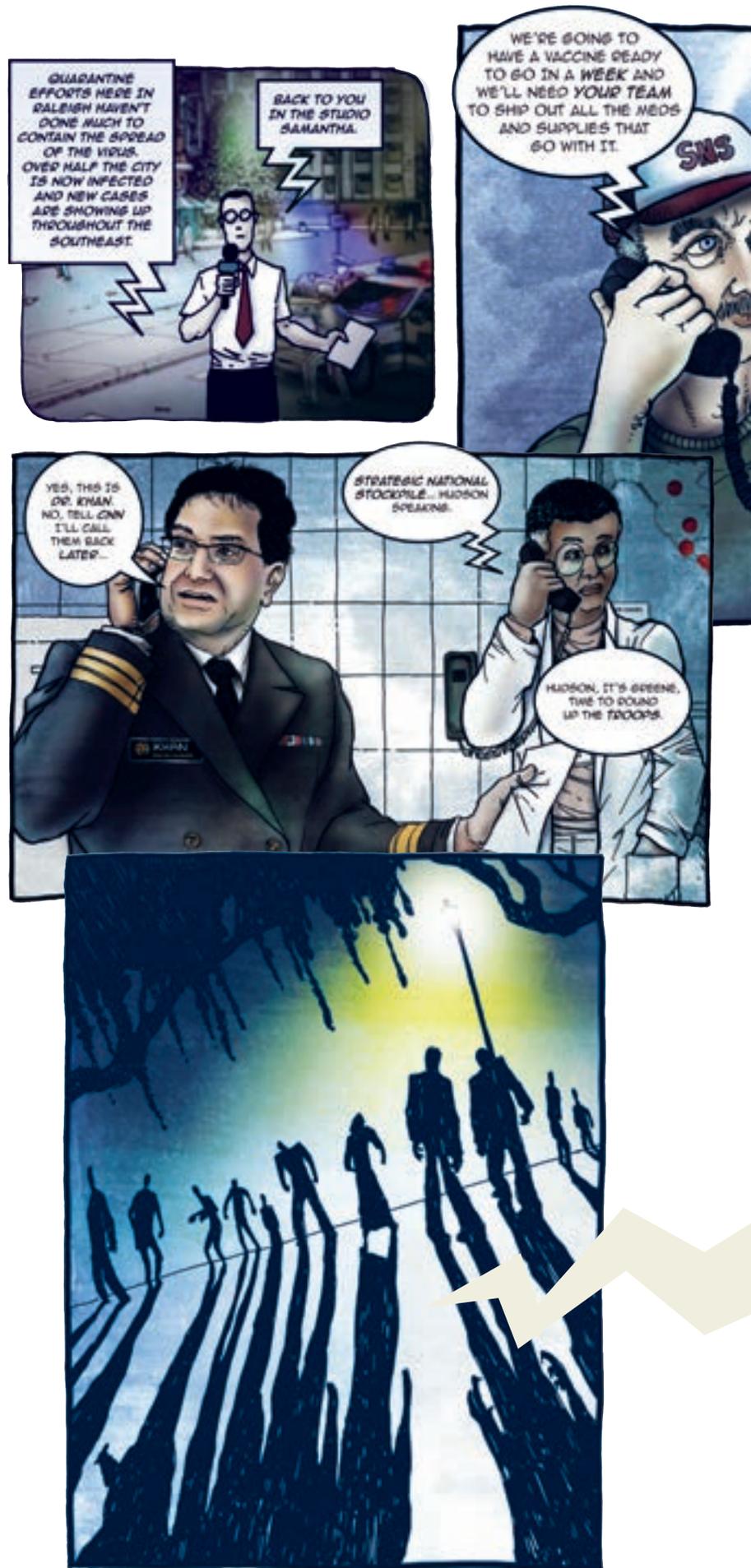
Asked about the toughest crises he has managed, Khan picks two. The first was the 2001 anthrax attacks in Washington, DC, when letters containing deadly anthrax spores were mailed to several news media offices and two Democratic senators, killing five people and infecting 17 others. The second was during the aftermath of Hurricane Katrina, when the local public health workforce was displaced.

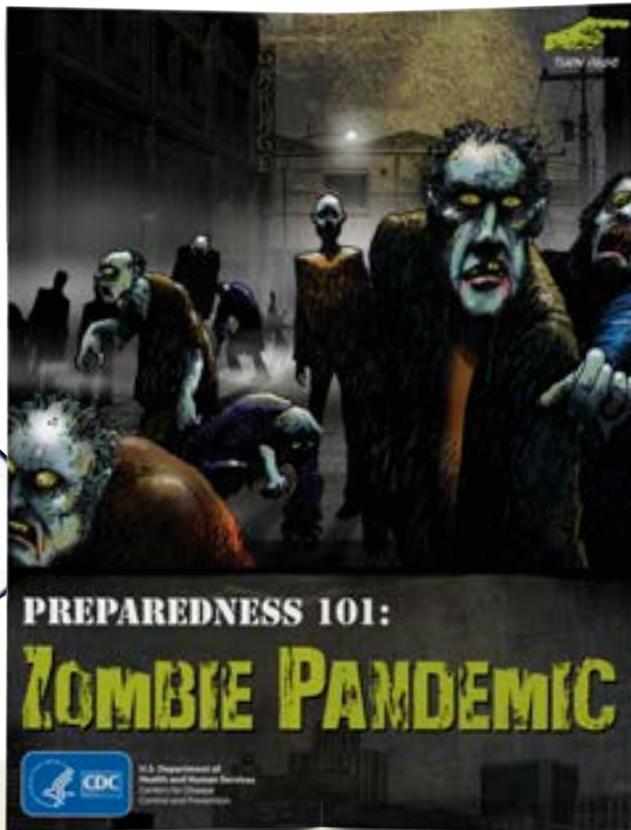
During the anthrax attacks, “The defining teacher was uncertainty,” Khan says. “You don’t know what’s going to happen next. You have no way to map out what the future of the response is going to look like and what control strategies are going to look like ... it makes it very challenging to communicate.”

The CDC already makes extensive use of social and digital media to listen to the public and tailor its response, as it did in the aftermath of Fukushima by warning that the health risks of taking potassium iodide far outweighed any benefit against minimal radiation detected by highly sensitive US monitoring. The agency wants to do far more, and is actively exploring new ways to harness the power of the internet to aid disaster relief and disease outbreak.

“We’re currently in the process of developing a crowdsourcing/crowd analysis tool for public use around outbreaks and other disasters,” Khan says. Dubbed Project Dragon Fire, the CDC envisions it as a single online source or site, developed in partnership with other federal agencies and the American Red Cross, where citizens can go to report damage and share information.

To illustrate the need for a better online disaster response tool, Khan recalls his experience in the hardest-hit areas of Indonesia, after the Indian Ocean





### The CDC embraced the undead and went viral with *Preparedness 101: Zombie Pandemic*, a graphic novella

When he made the first of his *Living Dead* films, director George A. Romero had a purpose larger than simply exploitation-horror in mind. As both the Library of Congress and the American Film Institute recognized, *Night of the Living Dead* was a culturally significant film that held deeper messages of social critique.

So it was natural, then, that Dr Ali S. Khan, a fan of the zombie genre, should embrace the undead as a source of inspiration to improve the way the government's Centers for Disease Control and Prevention (CDC) got across its message about public safety – specifically in response to questions about the Fukushima nuclear incident following the earthquake and tsunami in 2011.

Khan posted a tongue-in-cheek blog in May 2011 initially as a clever way to get across what might otherwise have been a mundane message about

preparedness for emergencies. The media got the joke and the serious message behind it. CNN commented, “[Khan] and his communications team recently noticed that what they’d want you to do if the world really did suddenly go *Night of the Living Dead* is pretty much the same thing they’d want you to do in the case of a hurricane or a major pandemic.”

The blog has received nearly five million views, up from the few thousand that a CDC posting usually receives.

Later in 2011, CDC launched a graphic novella, *Preparedness 101: Zombie Pandemic* (excerpts shown here) reaching an even wider audience. Included is a “preparedness checklist” for readers to get their family, workplace or school ready before disaster strikes. The campaign was garlanded with multiple awards and mentions, including two Platinum Awards and a cover story in *PR News*.

earthquake and tsunami devastated the region. More than 280,000 people in 11 counties perished on December 26 2004, many at the mercy of waves that reached up to 98 feet in the wake of a massive earthquake. Khan went to Aceh, one of the hardest-hit areas of Indonesia, as a World Health Organization representative to help coordinate the response. He saw how one NGO after another was sent to the same refugee camp, even though there were others nearby in desperate need. “I think we can do a lot better at collating information and using that information to drive actions in our communities, either by our citizens or our response community,” Khan says.

### LISTENING AND PRACTICING

Khan thinks a lot about performance measures and he admires the effective targeting of specific audiences that accompanies good marketing by companies. “My sense is that the corporate world has a better idea of how to segment their message so that they’re not wasting time and energy,” he says.

The CDC has also learned some lessons from slow-moving crises, such as the rise of anti-vaccine advocates who have contributed to an increase in disease outbreaks, such as whooping cough. “We are doing better by listening to social media to give us a more timely sense of the heartbeat of America, but we need to be more aggressive in communicating the evidence for our recommendations. Being science-based, emotionally neutral, and non-judgmental does not have to conflict with our duties to share our convictions and passion to protect our children.”

What keeps Khan awake at night? “The next AIDS-like epidemic,” he says. Also, terrorist threats, which can’t be predicted. Catastrophic natural disasters, because “there’s nothing static about what Mother Nature will throw at us.” And last but not least, continued budget cuts in public health. He estimates that there are 45,000 fewer public health practitioners at the state and local level than five years ago.

A crisis exercise cut the interview a few minutes short: the CDC was simulating an anthrax attack, and it was time for Khan to jump in. The scenario included 1,600 spiked samples sent to the CDC to test how quickly the anthrax would be spotted. “We’ve put some ringers in there to see if they all get picked up or not,” Khan says, clearly relishing the mock problem as good preparation for a real one. ♦

**SARAH LUBMAN** is a Partner in Brunswick’s New York office. Before joining the firm she was a journalist for 17 years, working out of Japan, China and the US. Additional reporting by **GWYNNE OOSTERBAAN**, a Director in Brunswick’s New York office.

ALL IMAGES COURTESY OF THE US CENTERS FOR DISEASE CONTROL AND PREVENTION

# The best defense

**SIR RICHARD OLVER** tells Brunswick's **MICHAEL HARRISON** that a crisis, such as the one BAE Systems faced over its Saudi arms deal in 2004, can be an opportunity to institute fundamental change

**S**IR RICHARD OLVER IS SITTING BACK, LEGS crossed, in his office in Stirling Square, an anonymous, modernist building tucked discreetly between two of London's more iconic landmarks, The Mall and the gentleman's clubland of St. James's. He is contemplating the nature of crisis. With his white hair, owlish features and wire-rimmed glasses, Olver could quite easily pass for an Oxford don. Indeed, he has the requisite intellectual heft and gift for deconstructing an argument, though he has led nothing like a sedate life among the groves of academe. For the past decade he has held down one of the toughest and most demanding corporate jobs: Chairman of BAE Systems, the world's third biggest defense contractor and Britain's largest manufacturing company.

In February 2014, he retired from that post to devote more time to his other commitments, which include advising UK Prime Minister David Cameron and a clutch of blue-chip companies, plus indulging his various passions: sailing, ballet, the fine arts, and five grandchildren.

Busy as he is now, life at BAE was hardly dull. While there, Olver led the company through a number of perilous crises – from a six-year Serious Fraud Office (SFO) investigation into allegations of bribery and corruption in some of BAE's most important overseas markets, to the squalls that followed BAE's failed attempt in 2012 to merge with EADS, which would have created a global defense and aerospace leader – a project championed by Olver. Along the way, he has had to deal with any number of issues, ranging from the difficult decision in late 2013 to end naval ship-building in Portsmouth, Britain's Royal Navy hub on England's south coast, to the closure of armored vehicle and aircraft production sites in the north.

Though they can cause painful disruption, especially for the people directly affected, Olver believes that some crises can be cathartic. This was especially true, he recalls, of the one that engulfed BAE in 2004, when the company was accused of using a slush fund to pay millions of pounds in bribes to facilitate the Al-Yamamah arms-for-oil deal with Saudi Arabia. →



PORTRAIT: SAM KERR, DEBUT ART

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## RICHARD OLVER

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Sir Richard Lake Olver (universally known as Dick), was born in Woodford Green, Essex, just outside London, in 1947, graduated from City University with a First Class Honors degree in Civil Engineering and joined BP in 1973. His 30-year career at BP culminated in his appointment as Deputy Group Chief Executive in 2003. In July 2004, he became Chairman of BAE Systems, retiring in February 2014. He has held a number of board and advisory positions at companies including Thomson Reuters and HSBC. He is also a member of UK Prime Minister David Cameron's Business Advisory Group.



**The Typhoon is a multi-role aircraft that goes from brakes off to takeoff in less than eight seconds and supersonic in under 30**

“If you know you need to make changes – maybe radical changes – then a crisis can help,” Olver says. “It is very difficult to get people to change the way they think and do things if it doesn’t appear to them that there is any particular need. We didn’t have a financial crisis or one created by a massive oil leak. We had a crisis of reputation and we needed to do a lot to fix it. Over the 10 years [since the crisis], we’ve changed everything.”

Olver has no doubt that today BAE is a better, more robust and more prosperous business thanks to the company’s root-and-branch reform of its ethical codes and the sea change in corporate culture that followed.

Progress is not just a matter of doubling the share price under his tenure; it goes deeper and further than that. “We have a company where there has been a real change in the way business is done. People glibly talk about culture change, but we have had real change. This company today is thoughtful about what it does at every level, whether it’s relationships with individuals, relationships with countries, or relationships with ministries and prime ministers. We clearly are only prepared to do business our way. We may have to walk away from some business – and we have – but my view is that in the medium- and long-term it’s a competitive advantage.

“Do we sometimes, with nearly 85,000 people, have somebody do something silly?” Olver continues. “Yes. But they don’t stay in the company for more than 10 minutes. We have zero tolerance for anything like that – but what has happened is that we’ve got more revenue, more profit, a higher stock price, and more overseas sales.”

#### **AN AMBUSH AT DAWN**

The SFO moved in just a few months after Olver took on the BAE chairmanship in July, 2004. His

gut instinct was to authorize an external review of the company’s ethical policies and business conduct by an independent figure, a “heavyweight,” so he could communicate, both internally and to the outside world, that BAE was alive to concerns about its behavior and determined to change.

He found the heavyweight to take on the review in the shape of Lord Harry Woolf, a former Master of the Rolls and Lord Chief Justice (the top two judicial positions in England). Over breakfast at the Athenaeum Club around the corner from Olver’s office, Woolf agreed to take on the task but only after he had performed some due diligence. Olver recounts the story: “I said, ‘Well, OK, fine. Let me help you with the due diligence.’ He said, ‘No, no, no, you don’t understand. I’m going to do the due diligence on *you*. I’ll call you in a week.’”

Olver not only gave Woolf a free hand to review BAE’s existing ethics regime, but asked him to develop an ethical policy that would serve as the gold standard for British industry, not just the defense sector. The review began in 2007 and crucially Olver committed in advance to publish all of Woolf’s recommendations and to implement them.

The result, he believes, is an ethical standard and a culture that compare favorably with any company anywhere in the world: “We have rewritten every single policy and process. Our code of business conduct is world class – the way in which we vet advisers is world class. I don’t know any corporation that has actually changed as many things as we have changed.”

Isn’t it a bit ripe for a company that is in the defense industry to now parade its ethical standards?

Olver rejects that argument: “My view is the exact opposite. It’s precisely because we are in

“If you know you need to make changes – maybe radical changes – then a crisis can help”

the defense business that we have to make sure that everything we do is to the highest possible standards of business behavior.”

Indeed, he argues that precisely because of its own experience, BAE lobbied for the introduction of the UK Bribery Act, helping to shape the legislation and getting workable guidelines in place. “When the bill did come through, I think we were probably one of very few companies that actually already met its requirements and more,” he adds.

No need to take Olver’s word for it. BAE was ranked fourth out of the 129 defense companies in the latest anti-corruption index compiled by Transparency International, an independent organization that is a leading voice for openness in the fight against global corruption.

The long SFO investigation, which the US Justice Department joined in 2007, was also a reminder to Olver that dealing with a crisis is not just about what you do but also about how you communicate those actions. In December 2006, a seminal event occurred that was to change the course of the SFO inquiry: the Blair government announced that the SFO had been instructed to drop its investigation of the Al-Yamamah deal on “national interest” grounds because it was threatening Britain’s security relationships in an important part of the Arab world, and hence its ability to fight international terrorism.

Yet as Olver points out, the UK Attorney General, Lord Goldsmith, had concluded that the investigation was doomed to failure and that there was no case to answer. In fact, a judicial review that followed stated, “It would be unfair to BAE to assume that there was a realistic possibility, let alone probability, of proving that it was guilty of any criminal offence.”

Olver reflects, “With the SFO, a lot of the fallout that occurred did so because of the language used when the investigation was closed down. Now, had there been a case to answer, then there could easily have been a national security problem. There wasn’t, and if only that had been made clear, then we wouldn’t have received the coverage that we did in the press – for what turned out to be years. So to my mind, it just shows you that the language you use matters hugely.”

BAE is quite used to being treated as a political football – there are undoubtedly still some in UK political circles who regard it as a wholly-owned subsidiary of Her Majesty’s Government, some three decades after it was privatized.

**The Type 45 Destroyer protects forces against threats from enemy aircraft and missiles. It is also used to counteract piracy and smuggling, and in disaster relief and surveillance**

Take the decision, in November 2013, to cease warship-building in Portsmouth and consolidate it in two shipyards in Clydeside, Scotland. Olver says BAE had a solid commercial case for its actions – the bulk of the jobs and skills are in Scotland, while Portsmouth had not built a complete large warship “for probably a century or two.”

If that episode sparked political machinations, it was nothing compared to the uproar that greeted Olver when the news leaked in September 2012 that BAE was contemplating a merger with its European rival, EADS. This polarized politicians, pundits, →



## BAE SYSTEMS

### FINANCIAL PERFORMANCE

YEAR	SALES	PROFIT*
2004	£13.2bn	£1bn
2005	£12.6bn	£0.9bn
2006	£13.8bn	£1.2bn
2007	£15.7bn	£1.4bn
2008	£18.5bn	£1.9bn
2009	£22bn	£2.2bn
2010	£22.3bn	£2.2bn
2011	£19.2bn	£2bn
2012	£17.9bn	£1.9bn
2013	£18.2bn	£1.9bn

### EMPLOYEES

UK	33,300
US	31,500
Other	19,800

### R&D SPEND

2013	£1.1bn
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\* UNDERLYING EBITA

SOURCE: BAE SYSTEMS  
(FINANCIAL YEAR ENDS DECEMBER 31)

### SHARE PRICE (UK PENCE)



financial analysts, the media – even whole nations – in a way that few previous corporate mergers had. It is safe to say that coverage of the story will not have pride of place in Olver’s scrapbook.

In the UK, the populist *Daily Mail* and the sober and serious *Financial Times* led the charge, pouring ordure on the merger day after day. Even when the deal was abandoned, the attacks continued. Neil Woodford of Invesco, BAE’s biggest shareholder and an uncompromising opponent of the merger, called for a change in leadership at the company, accusing Olver of having presided over a “lost decade” for BAE investors.

Olver is unrepentant and dismisses the reaction the deal provoked in some quarters. “I think it’s incredibly clear to everybody – and I mean *everybody* – that it was actually the right thing to do,” he says. “It would have created arguably the world’s most capable and competent aerospace and defense company. You would have had a

BAE was ranked fourth out of the 129 defense companies in the latest anti-corruption index compiled by Transparency International

Named after the Celtic god of thunder, the *Taranis* is an unmanned combat stealth aircraft

strong balance sheet, hugely able people, fantastic R&D, fantastic technology – it would have been an economic powerhouse which could have been the best in the world.”

He also points out that it would have been a fabulous deal for BAE shareholders, who would have owned 40 percent of the combined business. Given the relative performance of the two companies’ share price since, the split would be more like 30/70 if the deal were to have been done at the end of 2013. So, could the deal ever be resurrected? “It’s not on the agenda now,” he says.

The lessons Olver takes from the episode revolve around communications.

He reckons that the fact that the merger was leaked prematurely – in Paris, the *FT* reported – before the two companies had completed their discussions with the British, French and German governments, helped scupper the deal. “Bound by the City Code on Takeovers and Mergers, we could not tell anybody anything which was new information ... So, we were very hampered in what we could communicate to shareholders, which is a pity.” As a result, he says, shareholders were judging the deal on the basis of incomplete and inadequate knowledge. Indeed there is a growing debate in corporate and City circles about these rules which can shackle companies during offer periods.



## BAE SYSTEMS

BAE Systems was created in 1999 through the merger of British Aerospace and Marconi Electronic Systems, in response to other defense and aerospace industry mergers in Europe and the US. The company grew through a number of acquisitions, notably of United Defense Industries, the American maker of the Bradley fighting vehicle, in 2005, and Armor Holdings, another US defense firm, in 2007. BAE Systems sold its 20 percent stake in Airbus to EADS in 2006 and in 2008 acquired Detica, a cybersecurity and information intelligence business. Today, BAE Systems focuses on defense, aerospace and security, with approximately 85,000 employees across six continents.

The company traces its history back through two legacy lines that include many well-known industry names

### BRITISH AEROSPACE

Formed in 1977 as a nationalized corporation by the Labour government, it was privatized in 1981 by the Thatcher government.

Legacy companies include:

- **Bristol Aeroplane Company**, which made the Bristol biplane (the Boxkite), Bristol Fighter and, during the Second World War, the Bristol Beaufighter. Later, its designs were used in the development of the supersonic Concorde.
- **de Havilland Aircraft Company**, maker of the famous Moth series of biplanes – including the Gipsy Moth, Tiger Moth, Cirrus Moth – and the

## OUT OF THE FIRING LINE

As he retires from the corporate front line, Olver reflects on how perceptions of BAE have changed. At the November 2013 Confederation of British Industry conference, he took part in a debate about trust and reputation alongside Sir Philip Hampton, Chairman of Royal Bank of Scotland, and Sam Laidlaw, CEO of energy company Centrica. “Had it been three or four years ago, we’d have had everything thrown at us,” he says.

As it turned out, his co-speakers took most of the flak for banking failures and sky-high energy prices, culminating in Laidlaw publicly volunteering to give up his bonus for the year. “Then a lady stood up in the audience and started her question by saying, ‘I’d like to congratulate BAE Systems on its diversity policy’ ... So, instead of assertions about inappropriate behavior or bad reputation, she was actually congratulating us on our attitude to women in business.”

Olver says it is part of “the leadership obligation” for companies to take public positions on issues such as workforce diversity, climate change, and supply chain labor practices, and to communicate those positions effectively. But he argues, also, that it is important to take stands on positions that may be unpopular. For example, he says, “If we want Britain to be a good home for multinational

**More than 14,000 Hawker Hurricanes (below) were built and it was the most prolific fighter in the Battle of Britain**



companies, or we want to attract the best multinational people to lead our companies, getting too hair-shirt about the remuneration issue is probably not wise. What we need is strong clear thinking, remuneration committees that set the tone and levels with rigor and discipline, but in a way that’s appropriate for the corporation.”

How does Olver see the covenant between business and the public? “I do think it’s very fragile and companies in all sectors are vulnerable. We all need to pay attention and make sure that we not only rebuild trust but raise it to a higher level – I think we’ve got some way to go.”

And so, what is Olver’s advice to all those companies now facing challenges to their reputations, such as those he has confronted over the past decade? What would he say to his counterparts at, say, GlaxoSmithKline, or security firm G4S? “Crikey, that’s a big ask. The most difficult thing to do, but the most important, is to decide on your values and your standards of business behavior and drive to embed them throughout the whole organization. And prepare for a long journey.” ♦

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**MICHAEL HARRISON** is a Partner in Brunswick’s London office. A former business journalist, he specializes in media advice, corporate reputation and crisis communications.

Comet, the first commercial jet airliner.

- **Hawker Siddeley**, which produced probably the most important aircraft in the Battle of Britain, the Hawker Hurricane, which accounted for more enemy aircraft strikes than all other fighters combined, including the Spitfire.
- **Scottish Aviation**, which built aircraft including the Bulldog training plane.
- **Royal Ordnance**, the UK munitions maker, bought from the taxpayer in 1987.
- **Rover Group**, bought in 1988 from taxpayer, subsequently sold to BMW of Germany in 1994.

## MARCONI ELECTRONIC SYSTEMS

The company was the defense arm of The General Electric Company of the UK (not

related to GE of the US) and was known as GEC-Marconi until 1998, when it changed its name and was merged the following year with British Aerospace to form BAE Systems.

The company’s history dates back to the late 19th century and the invention of wireless telegraphy by physics Nobel Prize-winner Guglielmo Marconi. Among the legacy companies’ most important contributions was the development of radar, which gave the RAF an enormous advantage in the Battle of Britain.

As Marconi grew through acquisitions later in the century, its legacy companies built or provided important components in a number of military and civilian systems, including the Astute Class submarines, the Boeing 777, the Royal Navy’s Type 23 Frigates and the Brimstone air-to-ground missile system.

**The Bradley Fighting Vehicle is an integral part of the US Army’s Armored Brigade Combat Team. It was designed to combine the weapons and equipment of an armored personnel carrier, a tank destroyer and a fire support and scout vehicle**





# IF YOU CAN KEEP YOUR HEAD...

Political veteran **ED GILLESPIE** recalls that during his time as senior adviser in the White House, “crisis mode” was just part of the routine

**M**Y FIRST WEEK SERVING AS COUNSELOR in President George W. Bush’s White House – during his second term, in 2007 – saw a number of issues flare up in quick succession: the President’s immigration reform bill collapsed in the United States Senate; a leading senator from his own Republican party came out against the Iraq troops surge; and there was controversy when President Bush exercised executive authority to commute former top aide Lewis “Scooter” Libby’s prison sentence over the disclosure of an undercover CIA agent’s identity.

“Surely,” I asked one of my new colleagues, “things will get easier, right?” They never did.

Such is the nature of working in the White House, where being in crisis mode is part of the daily routine. In the final 20 months of President Bush’s time in office, we dealt with natural disasters, the wars in Iraq and Afghanistan, burgeoning Congressional investigations, and a financial crisis that loomed over the global economy.

Without doubt, the near collapse of the financial markets in the autumn of 2008 was the most significant crisis of my time in the White House, and there are some informative lessons (both good and

bad) in how President Bush, Treasury Secretary Hank Paulson, the White House staff, and Congressional leaders handled it.

I remember vividly the meeting in the White House's Roosevelt Room, when Paulson, Federal Reserve Board Chairman Ben Bernanke, and New York Federal Reserve Bank President Tim Geithner briefed the President on the state of the financial sector and its potential effects on the economy.

There was a danger that liquidity could just dry up and stall lending. In some instances, the value of deposits were below what investors had paid in, meaning some institutions were technically insolvent. Paulson, Bernanke and Geithner were urging fast and decisive action by the President, specifically an infusion of more than \$500 billion into the system.

"What would happen without that?" the President asked. "We'd be looking at an economy worse than the Great Depression," Paulson replied. I was seated to President Bush's immediate right, his Chief of Staff, Josh Bolten, on his left; across the table were Paulson and the others. I could not only see the President's reaction, but feel it as he literally recoiled.

"Worse than the Great Depression," he repeated before turning to Bernanke. "Twenty-five percent unemployment. Ben, do you agree with that?"

"Yes, Mr President. I do," the Fed Chairman said.

This was the moment of conception for the now famous TARP (Troubled Assets Relief Program) and a vigorous effort to not only address the crisis in the capital markets but to quell the fear that had gripped millions of Americans by communicating why we were in the precarious position we found ourselves in, and what we were doing to fix it.

Most crises don't involve the possible loss of trillions of dollars in GDP (or get addressed through a communications strategy that includes a nationwide address on all major television networks), but they can risk a huge loss in a company's market value and the possibility of long-term damage to its reputation.

The following are some pointers, informed by my experience of crises in the political arena. ♦

**ED GILLESPIE** served as Counselor to President George W. Bush and as Chairman of the Republican National Committee. He has since worked as a political and corporate communications strategist, including for a time as Senior Counselor to Brunswick. He recently announced his intention to run for Senate in Virginia in 2014.

## WHAT WOULD "THE WEST WING'S" TOBY DO?

### ● "First, let's kill all the lawyers ..."

It is a rare crisis that does not involve the lawyers – and even more rare is one where the lawyers and the communications team don't butt heads.

I once counseled a Senator under investigation by the Senate Ethics Committee. It was clear early on that his actions amounted to a lapse in judgment, but that he hadn't actually broken Senate rules or federal law. I wanted him to tell his constituents that, while he was confident he had not violated any laws, he was sorry for the error in judgment and bringing embarrassment to his state. This was his instinct as well, but his legal team persuaded him it was not worth the risk.

His numbers tanked, and he announced that he would not seek re-election the following year. Three months after leaving office, it was announced that no charges were being brought. A relief, no doubt, but one he enjoyed as a former Senator.

Sometimes, attorneys need gentle persuasion to allow a company in the midst of a crisis to be more forward-leaning in its statements and media engagement. A clear understanding by the communications team of the legal risks helps in making that case.

### ● What's the procedure?

With an established process, properly anticipated scenarios, a mindset that recognizes the current media environment, and a commitment to moving forward, a company can survive just about any negative story.

When I first joined the White House in June 2007, I was surprised to learn that there wasn't a core communications team to handle all the news developments coming out of Iraq and Afghanistan.

The Pentagon, State Department and White House each had responsibilities, but it wasn't as centralized as one might have expected. We began holding meetings every Monday, Wednesday and Friday

with the relevant departments and officers in theater to better coordinate the information flow. There's no doubt the success of the "surge" strategy changed perceptions of progress, but the tighter communications team was able to better convey the information.

### ● Tell me the bad news ...

I have rarely seen bad information look better when it came to light through a third-party source. There is no perfect time to release negative information, but too often that serves as an excuse to do nothing. And that almost always results in responding to the bad information on someone else's terms.

A congressman I knew decided against seeking re-election after a scandal rather than lose his seat in the election vote. "Why not fight it out?" I asked him. "Sometimes it's better to take the bullet than wait for the bullet," he said.

### ● Now, for the good news ...

One beneficial aspect of today's media environment is the constant demand for new stories and controversies. If you can manage your crisis properly, it won't be long before you're reading about some other poor communications specialist's nightmare.

### ● Moving on ...

Just as important as dealing with the pressing matter at hand is the ability to move past it.

Introducing a new product, announcing entry into another market, unveiling a new advertising campaign – all of these can help convey that your company has not been debilitated by a crisis.

Getting the timing and messaging right for such developments can help reassure investors, calm employees, and disarm competitors.

It's not surprising that in the wake of the disastrous roll-out of the Affordable Care Act ("Obamacare"), President Obama announced a new push for immigration reform.

# POST CRISIS: ENGAGE – OR FLY LOW?

BY BRUNSWICK'S ROBERT MORAN AND COREBRAND'S JAMES R. GREGORY

**When a crisis strikes, do you hit back with an aggressive plan to engage your critics and explain what you are doing better? Or do you hunker down and wait for the storm to pass?**

Would you change your answer if you learned that it would take nearly four years for your company to restore its pre-crisis reputation – nearly as long as the average tenure of today's CEO?

The approach to communicating through a crisis is critically important. But there hasn't been much data to show how these diametrically opposed strategies serve the corporate leaders who chose them. And in the midst of a crisis when emotions are running high, objective analysis is even harder to come by.

Brunswick partnered with brand analytics and tracking firm CoreBrand to analyze how quickly and effectively companies were able to emerge from a crisis. The findings should be sobering for all corporate leaders – primarily because it took so long to recover, no matter what strategy was adopted.

Looking at 16 well-known crises at Fortune 500 companies, we found that the average time to restore corporate

reputation was nearly four years. Digging into CoreBrand's extensive, 24-year database of business decision-maker perceptions of more than 1,000 companies across 54 industries, we found that the average time to rebuild perceptions of investment potential was nearly two years, an eternity in the stock market. And the average time for return to pre-crisis brand equity value was just over a year, not good news for the Chief Marketing Officer.

This presents three significant implications for management:

- **Managing expectations:** Prepare the board for a long, hard slog back to pre-crisis levels of trust among customers, employees, investors and other stakeholders.
- **Rebuilding:** Once news coverage of the crisis has subsided, management needs to pivot from firefighter mindset to a rebuilding mentality. A plan to restore reputation is needed in order to reduce the duration of the post-crisis slide.
- **Employee morale and attrition:** Many high performers decide to jump ship in the aftermath of a crisis. Our findings

suggest that unless they want to wait out a two- to four-year slide, their decision is entirely logical. Companies need to focus on values, morale and compensation as tools to retain high performers in a post-crisis environment.

**Does becoming more “familiar” mean you fall out of “favor?”**

From a perception standpoint, when a crisis hits, we see an increase in “familiarity,” as measured in CoreBrand's survey of business decision makers by the level of awareness in the marketplace. This may be affected by a media feeding frenzy over a negative story, for example.

Our data finds that a proactive response to a crisis can further increase familiarity, beyond the initial crisis level. And increasing familiarity can be accompanied by lower “favorability,” measured by quality of reputation across three key attributes: overall reputation, perception of management and investment potential.

This analysis leads us to a definition of crisis: when familiarity increases and favorability declines dramatically.

Our research shows two distinct approaches to how companies lead through crisis. Some choose a more demonstrative path (the “classic” →

BRUNSWICK

INSIGHT

- **ROBERT MORAN** is a Partner in Brunswick's Washington, DC office and leads Brunswick Insight in the Americas.
- **BRUNSWICK INSIGHT** is the strategic research function of the Brunswick Group. It uses opinion polling and qualitative research to

analyze perceptions about companies and issues, pinpoint messages that resonate, and craft strategies to build support.



- **JAMES R. GREGORY** is the founder and CEO of CoreBrand. He has written extensively on creating value with brands.
- **COREBRAND** helps organizations understand, define, express and leverage their brands for measurable

results. Founded 40 years ago, it focuses on using quantitative research to help senior corporate leaders manage their corporate brands by understanding the impact of various events, including crises.

● **FAMILIARITY**  
Defined by the level of awareness in the marketplace, as measured by CoreBrand's survey of business decision makers.

● **FAVORABILITY**  
Measured by quality of reputation across three key attributes: overall reputation, perception of management and investment potential.

● **CRISIS DEFINED**  
When "familiarity" increases and "favorability" decreases dramatically.

CASE STUDY 1

**THE TEXACO EXPERIENCE**



▼ In 1996 Texaco was embroiled in a racial discrimination lawsuit when some members of senior management made remarks that were recorded. This made the national news and the company was plunged into crisis. It took five years to fully recover its reputation: the company ended up being sold to Chevron. Texaco represents the "classic pattern" response to crisis, with "familiarity" growing, while "favorability" declines.

■ FAMILIARITY  
■ FAVORABILITY  
• BOTH RATED ON A SCALE OF POOR, FAIR, GOOD OR EXCELLENT  
• BASE YEAR IS 1995

CASE STUDY 2

**AIG — THE LONG ROAD BACK**



▼ The financial crisis of 2008 was extremely damaging to the "favorability" of many financial institutions. AIG became the poster child of excess in the first quarter of 2009, when management announced that despite government bail-outs to keep the company afloat, it would pay executive bonuses that could reach as much as \$1.2 billion. AIG became the focus of media and political outrage and it was some time before the company's favorability recovered.

FAVORABILITY, IN TERMS OF:  
■ OVERALL REPUTATION  
■ PERCEPTION OF MANAGEMENT  
■ INVESTMENT POTENTIAL

pattern) while others choose to reduce their exposure (the “quiet” pattern).

These approaches represent two competing schools of thought among those who have to deal with crisis situations. One argues that it is best to be the bearer of your own bad news and that failure to engage the media and stakeholders in a transparent world will only cause long-term pain.

The other says that in an age of hyperactive distraction, in which consumers are drowning in messages that they constantly scan but seldom engage deeply with, it is best to deprive the crisis of additional oxygen and “let it blow over.”

Seven of the 16 companies in the study exhibited the classic pattern: the company is initially knocked back on its heels but soon begins engaging stakeholders to either explain its side of the story or to show how it is mending its ways.

But nine of the 16 had a response that surprised us: the quiet pattern. These companies exhibited similar declines in their reputations, but became less “familiar.” The crisis takes its toll, the company keeps a low profile, falls out

of the headlines and begins to drop from the consciousness of business decision makers.

The correct course is not always obvious in the middle of a crisis, and choosing between these approaches presents a high-level strategic decision at a time when the public’s trust in institutions and business could not be lower. From the “Occupy” movement’s critiques to the recently coined term “bankster,” the current *zeitgeist* is anything but business-friendly.

**Which crisis response behavior is more effective? Should a company fly low – or engage aggressively?**

The low flyer (quiet pattern) companies actually suffered slightly fewer hits to their favorability and overall reputation. And perceptions of management took only half the hit that they took among the engaged ones (classic pattern).

At first blush – and ethical considerations aside – it appears that flying low is a stronger strategy.

But, there’s a catch. The low flyers appear to suffer a longer downturn in their brand equity. The brand strength of those hunkering down, as measured

by CoreBrand, took longer to bounce back. Whereas the engaged group actually began to repair their brand after one year, the disengaged group were still stuck in negative territory with losses in brand equity as a percentage of market cap.

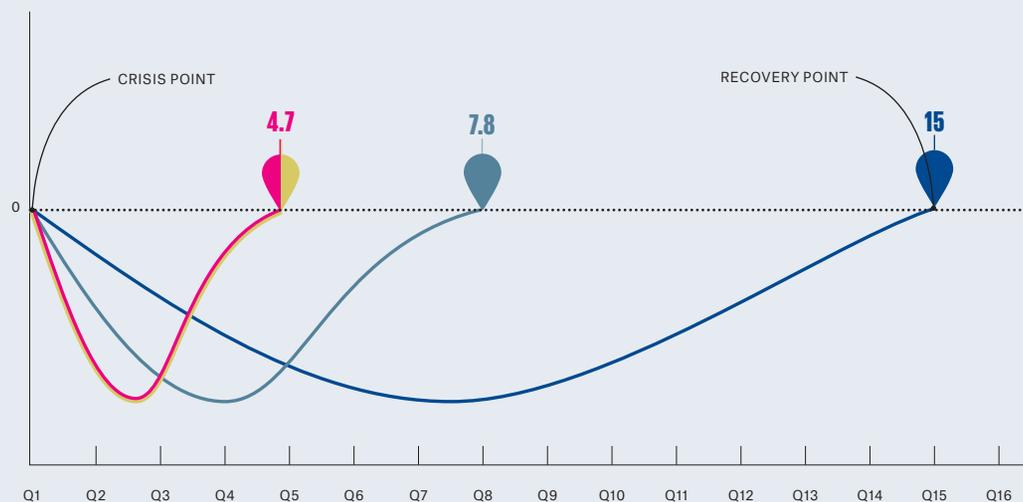
The “fly low” strategy has other potential drawbacks. There are greater threats of government intervention as stakeholders demand more accountability, and there are the quiet and negative impacts of corporate silence on internal morale.

Even in the age of transparency, disengagement may be a valid short-term survival strategy, but it appears to pose greater challenges to the health of the brand. Silence is not always golden.

And, given the average length of time that it takes to repair corporate reputation (almost four years), rebuild perceptions of investment potential (nearly two years) and return to pre-crisis brand equity value (more than a year), engagement and repair seem to be the wiser, long-term approach.

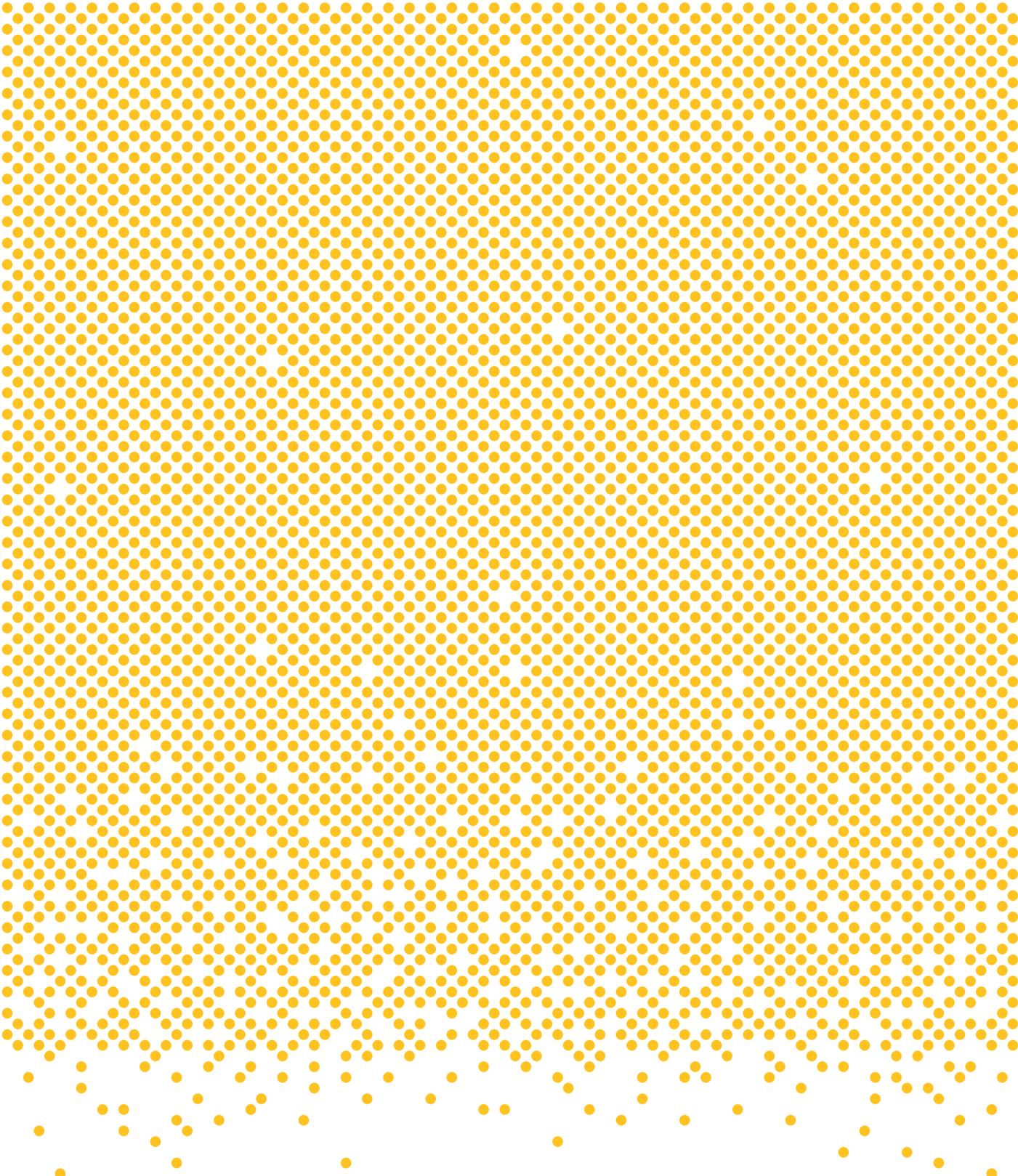
When the fire is over and the firefighters have extinguished the blaze, the builders need to begin their work. ♦

**TIME TO RECOVERY**



▼ **A detailed analysis of 16 well-known corporate crises found that while perceptions of management and brand equity value took just over a year (4.7 quarters) to rebuild, investment potential took nearly two years, and overall corporate reputation almost four years to recover.**

- FAVORABILITY, BROKEN DOWN INTO:**
- PERCEPTIONS OF MANAGEMENT
  - INVESTMENT POTENTIAL
  - OVERALL REPUTATION
  - BRAND EQUITY, \$ VALUE



# PLASTIC SNOW

**How one of China's largest state energy companies turned the tide on a Hong Kong beach spill, by Brunswick's TONG ZHAO and CRYSTAL CHAN**

I

T'S A RARE EVENT WHEN A LARGE ENERGY COMPANY and a non-governmental organization see eye to eye over an environmental crisis. It's even rarer when the company is a Chinese state-owned enterprise, given the perception that they are typically opaque and slow-moving. So, when Typhoon Vicente struck Hong Kong in July 2012, Sinopec, one of China's largest integrated energy and chemical groups, had the opportunity to demonstrate a different kind of crisis leadership in action.

Until the typhoon hit that summer, most people in Hong Kong had probably never heard the word "nurdle." That all changed when the once-in-a-decade storm slammed into a ship, causing six containers carrying a total of 150 tons of plastic pellets – the aforementioned nurdles – to spill into the sea off the city-state. Within days, the pea-sized pellets, which had been packed into plastic bags and placed in the containers, were washing up on to more than 60 beaches and outlying islands in Hong Kong, coating the sand with a blanket of plastic snow.

**WHAT IS A NURDLE?**  
Nurdles are a type of pre-production plastic that melt quickly and evenly and are used to make many common objects. Tiny plastic beads, they are easy to transport in bulk



**THE PELLETS**, which are used as the raw material to make plastic objects, belonged to Sinopec, whose name and logo was printed on the bags, so ownership of the cargo was clear and public from the outset. The company was quickly alerted.

Tracey Read from DB Green, an activist group concerned with environmental issues in Hong Kong's Discovery Bay, was one of the earliest on the scene of the pollution. Read, who lives in Discovery Bay, a popular ex-pat enclave on the northeastern coast of Lantau Island, was stunned to see the blanket of nurdles coating her local beach.

"Seeing full bags scattered all over the beach and knee-deep piles of pellets made me feel sick to my stomach," she told *The New York Times* a few weeks after the spill. She contacted Sinopec immediately and the company sent a team to inspect the scene.

Sinopec Chairman Fu Chengyu, a 30-year veteran of the energy industry, has encountered many different challenges in his career, but this incident was a new one. Fu thought the priority was to clean up the spill quickly. But who to call for such an unprecedented task? Was there a relevant government authority? What information should the company put out as the incident was rapidly becoming public?

There was little time to waste. Media coverage, including pictures of the "snowfall" on Hong Kong's beaches, were causing public consternation. At its peak, more than 160 news articles a day were appearing, posing questions such as the potential dangers to people and wildlife. The pellets weren't toxic but were clearly a blight on numerous beaches on Hong Kong's outlying islands.

**When Typhoon Vicente hit, six containers carrying 150 tons of "nurdles" (plastic pellets) spilled into the sea off Hong Kong**



**"Regardless of accountability, we needed to prevent the crisis from getting worse"**

**Fu Chengyu, Chairman, Sinopec Group**

It was clear, Fu says, that rather than fritter away time apportioning liabilities and responsibilities for the crisis, Sinopec should devote most of its energies to the cleanup. "Regardless of accountability, we needed to prevent the crisis from getting worse. So we knew we needed to be at the center of the cleanup efforts," says Fu.

Sinopec set up a crisis management team to assess the situation and provide senior management with first-hand information from site visits and regular monitoring. The company quickly decided to commit its own manpower and resources to the project, as well as contact and support the many parties involved in collective cleanup efforts in Hong Kong.

**IT PROVED** to be a good judgment. Sinopec's name was clearly marked on the cargo, and many observers believed that the company should take full

accountability for the incident, even though in reality there were many parties involved, including the shipping agent and its subcontractor.

Sinopec set up a special fund of HK\$10 million (\$1.3 million) for the cleanup efforts. Taking the lead in the crisis also entailed consulting various stakeholders, including NGOs and government authorities.

Gary Stokes of Sea Shepherd Conservation Society, a US-based international marine wildlife conservation advocacy group, worked closely with DB Green to spearhead the cleanup effort. He still remembers Sinopec executives asking him, "What do you need, how can we help?" when they first visited the affected beach on the second day. He says, "Sinopec set an outstanding example that many other large corporations should take note of."

How did that differ from what Stokes was used to? He says there was "genuine and sincere concern" from Sinopec: "This sincerity carried all the way up to Fu, who flew down personally to assess the progress and help out on the beach."

Regular meetings with stakeholders and exchange of information helped align objectives and build rapport among the parties. The NGO representatives also shared intelligence on cleaning techniques and agreed on guidance for volunteers.

Since the spill was constantly moving with the tide and changing weather conditions, these regular meetings became critical in pinpointing where additional resources were needed. "Sinopec was honest enough to say it didn't have all the solutions, but it was open enough to listen and work with the NGOs," Stokes recalls.

After the first stage, Sinopec hired scuba diving experts to salvage missing →

# 危机

“In the Chinese language, the word ‘crisis’ is composed of two characters, one representing danger and the other, opportunity”

JOHN F. KENNEDY, 1959

For decades this trope has been used across the political aisles and in boardrooms to motivate and encourage in times of crisis. As inspirational as it may sound, this silver-lined outlook occupies more of a gray area than its frequent use might indicate.

Translations are interpretations, and over time this favored rhetorical device has come under some scrutiny. The Chinese word for crisis is 危机 - *wéijī* - and the first character does indeed mean danger, but the second does not necessarily mean opportunity.

The character 机 - *jī* - has several meanings, but when placed after the 危 - *wéi* character, the compound means critical point or precarious moment. While this is not far from “crisis” as we know it, the meaning doesn’t necessarily support the paradox that the word has become known for.

The ambiguity has persisted because it usefully presents a potential upside of a damaging event. And as with any pivot point, with preparedness, skillful management and a dash of wisdom, there is a possibility that you can end up better off than you were before. But just because there is a possibility, it does not necessarily mean that a crisis is always an opportunity. That’s up for grabs.

CINDY ZHENG, Brunswick, New York

containers, rented a helicopter to survey affected beaches, arranged for professional cleaning crews and ordered industrial equipment to support the cleanup. The company also arranged for transportation for volunteers to access remote beaches while providing them with medical support. Sinopec employees were on the front line – company employees committed a total of 2,478 days over four months. This included top executives: Chairman Fu, President Wang Tianpu and Chief Financial Officer Wang Xinhua among them.

**FOR CLEANUP** volunteer Tracey Read, the personal commitment made an impact. “Working with the people that made up the company of Sinopec was a positive experience and certainly gave the corporation a ‘human face,’” she says.

Continuing to provide information was also critical. Sinopec spokesman Lu Dapeng was among those on cleanup duty in addition to being bombarded by media and other external inquiries.

Reflecting on those hectic weeks, he says, “It was really tough to keep on top of the hundreds of calls and emails we received from the media, the public and others. We knew that while we were cleaning the spill, we also had to keep the channels of communication open and to continue answering as many questions as we could.”

The company also worked with NGOs to set up a website to inform the public about the cleanup progress and allow more volunteers to sign up. Being communicative, transparent and proactive paid off. The media, general public and the government were generally supportive of Sinopec’s role in Hong Kong during the incident.

*Ming Pao Daily*, one of Hong Kong’s leading newspapers, even ran a rare

positive editorial in praise of a state-owned enterprise: “The three parties directly involved in the incident – the owner of the pellets, the shipping company, and the ship owner – none but Sinopec, which owned the pellets, have actively responded to the cleanup call ... Sinopec’s position on the matter is both practical and reasonable ... This is a good example of corporate social responsibility...”

**A**nother positive outcome from the crisis was the increased awareness among the public that Hong Kong’s beaches need to be better maintained.

The mass cleanup galvanized Hong Kong’s “Adopt a Beach” initiative piloted by the government and environmental groups, which aims to broaden the public’s focus on protecting and preserving Hong Kong’s beaches.

For Fu, the incident strengthened his commitment to Sinopec’s sustainability mission. He has committed \$3.8 billion in a “Blue Sky and Clean Water Project” to support initiatives to enhance air and water quality.

For a state-owned company like Sinopec, the communications message that resounded from the experience was that assuming responsibility and dealing with issues openly is a far cry from assuming liability, but enables more effective engagement with local communities and all stakeholders. ♦

Additional reporting by **CHRISTINA PANTIN**, Brunswick, Hong Kong.

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## Employees are valuable brand ambassadors during periods of crisis, writes Brunswick's KEITH BURTON

**IT WAS ONE OF THOSE DAYS.** Communicators at a global medical technology company had done their best to plan for every contingency in announcing a wave of layoffs. No one, however, had considered the one errant stone in their proverbial Hadrian's Wall that could unleash the barbarians. When layoffs were announced, word leaked among 25 affected employees connected on Facebook. It then quickly spread to the larger workforce, the media, and other stakeholders, shaping perceptions before the company could release any official communication.

How should companies factor employees into crisis communications planning? Can they count on them to remain loyal to the corporate brand during a crisis even when they are directly affected by it? Or might they become "terrorists," as one pharmaceutical executive put it, and work against the company?

W. Timothy Coombs, an authority on crisis

communications and a professor at the Nicholson School of Communication at the University of Central Florida, reminds us that employees feel real pressure during a crisis. "First, the crisis is an unknown. They need to know what has happened and what the organization is doing to address the situation," says Coombs, author of *Ongoing Crisis Communication*, *Code Red in the Boardroom*. "Second, never forget that any crisis will have a personal impact on your employees. You are all in it together."

Toyota and Navistar are two global brands that have weathered major crisis threats. During their greatest periods of challenge, both started with a simple question: "How will this crisis affect our employees and what do we want them to say and do to support our reputation – or at least not sabotage it?" Their experience can offer insights for other companies facing the unfamiliarity and uncertainty of a crisis. →

TOYOTA: RON KIRKPATRICK

## ▶ “THE DARKEST DAYS OF MY CAREER ...”



ON KIRKPATRICK REMEMBERS THE day in 2009 when the US Secretary of Transportation, Ray LaHood, exhorted consumers to “park your Toyotas” during a major recall targeting the Camry line and other vehicles for possible “unintended acceleration” that allegedly led to crashes resulting in injuries and deaths.

“It bordered on being hysterical at one point,” says Kirkpatrick, National Manager, Executive/Internal Communications and Social Media at Toyota Motor Sales in Torrance, California. “Those were the darkest days of my career.”

He participated in the first meetings executives convened to address the crisis, and was responsible for making sure Toyota’s all-important first line of

communication with customers – its employees (known as associates) and dealers – were quickly informed of details and given direction on how they could help tell the company’s story. Kirkpatrick says associates and dealers are “fiercely loyal, and they had a hard time dealing with all the negative stuff. We knew that they were our best advocates. We knew that they had their own networks, and we wanted to tap into that, so we considered them extremely important.”

In times of crisis, the simplest things are often the most effective. One of Toyota’s most successful tools was *Fast Facts*, a regular short email for dealers and employees that provided a headline and three to five sentences to give an overview of the story and then a link to an article or directly to Toyota’s news releases.

To streamline the process, the review chain for *Fast Facts* was deliberately short: “It was just me and our

NAVISTAR: LISA HARTENBERGER

## ▶ “WE REALLY NEEDED TO DRIVE BELIEF ...”



“We have people working here who still remember what happened to us in the 1980s and say, ‘I’ve seen much worse at this company and we’ve survived,’ says Lisa Hartenberger, Director of Corporate Communications at Navistar. The company’s employees have proved themselves resilient in the face of crisis. “Our people are survivors,” she says.

Navistar is the proverbial plow that broke the plains. The 180-year-old Illinois-based company evolved from International Harvester, the iconic brand that modernized American agriculture under its founder, Cyrus McCormick. But tough times led it to sell off its agricultural business to Tenneco Case in the 1980s and rebrand as Navistar, a truck and engine company.

More recently, Navistar took bold steps to leapfrog competitors and meet more stringent US emission standards – and failed dramatically. In less than a year, the company cycled through three CEOs. Massive warranty costs tied to quality issues plagued the brand. Add to the mix a restructuring program that cut 10 percent of 18,000 jobs worldwide, and you have the full bleak picture.

Hartenberger says the company worked hard to keep its people motivated amid its most recent crisis. “We needed every employee to focus urgently on what was required – and at a level of detail. It wasn’t enough to get people to do the right things,” she says, “we needed to drive belief and help people understand exactly what the stakes were and that our work would pay off.”

Navistar focused on key leadership segments – the top 250 executives and 1,000 senior managers –

lawyer. At one point, my manager was also involved, but he soon dropped out.” To judge whether the company has succeeded in communicating with employees, Kirkpatrick uses a litmus test. “I go back to a simple thing I call the ‘backyard barbecue test.’ If an associate goes home and he’s in his backyard and his neighbor is barbecuing over there, and asks him about some bit of news about Toyota, he knows how to answer it.”

Professor Coombs was impressed with the way employees stayed loyal through the crisis. “Toyota employees consistently expressed support for the company throughout the recall. They stood with the company,” he says.

Losing employees is one of the big risks in a crisis, but that didn’t happen at Toyota. “It was the real strength of the company and it goes back to the sort of family feel that Toyota has,” says Kirkpatrick.

getting them to drive engagement with smaller teams. Employee ambassadors, in turn, were drawn from smaller-scale, open forums and webcasts with leaders, including CEO Troy Clarke.

Hartenberger emphasizes the importance of visual tools. “We created a dashboard that literally looked like one in our trucks,” she says. “It was about keeping goals and metrics front and center.” Employees are crucial brand ambassadors during a crisis, “Our employees are the face of Navistar to our dealers, our suppliers, and our customers – the population of critical stakeholders that had lost faith in us.”

Hartenberger says CEO Clarke “tries to make the emotional appeal to people about working fast and working hard, that we are saving an iconic, 180-year-old company ... helping them understand that this is a fight worth fighting.”

ILLUSTRATIONS: JESSE LEFKOWITZ



## ▶ RULES OF THE ROAD

### **There are some basic rules to mobilizing employees in a crisis:**

- Emotions run high during a crisis. Don’t leave it to your employees to interpret the facts. Tell them everything you can in clear, straightforward language. Where confidentiality or disclosure requirements limit what you can say, be as up front as you can.
- One size does not fit all. Think carefully about where your employees work, their job types, and how they interact with key stakeholders to shape and prioritize your efforts. And don’t forget retirees.
- Monitor the media and quickly correct misinformation. Regrettably, some employees are more trusting of the media than their company for information about what’s going on because of a lack of transparency or a news vacuum. Don’t be that company.
- As with Toyota’s *Fast Facts* and Navistar’s “dashboard,” crisis teams should have dedicated channels they use to keep employees informed.
- Consider the company’s social media policy during a crisis. Simply forbidding employees from using social media can be counterproductive. Employees can be a positive, authentic, trusted voice in a crisis, providing valuable support. Given clear guidance and ample information they can help prevent rumors and damage to the brand. Not only that, if you explain the rationale behind this policy, people will feel engaged and you could well mobilize a powerful army of brand ambassadors. ♦

**KEITH BURTON** is a Partner in Brunswick’s New York office and leads the firm’s global employee engagement and internal communications practice.



# The hardest word

When it's time to apologize make sure you mean it, advises Brunswick's **ERIC SAVITZ**

ARCHIE: All right, all right,  
I apologize.

OTTO: You're really sorry?

ARCHIE: I'm really, really sorry,  
I apologize unreservedly.

OTTO: You take it back?

ARCHIE: I do, I offer a  
complete and utter retraction.

The imputation was totally  
without basis in fact, and  
was in no way fair comment,  
and was motivated purely by  
malice, and I deeply regret any  
distress that my comments  
may have caused you, or your  
family, and I hereby undertake  
not to repeat any such slander  
at any time in the future.

OTTO: OK.

*Kevin Kline (Otto) wrenching  
an apology from John Cleese  
(Archie) by holding him outside  
a window upside down,  
in the 1988 film,  
A Fish Called Wanda*

**T**HERE COMES A TIME IN THE  
lifecycle of every company,  
government agency, corporate  
executive, celebrity, athlete,  
official and 12-year-old, when the  
only rational option is to issue a sincere,  
heartfelt apology.

It happens to the best of us – we screw  
up. The fact is, here on Planet Earth  
things often go wrong. Your software  
goes kablooey and shuts down your  
website. Your CEO is photographed  
canoodling with someone other than his  
or her spouse. Your oil wells leak. Your  
drugs sicken patients rather than cure  
them. You've lost client data, cost them  
money, or otherwise failed to live up to  
commitments to your customers, clients,  
employees, partners or fans. You've been  
thoughtless, or selfish, or irresponsible,  
or sloppy, or simply stupid. In one way or  
another, you have screwed up royally.

Time to apologize.

But apologies are not a form of  
communications to take lightly. In  
any corporate crisis, the ability to  
emotionally connect with the public  
through communications will be a key

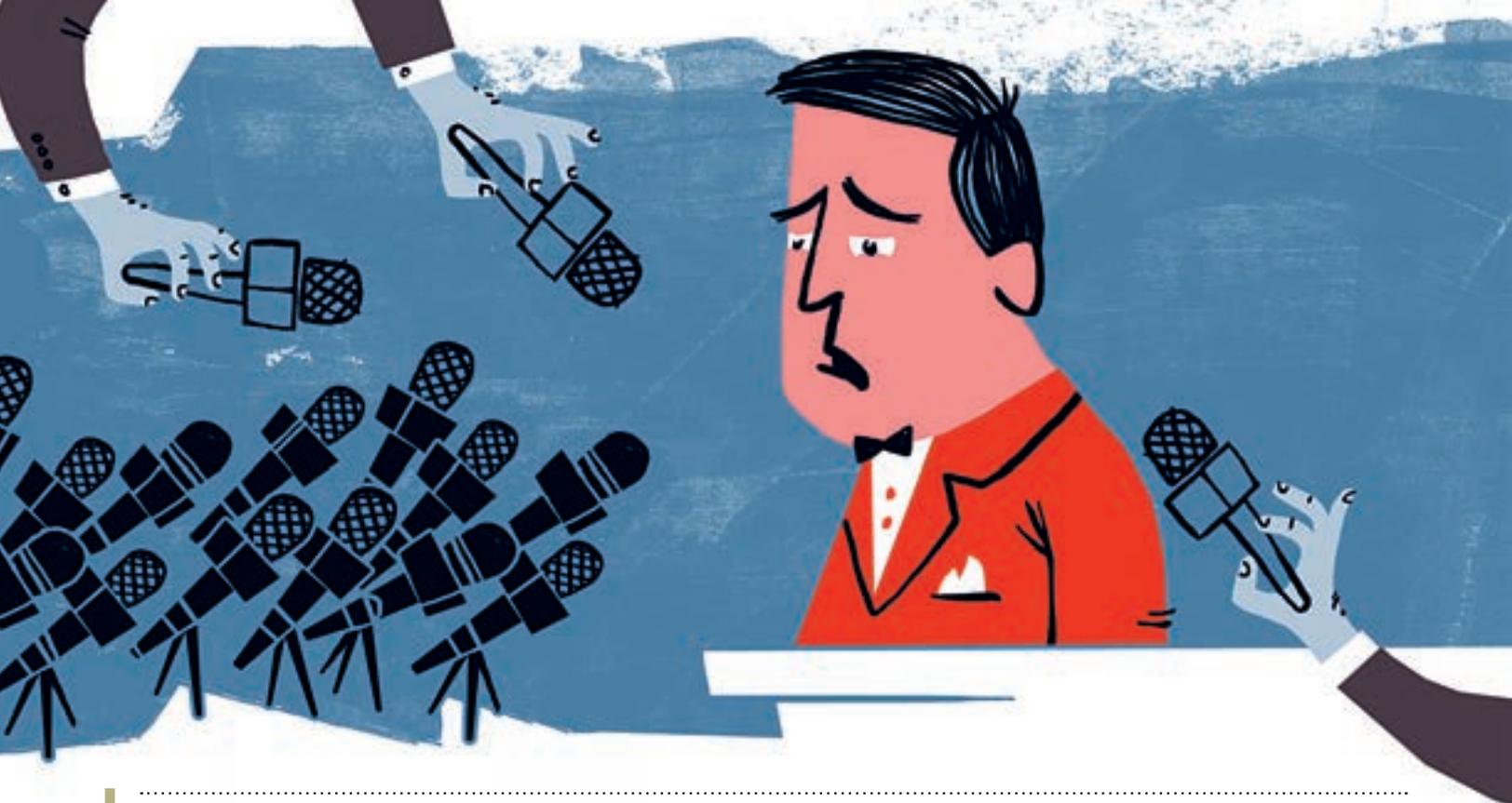
factor in keeping control of events and  
retaining trust. In short, when you need  
to apologize, you need to be sincere or it  
will show.

Of course, your lawyers will weigh in,  
and the balance between an apology and  
admitting liability will always be difficult  
to resolve. But bear in mind that the  
lawyer you need is one who will help you  
communicate openly and effectively with  
your stakeholders.

Now, let us be clear what an apology  
accomplishes – and what it does not. It is  
not a magical cure-all. It doesn't negate  
inappropriate or inopportune behavior. It  
will not prevent lawsuits from being filed  
against you. It won't necessarily save your  
job, or keep you out of the clink, or scrub  
your reputation clean. But a clear, specific,  
genuine apology can go a long way toward  
softening the public's harsh indictment of  
your misdeeds. It can be the crucial first  
step in turning a crisis around. ♦

**ERIC SAVITZ** is a Partner in Brunswick's San  
Francisco office. A former editor and reporter  
for *Forbes*, *Barron's*, *Smart Money*, *The Industry  
Standard* and other publications, he serves a  
range of clients in the technology sector.

ILLUSTRATION: ADAM NICKEL, SYNERGY ART



## COMING CLEAN Just in case you ever find yourself dealing with a corporate snafu, here are some pointers:

### 1. Avoid being defensive.

Want to dig yourself an even bigger hole than you've already dug for yourself? Start making excuses. The dog ate my homework. It was the hurricane's fault. We just got here, the decisions were made under the previous administration ... Don't go there. Before you can start apologizing, you have to take responsibility.

**2. Lay out the facts.** Resist the temptation to engage in spin control. Give people the unvarnished truth. Don't engage in cover-ups. Simply tell people what actually happened and you will be halfway home.

**3. The buck stops at the top.** Apologies are going to be far more meaningful if they come from the CEO, rather than the general counsel, or someone in the corporate communications department.

### 4. Concede that people got hurt.

This is obviously true in the case of actual death or injury, but it also applies to breaches of trust or other disappointing behavior. Own up to the consequences of your actions.

**5. Take responsibility.** Now, you might get some pushback from lawyers here, but you can't expect to have an apology taken seriously unless you stand up and acknowledge that your actions were wrong. Find a legal team that understands the communications imperative and value of what you are trying to do.

### 6. Express regret, seek forgiveness.

This is an apology. You are sorry, you have regrets, you made mistakes – say it any way you like, but at the end of the day, you need to express sorrow and seek forgiveness. And mean it.

### 7. Vow to take corrective action.

Do what you need to do to prevent your misdeeds from being repeated. Fire those who need firing. Fix systems that need fixing. Revamp procedures that need revamping. If the issues involved personal peccadillos, vow to seek professional counseling – and then actually get some.

**8. Make it right.** Apologizing is an empty exercise in many situations unless you can make an effort to right your wrong. "Oops!" is not a sufficient response. Provide restitution to your customers. Where you have caused financial or property losses, find a way to pay people back. Putting your money where your mouth is should be part of the equation.

**9. And vow that the violations won't be repeated.** This requires more than simply a promise. You want to give your audience reason to believe that the bad behavior will not happen again – that you have taken steps to prevent a repeat

of whatever triggered the issue in the first place.

**10. Be aware of corporate apology fatigue.** This makes it all the more imperative that your apology is not contrived. "Bad apologies drive out good," says Dov Seidman of LRN, a consultancy that advises on corporate culture. "The *mea culpas* have kept on coming to the point where they are reaching the level of parody. It is because I mourn the loss of the genuine apology that I propose an apology cease-fire." His speech on this theme at Davos was recently picked up by *The New York Times*, which has launched "Apology Watch" on the DealBook website to track this trend and check on who keeps their word. You have been warned.

**THE GOOD NEWS** is that the world is a forgiving place. But to be forgiven, you need to come clean and you need to show true regret. Perhaps that's tough to swallow, but that's just the way it is.



F

EW WILL BE SURPRISED THAT

Singapore places great emphasis on forward planning, vital preparation for any kind of crisis. The tiny city-state has built long-term planning into its national psyche since the 1960s, when it was suddenly independent with no natural resources or established industries to fall back on. Rigorous mapping of its economy has propelled the republic of 5 million – less than a third the population of Greater Los Angeles – into a prosperous, envied model of efficiency.

In the late 1980s, however, Singapore's technocrats began to realize that planning needed to go further, employing more up-to-date tools that could simulate a variety of crisis scenarios over a longer term. Companies had pioneered this kind of formal scenario planning, with people like Peter Schwartz at Royal Dutch Shell leading the way. Schwartz went on to co-found the futurist consultancy, Global Business Network, in Berkeley, California in 1987. Singapore's leaders sensed early on that the city-state could learn from this kind of thinking – it was the first country to join this network of companies.

An early spur for this futurist work was Singapore's concern about the complex, multi-billion dollar projects it was initiating. These huge undertakings – such as land reclamation – could take a decade to complete, so early scenario planning had obvious benefits.

“That was when I started thinking about the kinds of tools that we could use to improve our way of thinking,” says Peter Ho, who was at that time Singapore's Head of Civil Service. “One of the tools which emerged was scenario planning.”

Events such as the Asian financial crisis in 1997, the terrorist attacks of September 11 2001, and the SARS outbreak in 2003 were wholly unexpected and unplanned for by Singapore and

others. Such complex, high impact and seemingly unforeseeable crises – “Black Swan” events – called for an updated approach. Singapore convened a group of international experts to develop a suite of computer-based tools to help model possible “future shocks.”

Ho, drawing on former US Secretary of Defense Donald Rumsfeld's famous phraseology, says, “Scenario planning is a linear tool and can only describe a future based on what you know of the present. It's about what you know you know, and it's of no use – or very little use – for what you don't know you don't know, or the unknown unknowns.”

The result was the Risk Assessment and Horizon Scanning system, set up in 2004, which canvasses a range of sources for what futurologists call “weak signals” – clues to the type of scenarios that may arise in the future. “Many agencies came together to consider whether there were new ways of thinking more systematically about the future,” says Ho. “A future that was much more complex, and a future in which we were going to be surprised time and again.”

**IN 2009**, Ho founded the Centre for Strategic Futures (CSF), which is part of the Public Service Division in the Prime Minister's Office, with a mission to evangelize futurist thinking throughout the government. Housed in the nondescript Treasury Building near the business district of Singapore, the CSF is staffed eclectically, with a dozen or so people from various backgrounds, including a social worker and a chemist.

Describing itself as a “cryptic” think tank within the government, the CSF is known to few Singaporeans, let

alone to outsiders. Kwa Chin Lum, the current head of the CSF, has found himself struggling sometimes to explain its work. “My usual line – ‘We think about the future and help the Singapore government avoid surprises’ – oversimplifies,” he confesses.

**SOME OF THE CSF'S** latest trend scenarios show the type of unconventional direction they can take. They include the “if mayors ruled the world” concept, considering the increasing power of cities and the strong ties between them, and whether these could become more important than traditional nation-state structures. This raises the possibility of the end of globalization as a concept, with increasing decentralization and a louder voice for local activists bringing the focus back to regional issues.

Another concept, “surveillance from below,” runs counter to well-publicized concerns about state surveillance impinging on civil freedoms. Instead, it looks at the growth of surveillance in which the targets are elites, with smaller, cheaper and more discreet monitoring devices allowing the public to record the actions of authorities and other leading figures and broadcast them globally.

For governments and companies, this presents a new risk as outraged citizens or disgruntled employees with mobile devices can easily become whistleblowers or seek retribution. With the emergence of such “Wicked Problems” (in the parlance, those which are hard to prevent or solve because it is hard to identify their cause – see page 47), Singapore has found it even more necessary to pursue a “whole government” approach to preparation.

Effective forward planning is →

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“Scenario planning is a linear tool  
and can only describe a future based  
on what you know of the present”

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Peter Ho, founder and Senior Adviser, Centre for Strategic Futures

something for which smaller, stable governments are best suited, Ho reckons. “If you look around at other governments, there are pockets of excellence. But the Singapore government is probably the only one I’m aware of that does this as comprehensively, or as systematically, as we do.

“Many governments are so caught up in the election cycle, they’re not going to invest too much of their political capital and other financial resources in worrying about a future which may or may not happen under their watch.”

Observers and academics say that the role of futurists may not be fully appreciated by a populace worried about day-to-day issues, such as high property prices, crowded trains, a declining native population and rising immigration – as is the case in Singapore.

The government is still dominated by a single party, but recent elections indicate growing dissatisfaction with the status quo. Citizens have become less tolerant of mistakes and are quicker to demand answers to crises, big and small. When Singapore’s iconic shopping district, Orchard Road, was swamped by floodwaters in 2010, pictures of

## “Leadership is about what you have been doing pre-crisis. You can’t build trust and confidence during a crisis”

Eugene Tan, Singapore Management University’s School of Law

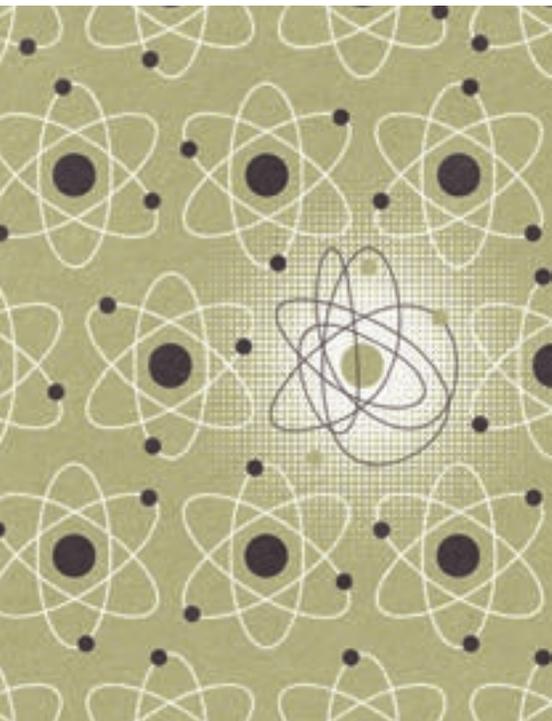
luxury stores awash with muddy water and expensive cars floating in basement car parks were met with shock. The recurrence of haze from burning forests in Indonesia has also unleashed citizen outrage and cast doubt on Singapore’s preparedness for what has become a nearly annual environmental crisis.

Likewise, the release of a white paper (government report) forecasting that Singapore’s population will grow to 6.9 million by 2030 caused a torrent of dismay and fear from Singaporeans, and raised questions about the government’s understanding of grassroots concerns. “The government never briefed Members of Parliament” about the white paper’s contents and potential impact, says Eugene Tan, Associate Professor at the Singapore Management University’s School of Law. “The government ended up backpedaling. There were gaps in

policy thinking and an apparent lack of empathy, especially over the real concerns Singaporeans had over immigration, national identity, property prices, infrastructure and transport adequacy.”

Quality of life issues have become paramount in a country that has enjoyed a world-class lifestyle and become a haven for well-heeled expats. Meticulous long-term planning may well be a valuable policy orientation, but governments also need to be nimble. If they don’t explain how planning and being adaptive are kept in balance, the public will be quick to criticize them when the gaps appear.

“People ask, ‘How is it that you didn’t plan ahead?’” says Dr Gillian Koh, Senior Research Fellow, Institute of Policy Studies, at the Lee Kuan Yew School of Public Policy. “There’s a shortfall in housing units, health clinics are stuffed full of people, there’s severe congestion on



## IT'S NOT ROCKET SCIENCE

The difference between complicated and complex is more complicated than it sounds

People tend to use the words complex and complicated interchangeably these days, but they are in fact distinct in science. A multi-stage space rocket or a brain surgery protocol are examples of complicated systems; the stock market or the immune system are complex.

Managing a complicated system requires detailed plans put together by experts, the delegation of tasks to specialists, and strong rational leadership. Experience helps to build certainty about outcomes, and learning can be applied to similar systems.

By contrast, change, conflict, and unplanned deviation happen all the time in complex systems, such that cause and effect are almost impossible to predict. Complex systems typically have hundreds of moving parts, each of varying power and independence, and no overall command and control.

Key characteristics of a complex system are self-organization, interconnectedness, and evolution. In such a system expertise is certainly helpful, but it is neither necessary nor sufficient to guarantee success. Managing complex

systems is about relationship building, influencing, and looking out for emergent trends.

A military example of the difference is the contrast between the “shock and awe” campaign in Iraq in 2003 – which was most certainly complicated – and the efforts to build a democratic Iraq thereafter – which was without doubt complex.

So next time someone tells you that managing an issue such as a corporate crisis is “not rocket science” you can explain that they are right – it is a lot more complex than that.

the MRT [transit network]. These are the hard questions that people ask.”

Communication is key. Singapore embarked on one of the largest feedback exercises ever conducted when it launched “Our Singapore Conversation,” in which more than 47,000 Singaporeans were asked in August 2012 to say what they want in the future.

**HAVING A PLATFORM** to set aside immediate concerns and envision the future can be liberating. “It allows people to see their future and to ask questions about what they have to do differently,” says Koh.

Leadership is also important. “You need leaders who can communicate well, who can lead from the front,” says Tan. “Leadership is about what you have been doing pre-crisis. You can’t build trust and confidence during a crisis.”

Ho sees good leadership in a crisis as showing the confidence to admit you don’t have all the answers. During the early days of the SARS epidemic, “Singapore didn’t try to pretend that they knew everything about the problem.” But authorities took firm action despite some loud objections, and closed down schools and introduced home quarantines.

The past can help shape the future, too, says Ho. “You go back and see those things which didn’t work, and why they didn’t work. You have to learn from experience. The trouble is that people often forget to learn from experience.”

Futurists acknowledge that the public will often focus on immediate concerns. But they say that good governance also requires states to look beyond. “There’s no point in saying I fight the fire in front of me,” says Ho. “As a government, it’s also important to think about the kinds of challenges we face down the road.” ♦

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## BLACK SWANS & WICKED PROBLEMS

**The most difficult problems are often the result of cognitive dissonance**

**T**he phrase “Black Swan” was common in 16th century London as an expression of impossibility. So when black swans were eventually spotted in Australia by an explorer in 1697, the meaning changed to be something thought to be impossible, but later observed.

Futurist John Peterson chose the term “wild cards” to describe low probability, high impact events in his book, *Out of the Blue – How to Anticipate Big Future Surprises* in 2000. The following year, Lebanese-American statistician Nassim Nicholas Taleb used the term Black Swan to characterize the disproportionate impact of rare, hard-to-predict events on history, science, finance and technology in his book of the same name.

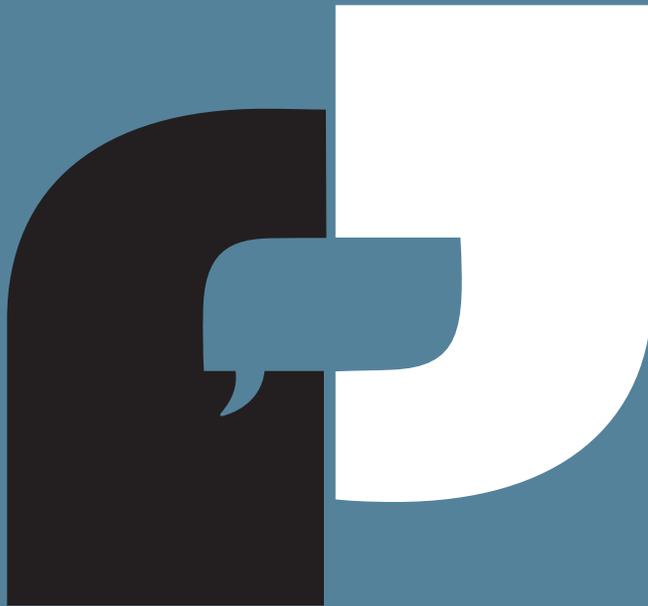
Taleb was fascinated by the psychological biases that make us individually and collectively unaware of the huge role of rare events in history, and drive us to rationalize such surprises after the event as having been predictable. His main point was that Black Swan events are by their nature observer-specific. “Weak signals,” or clues, of an impending shock not visible

to one group may be observed and acted on by others with a different viewpoint.

The equally vivid term “Wicked Problem” was formulated in 1973 by management scientists Horst Rittel and Melvin Webber to describe problems that are difficult or impossible to solve because of “incomplete, contradictory and changing requirements that are often difficult to recognize.”

Because such problems are truly complex (see opposite page), efforts to solve one aspect of a Wicked Problem tend to reveal or create other problems. Any problem whose solution requires a large number of people to change their mindset or behavior is likely to be a Wicked Problem. Thus, rather than attempting to solve them, they are normally managed with a collaborative, networked approach.

Climate change is a commonly used example. In 2012, some academics proposed that it be upgraded to a “Super Wicked Problem,” the additional defining characteristics being: time running out; no central authority; those seeking to solve the problem also causing it; and current policies discounting the future irrationally.



# BREAKING THE CYCLE

Global Witness Director **PATRICK ALLEY** tells Brunswick's Richard Meredith that companies and NGOs can work together, even in a crisis

NGOs play an influential role in shaping the public's view of companies. Their work can be the catalyst for corporate crisis, and often they use such events to amplify their campaigns. NGOs' engagement does not always need to be adversarial. Many see the potential for constructive relationships with business as fundamental to their role. Patrick Alley, Director and co-founder of Global Witness, the well-known advocacy and campaigning group, explains their approach to issues, campaigns and interactions with the corporate sector.

**What do you see as your mission, as your social role?** Global Witness's work stems from a recognition that the majority of the world's most resource-rich countries are among the most corrupt, unstable, poor, unequal and conflict-ridden on the planet. Our role is to make sure that citizens in these countries can benefit from what they have and build stable, peaceful and well-governed countries. There remain those in the business community who continue to operate on the false premise that progress on legal and moral issues acts against their bottom line. I don't think ours is a radical agenda. It is one shared by many governments, and a reality accepted by many companies, and by the people they employ, and want to employ.

**How do you decide what you campaign for?** Our strengths lie in our investigations – getting our facts

watertight and producing case studies that influence opinion from the boardroom to the international political stage. It doesn't work to talk about a global issue such as corruption in broad terms. So we start with a country or the actions of a particular company that can exemplify and amplify the issue that we are trying to draw attention to.

We measure success by changes to, or the introduction of, laws or policies which translate into meaningful benefits for citizens. We are skeptical about voluntary codes of practice, or statements of intent or corporate social responsibility programs as an alternative to legal and regulatory requirements. Often, it takes a change in the law to bring about a change in attitude. So we campaign for law and policy change.

**For example?** We have been looking at corruption in the extractive sector in Angola since the 1990s, and its role in funding the civil war. Fifteen years ago we exposed the "blood diamonds" issue, and it seems incredible that knowing this, business and governments still felt it was OK to buy diamonds that funded the armed groups engaged in these wars. This hugely damaged the diamond industry's image and only then did it join with governments to create a certification mechanism to keep conflict diamonds out of the trade. But certification hasn't succeeded in stamping it out. Diamond purchases continue to finance violence and tyranny, as we know from Zimbabwe today. We are turning our attention now to regulation to eliminate this brutal trade.

Angola is also one of the two top oil-producing countries in sub-Saharan Africa. The wealth created has produced an unaccountable super-rich elite and money that should be invested in social infrastructure has gone into corrupt pockets. We try to communicate to companies and governments that transparency is key. The Angolan government, like others, wouldn't publish how much oil companies were paying

them for oil, and the companies wouldn't tell us either. The companies' argument is that if one of them discloses this information, it puts them at a disadvantage to their competitors. This is the problem with voluntary codes and why our strategy is to use legislation to make sure all companies have to comply.

**What practical steps have you taken to promote transparency?** We conceived and co-launched "Publish What You Pay," a network of organizations that calls on companies in the extractive sector to publish the payments they make to foreign governments. We helped set it up in 2002 with George Soros of the Open Society Foundation, and NGO partners, including CAFOD, Transparency International, Save the Children and Oxfam. The network has now turned into a global campaigning coalition of more than 750 NGOs in over 50 countries.

The policy change that this campaign achieved is the Extractive Industries Transparency Initiative. In 2010, Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act in the US finally made the publication of these payments mandatory for extractive companies wanting to list in that market. Alongside similar rules in the EU, we now have the basis of the global standard we are campaigning for.

**How do you get companies to engage with you?** When we began, there were some sympathetic companies, but we also encountered a lot of resistance – many of the key players continue to invest huge resources to resist change. People in governments and companies told us there was no way we would be able to change these practices but we have definitely made significant progress.

Media campaigns can be effective, especially if they are focused, hard-hitting and consistent. We engage with companies if they are willing, throughout, and use

"We only sit down with a company if we are clear ... that there is a genuine willingness to tackle the problem at hand"

our influence with governments to get industry around the table. We also liaise with institutional investors who support the business case for transparency. Given they actually own large chunks of the companies concerned, they can exert real influence for greater transparency and make the case that it creates a more stable and fair investment environment.

**How should companies engage with you when they are in crisis?** We will always engage in a dialogue if a company says "let's meet," unless we think it is simply trying to be seen to engage without any real intention of changing its policy or practice. We present recommendations, based on information gathered from on-the-ground investigative work, which demonstrate how companies can reduce any harmful impact they may be having. We fully expect that any responsible company will listen because, and let's be clear, at a broad level the issues we raise are simple: reduce corruption, reduce conflict, reduce poverty.

We are ultimately pragmatists. We take what business says to us seriously and consider changes to our position if necessary. But we don't believe in the value of dialogue or conversation for its own sake.

**When you're at the table with a company in the middle of a crisis or campaign, what do you look out for?** We are looking for authentic engagement. We are well used to the pattern in which companies can sound helpful and polite,

but where their sole objective is just to calm the crisis and make us go away.

Unfortunately, many large companies have a strategy of engaging with NGOs for a very long period without any action that delivers real change. This approach might be a small blip in their budget, but could paralyze an NGO in terms of their limited resources. Other companies use engagement with an NGO for public relations purposes, which can weaken that organization's ability to maintain their credibility.

We only sit down with a company if we are clear we are talking to someone with influence, that our engagement is based on good faith from both sides, that we are both acting with discretion and that there is a genuine willingness to tackle the problem at hand. ♦

**RICHARD MEREDITH** is a Partner in Brunswick's London office. A former British diplomat, he co-heads the Brunswick crisis advisory group and is a leader in the Brunswick family business practice.



**PATRICK ALLEY**

Patrick Alley is a Director of Global Witness and co-founded the organization in 1993. He focuses on the NGO's work on conflict minerals and forests, especially challenging industrial logging in the tropics.

**GLOBAL WITNESS**

The NGO runs pioneering investigations, advocacy and campaigns against natural resource-related conflict and corruption, together with associated environmental and human rights abuses. It was jointly nominated for the Nobel Peace Prize for its work on conflict diamonds.



# CALLING ON MR FIX-IT

“Nobody ever calls me when things are going well,” says **STEVE MILLER**, one of America’s best-known corporate rescue gurus. In conversation with Brunswick’s **JENNIFER LOWNEY** and **JUSTIN DINI**, Miller talks about the lessons learned from a life of corporate firefighting

**R**OBERT S. “STEVE” MILLER has been called many things. *The Wall Street Journal* dubbed him “Mr Fix-it for American industry.” In his memoir, the title has him as *The Turnaround Kid*, and he writes that when dealing with organizations on the brink of collapse he is “like a surgeon, faced with a desperate patient who waited too long to seek treatment, I would feel the pressure, hear the second-guessing, and receive much of the blame.” Indeed, Miller has had to take flak from many of the people he has dealt with over the years,



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such as union organizer Ron Gettelfinger, President of the United Automobile Workers, who accused Miller and his management colleagues of being, among other things, “all about corporate greed,” and the populist television pundit Lou Dobbs, who castigated Miller & Co as “disgusting” for actions they took to save auto parts maker Delphi in the mid 2000s. But it is all part of the game when you take on a corporate rescue mission, Miller reckons.

Miller has developed a set of general principles for dealing with corporate crises from his decades-long career, which has spanned a number of America’s great industries – automobiles, real

estate, aircraft manufacturing, insurance, steel – and the Detroit Symphony Orchestra (“which may have been my best turnaround ever,” he says).

As this interview and his memoir make clear, Miller believes that leading an organization through a crisis requires those hard-to-define personal qualities: character and leadership. That is why he so often refers to the fundamental values with which he was raised. He spends much of the early part of his book dealing with his roots, discussing his family support system, especially his wife Maggie, who died of cancer while he was in the midst of a bitter battle to steer Delphi out of financial crisis, and upon whom he relied as a confidante and consultant in his most difficult business dealings.

As Miller recounts, a central part of his foundation was his grandfather, a man who never finished high school but worked his way up from the logging camps of the Pacific Northwest to become owner of his own lumber mill in small-town Oregon. This provided Miller not only with a set of values to live by but also the financial security to allow him to act with confidence (and often with politically perilous bluntness) in his corporate life. “While he was the boss, my grandfather was never a bully,” Miller writes. His sense of responsibility for the mill, its workers, and the community left a lasting impression. “The important stuff about human character, values, and leadership I learned in Oregon,” he says.

In classic American fashion, Miller’s father joined the professional classes, becoming a successful corporate lawyer in Portland, Oregon, and Miller, himself, reached even further, gaining a law degree from Harvard and an MBA from

Stanford and then rising through the ranks of corporate America. He became a nationally-known business leader in 1979 when he was tapped by Lee Iacocca to lead financial negotiations during the government-backed rescue of Chrysler Corporation, where he stayed on as CFO until the early 1990s when he lost an acrimonious CEO succession battle. In the subsequent two decades, Miller has been called upon to rescue a string of large companies facing crisis, from real estate behemoth Olympia & York to Delphi to the financial services giant AIG.

Legendary car marketer Bob Lutz summed up what he thought about his former Chrysler colleague’s abilities in a crisis: “When times are good, nearly anyone can lead. When times are bad, you need someone like Steve.”

#### ALWAYS PREPARED

What is a crisis? “A management challenge confronted by a leadership that is both unprepared for it and panicked by it. What makes one more serious than another? Whether you anticipated it, whether you were prepared,” says Miller.

By definition, most of the big rescue projects Miller has taken on have involved companies that were sideswiped by events – and AIG certainly fits that bill. The giant insurance company was caught unawares by the financial crisis in 2008 when huge bets made by just a handful of AIG traders on the housing market proved to be a key component of the crisis that threatened not only AIG and other Wall Street institutions but the entire world financial system.

AIG was the largest single recipient of government bailout money (to the tune of \$182 billion) at the end of 2008, →

and a few months later Robert Benmosche was brought in as CEO, with Miller joining the board and later becoming Chairman. Both men have said that they thought at the time the company could not be saved, that it would likely be liquidated. But five years down the road, AIG has paid the government back the full \$182 billion bailout plus another \$23 billion in profit to the taxpayer.

In the process of saving the company, Benmosche and Miller halved it in size, both in terms of assets and employees, and refocused it on the core insurance business.

As the leadership oversaw the unwinding of massive toxic trades and took other measures to save the company, it faced a “crisis within a crisis” when AIG came under heavy fire from politicians and the media for paying bonuses to get the job done. Both men vigorously defended the payment of bonuses to staff who, they argued, had nothing to do with the original trading sins. It was irrational, as Miller told *The Wall Street Journal*: “If I had just put \$182 billion [into a company], I would not aim to go hire the cheapest management.”

Nonetheless, it was typical of the kind of political flak that rescue managers face in high profile cases, where public money may be involved and many jobs are at stake. Miller praises Benmosche’s leadership in the situation, pointing out how he faced down the politicians on the issue of bonuses and compensation and won kudos – and support – from beleaguered AIG staff who were crucial for the company to dig itself out of a hole.

#### BE ACCESSIBLE

How does leadership work in a crisis? Miller says it is about acting quickly and decisively, and reflecting that publicly:



## STEVE MILLER

Brought up in America’s Pacific Northwest in a family steeped in traditional values of self-reliance, Steve Miller went on to earn a law degree at Harvard and an MBA at Stanford before embarking on a career at Ford Motor Company. As a mid-level financial executive at Ford in Caracas, Venezuela, he was recruited to help Lee Iacocca and the management team at Chrysler Corporation carry out an unprecedented corporate rescue mission in the late 1970s. He stayed on as CFO of Chrysler until 1992 when he began a second career as corporate turnaround specialist, taking on missions to save a number of high-profile companies, from Waste Management to AIG.

“In Chapter 11, you’ve got to take at least one whole day to focus only on communication”

“In a number of the situations I’ve been in we’ve had to file a Chapter 11 bankruptcy and that is terrorizing to the people who work in the firm. The thing is won or lost on the day you file. Everybody is going to pounce and wonder, ‘What is this all about? What does it mean?’ You just have to say, ‘We have got to take at least one whole day for senior management to focus only on communication, to say what this means, why we are here, and what we’re going to do about it.’”

In the turnarounds with which Miller has been involved since the early 1990s, it was

important to avoid panic by providing clear leadership, something he learned from his front row seat at what is still seen as the seminal US corporate rescue: Lee Iacocca’s turnaround of Chrysler.

Leadership is only partly about authority and confidence; it is also about honesty and accessibility, says Miller. “Accessibility is a style point of mine – to be accessible not only to your customers and all that, but to the employees.”

When Miller went in to rescue US airplane maker Hawker Beechcraft, for example, he made a point of giving out his email address to all employees, even if it meant working nights and weekends to respond to everyone individually. He also went straight to the cafeteria to mingle with the workforce. “You learn the damndest things that otherwise wouldn’t get through the filters up to the executive suite,” he says.

#### HOLD THE LINE

Is it better to stand firm or compromise? It depends on the situation, of course, but sometimes it is essential to stick to your guns in order to save a company. In one of his most difficult turnarounds – autoparts maker Delphi – Miller had to withstand



incredible pressure from unions, politicians and even from then-CEO of GM, Rick Wagoner, who was worried a strike at Delphi, a major supplier, could threaten his production.

“In the Delphi case, I strongly felt that we could not continue to operate and to lose money with the totally uncompetitive labor contracts – we were paying \$75 an hour for 35,000 people while I was there, competing with people in the US with the same unions paying \$20 an hour. How could I win any work? We were going out of business sooner or later, so we might as well confront it,” Miller recalls.

Slashing his salary to a symbolic \$1 a year and refusing to speak to the press didn’t really work. But speaking to the press hadn’t worked either. Eventually, a hard-fought “labor transformation deal” was achieved that helped change direction for Detroit. Miller says his favorite response was not from creditors or shareholders, but a letter offering begrudging praise from a union engineer who initially was ready to hate him.

**MAKE A DECISION**

In Miller’s experience, troubled companies have gotten that way in part because “they’re all bogged down in internal politics and having endless debates about, ‘Should we do it this way or that way?’” After spending a few weeks listening to employees and customers and assessing the situation, he makes a judgment about the strategic direction and priorities of the company. “We’re going that way. Bang. And I don’t think it matters whether it’s a right decision or not – who will ever know. You just do it by gut instinct. The important thing is you created a direction. Making the decision is what matters.” ♦

**JENNIFER LOWNEY** is a Partner and **JUSTIN DINI** a Director in Brunswick’s New York office. They both specialize in M&A, restructurings, IPOs, internal communications, and crisis and litigation.

**OVER TO YOU MAESTRO**

Steve Miller says **his most satisfying rescue** may have been the Detroit Symphony Orchestra (DSO), whose fortunes had suffered along with those of Motown itself. There was also a personal connection for Miller as it brought him closer to his son Alexander, who had studied oboe at the Juilliard School in New York and whose advice he sought about the project in 1988.

There were a number of challenges besides the need to fill a financial gap, including the politically charged one of making an almost exclusively white institution more inclusive in a city which had so many non-white citizens. This was critically important for the DSO because part of its funding came from the public purse.

The thorniest problem was finding a way to be more inclusive in selecting orchestra members without compromising the rigors of the selection process. In the end, it required fairly deft negotiations between Miller, politicians, orchestra representatives, board members and others. They came up with an innovative solution that included an apprenticeship program that allowed the DSO to attract talented minority musicians. “I had learned a few things in my business life” that worked for the DSO, Miller says. “One of the most important was that creative solutions can often be found outside the non-negotiables.”



**GARBAGE**

When asked about the **biggest mistake in his life**, Miller says unequivocally: “Garbage.” He is referring to the Waste Management merger with USA Waste.

As a board member, it was bad enough finding out that Waste Management, a fast-rising corporate star of the 1980s, was built on a foundation of sand.

“It was a great company. But in the 1990s, to keep the stock price supported, they really cooked the books. I went on the board [in May 1997] and a few months later, the CEO that we had just hired [Ronald LeMay] said, ‘Steve, I got some bad news for you, the accounting here is totally screwed up ... and the CFO just quit this morning.’” I said, ‘That’s pretty ugly. What else?’ He said, ‘Well, I’m quitting, too.’”

After looking at various options, Miller said he thought he had found a good fix by arranging a merger with much smaller upstart USA Waste, which then imposed its highly decentralized management system. Things seemed to go well at first but “a year later I got a call from management saying, ‘Looks like we missed our earnings by a mile here.’ On the day earnings came out, half the market value of the company just disappeared,” he says.

**THE WARNING SIGNS**

It led Miller to develop a list for board members of warning signs that a crisis may be looming:

- Repeatedly missed earnings.
- Lack of candor.
- Firing the bearers of bad news.
- Lack of healthy internal debate.

Acting early on these signs means “there’s always a chance that a CEO needs some help and you can provide it before a problem becomes a crisis.”

**As a long-serving commercial pilot and airline executive, STEVE FORTE, Virgin America COO, tells Brunswick's BRANDON BORRMAN that intensive preparation is the key to dealing with crises on the flight deck - and in the boardroom**

**F**ew professionals train to deal with crises more rigorously and regularly than commercial airline pilots. The lengthy qualification process, endless training, and compulsory “check rides” with inspectors instill a level of discipline and preparation that other professions rarely approach.

Yet for all the complexity in the pilot training process, the goal is straightforward: to be able to resolve issues that could arise suddenly and unexpectedly, that jeopardize the safety of pilots, crew, passengers and cargo.

In more than 20 years as a captain, Steve Forte has seen more than his share of challenging situations while in command of an airplane. As a former senior executive at United Airlines, and now as Chief Operating Officer of Virgin America, he has also seen first-hand how valuable the discipline he learned as a pilot can be when it comes to leadership during a crisis in the corporate world.

**LEADING A TEAM**

Forte learned as a flight captain to set a high bar for the responsibilities of senior leaders during a crisis. Perhaps less expected is his insistence that a company's leaders understand that they will function more effectively as part of a team rather than as dictators.

He draws a parallel to the Cockpit Resource Management (CRM) training that pilots undergo to ensure that potential roadblocks, such as seniority, do not slow down problem-solving.

“The whole point of CRM is that you need to train and convince senior leaders – captains – that they will make better decisions by gathering information and listening to those around them than by simply taking a ‘command and control’ approach. There are two elements to good decision making, neither of which work if you try to isolate yourself as a leader. First, don't make a decision until you need to. Second, gather as much information as

possible before making a decision. That means you have to actively seek input, ask questions, and rely on the experts around you. You will dig a much deeper hole for yourself if you start making decisions in a vacuum.”

Furthermore, the role of a leader in a crisis goes beyond just making decisions. A key responsibility for a captain is to be a beacon of calm in order to help your team remain focused. Business leaders should share that goal. “Remember, people may not be physically injured but you need to supply psychological support to the people around you. You need to keep your cool and help those working with you do the same.”

**TRAINING AND CHECKLISTS**

The importance of training and practice is often underestimated. A once-a-year “tabletop drill” – simply discussing duties in case of crisis – will likely leave people scrambling in the face of a real crisis.

Forte is a staunch advocate of proper crisis training. “Pilots undergo detailed specific training on almost every conceivable emergency. The value on the flight deck is obvious, but I have found the same value in business. The better you

**THIS IS YOUR  
CAPTAIN  
SPEAKING ...**



plan for possible scenarios, the better your results will be.”

The goal of such training, whether in the flight simulator or the office, should be to eliminate time wasted considering options and making decisions that could be reached more efficiently through practice, or managed through tools, such as playbooks and checklists.

“A few critical problems are routinely practiced by pilots because the motor skills and procedures involved require recurrent training if the pilot is to remain sharp. There is a very extensive list of other problems that can occur that are handled using checklists. These are basically ‘read and do’ lists, covering things such as hydraulic, electrical, fuel, and pneumatic problems.” Forte reckons the same principles work for businesses.

### TYRANNY OF THE PLAYBOOK

There is a caveat to working from a playbook or checklist. Inevitably, companies encounter a crisis that is not covered, and when that happens crisis leaders have to manage the unexpected by drawing on the *principles* of the playbook.

“There will always be problems that occur in flight that are not specifically

covered by a checklist,” Forte says. “Things like multiple system failures or a total loss of normal flight controls. Or, to be more specific, when something happens like the DHL aircraft that was hit by a missile in Iraq in 2003. Events like these don’t have a specific procedure because they are impossible to anticipate. In these cases, pilots take whatever checklist guidance they have and then rely on their experience to figure out what to do. Crew cooperation and teamwork are essential in these situations.”

Similarly, the kinds of crises companies deal with are rarely, if ever, contained within the neat boxes and timelines of a playbook. Companies need flexibility and speed in their response too.

“On September 11, we had to throw the book out the window,” says Forte, who was running flight operations at United Airlines that day. “Our emergency manual anticipated that we would be able to travel to the crash site, and that didn’t happen for two days. We never planned to have more than one accident at a time. In New York there really wasn’t a ‘traditional’ crash site. Our crisis center, which would normally open for a few days, was open for weeks. And there were multiple new safety directives, sometimes several in one day, which required immediate communication and implementation.”

### THE BOTTOM LINE

Whether a crisis is handled from a flight deck or a crisis center, the stakes can be very high. Forte credits his pilot training with giving him a sound foundation to lead an organization through a crisis, but not everyone has that advantage. The lesson he shares is that a captain doesn’t just issue orders; leaders make better decisions if they are not isolated. What is a captain without a crew? Seniority alone is not enough. According to Forte, effective leadership comes down to a simple philosophy: “It is all about what is right, not who is right.” ♦

**BRANDON BORRMAN** is a Partner in Brunswick’s San Francisco office, where he advises on a range of communications issues, including crisis.

“Companies rarely, if ever, deal with crises that are contained within the neat boxes and timelines of a playbook”



### STEVE FORTE

Forte joined Virgin America in 2013 as the carrier’s first Chief Operating Officer, with responsibilities that include safety, flight operations and aircraft maintenance. He began his 30-year career in the industry at United Airlines, where he started as a pilot and moved to management, including serving as Director of Operations from 1999 to 2006. Forte was also Chairman of the International Air Transport Association (IATA) Operations Council. He is on the board of the Los Angeles Chamber of Commerce.



### NAVIGATING A CORPORATE CRISIS

1. Work the problem logically and keep your cool.
2. Use all the resources at your disposal.
3. Focus on what you can do right now – what is the next step?
4. Document everything so you can improve in the future.
5. Don’t underestimate the importance of feeding the people you are asking to work around the clock.

**IN APRIL 2013**, with tensions on the Korean peninsula once again simmering, 40,000 residents of the coastal Japanese city of Yokohama received a worrying message via Twitter from the city's crisis control room, which read: "North Korea has launched a missile," the clear implication being that it was headed straight for the city.

Thankfully, the tweet proved to be a false alarm. Having removed the message from Twitter, a red-faced city official later told journalists: "We had the tweet ready and waiting [for such a situation], but for an unknown reason it was dispatched erroneously." Better the message than the missile, but it is easy to imagine how the reaction could have been a lot worse.

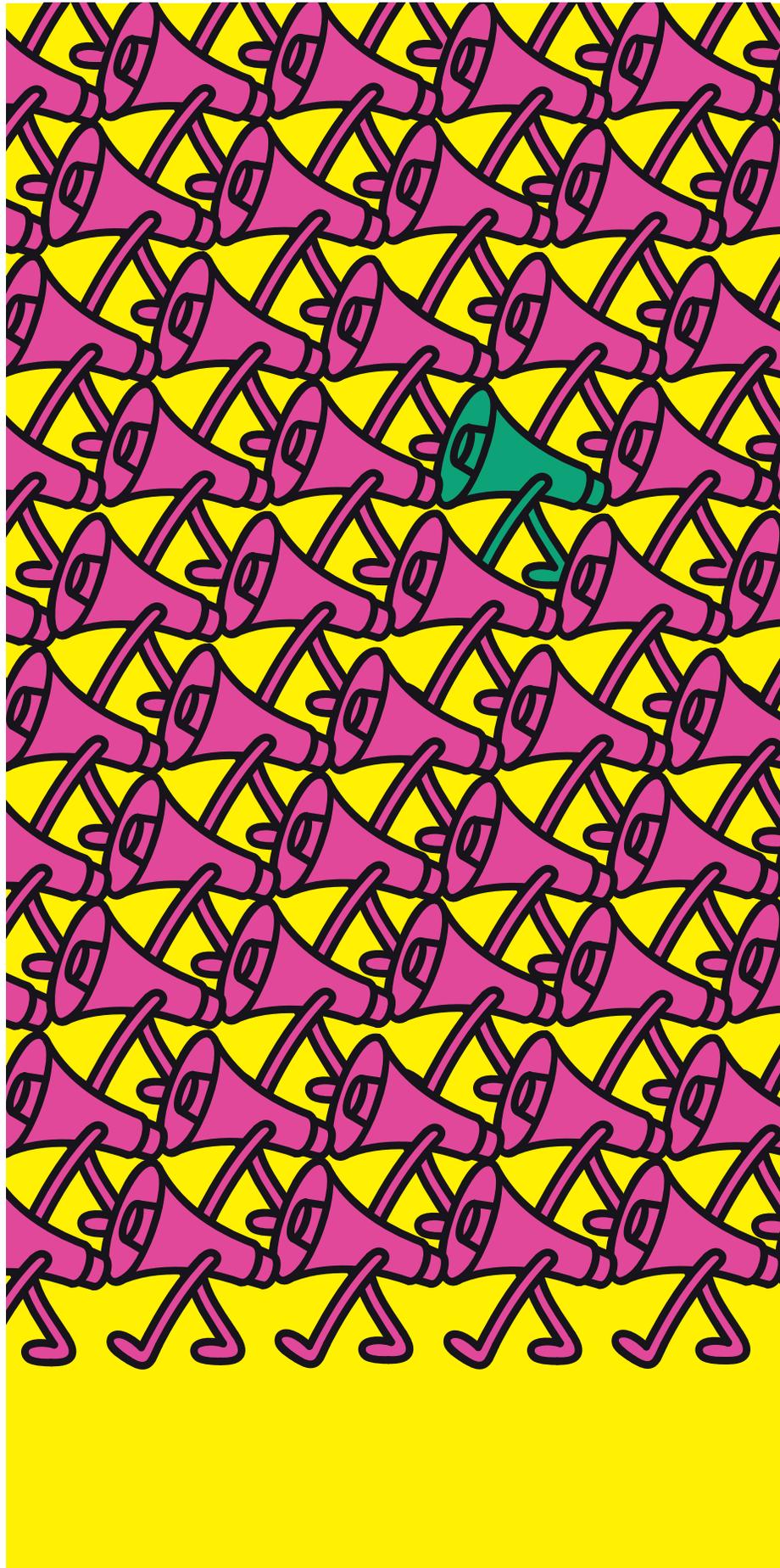
The Yokohama tweet was just one of a string of recent instances of "digital misinformation," the unintentional spread of false or inaccurate information on the internet. As with Yokohama, many were caused by trigger-happy tweeters.

In the past two years, such internet bloopers and propaganda have caused a stir in many countries, including the US, the UK, China, Russia, Mexico and India. With the global online population predicted to increase from 2.4 billion to 3.6 billion by 2017 (almost half the world's population), such instances will inevitably become commonplace.

The risks from this trend are worrying for governments and businesses. In its *Global Risks 2013* report, the World Economic Forum flagged digital misinformation for the first time, warning that "a false rumor spreading virally through social networks could have a devastating impact before being effectively corrected." Businesses are equally alarmed, as a 2013 Deloitte report (*Exploring Strategic Risk*) showed, with most of the senior executives surveyed

# TRUTH AND UNTRUTH

**The internet has supercharged the spread of misinformation, Brunswick's BARNEY SOUTHIN and LOUISE WARD explain. What's next?**



citing the risk of damage to reputation as the biggest immediate threat to their businesses, rising from the third-biggest concern in a similar survey in 2010.

**HOW SERIOUS A RISK** is the spread of false information via the internet, and what can be done to mitigate it?

The threat of mass hysteria from misinformation is, of course, nothing new. One famous example dates from 1938, when Orson Welles's radio adaptation of H.G. Wells's novel *The War of The Worlds* started so convincingly that it caused widespread panic among Americans tricked into believing their country was actually being invaded by Martians.

The worry now is that the internet has supercharged the threat because of the speed of communication and increased global connectivity. A recent warning of the potential for damage came in spring 2013, when a false tweet claiming that the White House had been attacked and President Obama injured, was sent out from the Associated Press Twitter account (see chart, right). It temporarily wiped billions of dollars off the value of shares before a correction could be made. The hacking group The Syria Electronic Army later claimed responsibility.

The "prophet of mass media," philosopher Marshall McLuhan, wrote in the 1960s about how the nature of modern mass media meant that the way people interact with it had become more important than the content itself – "the medium is the message," as he said.

With the internet and social media, where information is transmitted and re-transmitted almost perpetually in real-time, McLuhan's concept has become even more apt and interest in his ideas has been rekindled. Furthermore, digital media has exacerbated the human instinct to believe bad news over good news, or false information that reinforces prejudices over true information that contradicts them. This can be seen at work in a number of recent examples.

At a Harvard University conference in 2012 ("Truthiness in Digital Media"), Gilad Lotan, Chief Data Scientist at →

## FIRST, DO NO HARM

**Prevention is the best policy in managing the risk of misinformation**

**T**here are essentially two scenarios for companies facing the threat of misinformation via the internet: internal and external. Within a company, the threat may come from a disgruntled employee or technical failure. External threats can come from anywhere and strike at any time.

Prevention is best, of course, because the damage – especially from misinformation put out via an official channel, such as a company Twitter account – can be extremely hard to contain and correct.

Establishing good internal social media governance and training can do much to reduce the risk. This includes having defined roles and responsibilities; guidance on appropriate content, tone, and language; and a clearly defined purpose for each channel, including a social media task force in times of crisis.

Companies have found that a blanket ban on personal use of social media in office hours or on work devices is not a good idea. Not only are bans onerous to enforce, but in some countries, including the US, they can violate employment law.

For external misinformation scenarios, monitoring conversations across social media – not confined to Twitter and Facebook – is important:

done effectively it gives a company the ability to detect misinformation early. Human involvement is key to this, for while digital monitoring tools are good at collecting data they remain poor at analyzing it.

Companies need to watch their online "influencers:" the people and organizations with the power to shape their reputation on the internet. Once misinformation starts to spread, and is picked up and repeated by these influencers, it can be very difficult to change the narrative.

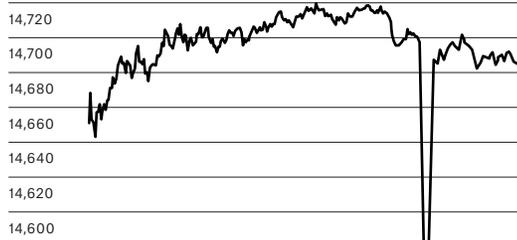
On the other hand, these influencers can be powerful allies in stopping the spread of misinformation if companies have invested time and resources in identifying and strengthening relationships with them. For example, issuing a company statement or correction won't gain traction unless it is validated by third parties with loud megaphones.

If that wasn't enough to worry about, there is a further threat to companies, of false information being spread with malicious intent through digital media – "disinformation," which includes hacking and hoaxes.

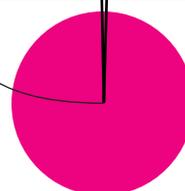
Companies, like sailors, can forecast stormy weather or take heed of the tides to prepare for a safe journey. But at the end of the day, social media will ebb and flow at its own pace.

### WHITE HOUSE DOWN?

1 MINUTE INTRADAY, DJ INDUSTRIAL AVERAGE



**-\$136.5bn**



**The damage that disinformation can wreak was starkly illustrated by the sharp plunge in the stock market after computer hackers, The Syria Electronic Army, infiltrated the Associated Press's Twitter account on April 23 2013 to tweet that the White House had been attacked and President Obama injured. For a moment, \$136.5 billion was wiped off the market.**

SOURCE: DOW JONES

tech incubator Betaworks, presented a compelling case study of the stickiness of false information when it fits the *zeitgeist*. He tracked an erroneous tweet by the New York bureau of NBC News that claimed that the New York Police Department (NYPD) moved NBC's helicopter away from Occupy Wall Street (OWS) protests and were "closing air space" in the area.

The tweet was broadcast on November 17 2011, the "global day of action" organized by OWS, when tension between the police and protestors was running high after police evictions from a downtown park. "The environment was incredibly heated and everyone expected violence to erupt," Lotan recalled.

Within five minutes of NBC's tweet, it was reposted by a number of reporters from other news organizations, including *The New York Times*, and these in turn were retweeted multiple times, with angry messages appended such as "this is what democracy looks like."

Within five minutes, the NYPD tweeted "NYPD has never closed airspace and it is not our authority to do so," and NBC quickly issued a correction. But the original false story had already taken on a life of its own and the correction never got anything like the traction that the false report did (see graph below).

"People are much more likely to retweet what they want to be true, their aspirations and values," Lotan says. "Does



**"People are much more likely to retweet what they want to be true"**

**Gilad Lotan, Chief Data Scientist, Betaworks**

misinformation always spread further than the correction? Not necessarily ... But I can safely say that the more sensationalized a story, the more likely it is to travel far."

A false report that resists correction is bad enough for a government or company, but it can have long-lasting consequences for an individual. One high-profile victim was the late British politician Lord McAlpine who, following a BBC television program in November 2012, was mistakenly accused of wrongdoing in around 10,000 speculative tweets and retweets. He won substantial damages from the media, including the BBC, which paid £185,000 (\$300,000), and high-profile tweeters such as the House of Commons Speaker's wife, Sally Bercow, who later tweeted: "I hope others have learned tweeting can inflict real harm on people's lives." Despite public

acknowledgment that he was completely innocent, together with apologies and damages, this example shows that deleting even demonstrably false information from the internet is extremely difficult, if not impossible.

**ONE RESULT** of this supercharged misinformation flow has been a backlash, with some ironic twists. Even though it is the newer, unfettered media that have facilitated the spread of misinformation, the public trust in traditional media continues to decline. A Pew report in 2012 found that only 56 percent of Americans believe what they read in "legacy" media – the highest level of distrust since the survey began in 2002. Sorting online truth from fiction is getting harder as satirical news sites such as *The Onion* have absurdist "news" items ("Consumers Required to Seek Treasury Department Approval For Purchases Over \$50") taken as genuine by some gullible readers, and even serious news outlets.

In China, spreading "false rumors" can now result in up to three years in prison, though the West has mostly resisted efforts to curb free speech through the courts. There are some signs of self-correction. LazyTruth and Truthy, which are websites specifically designed to help internet users assess the credibility of online information, join a bevy of well-established debunking sites, such as Factcheck.org and Snopes.com.

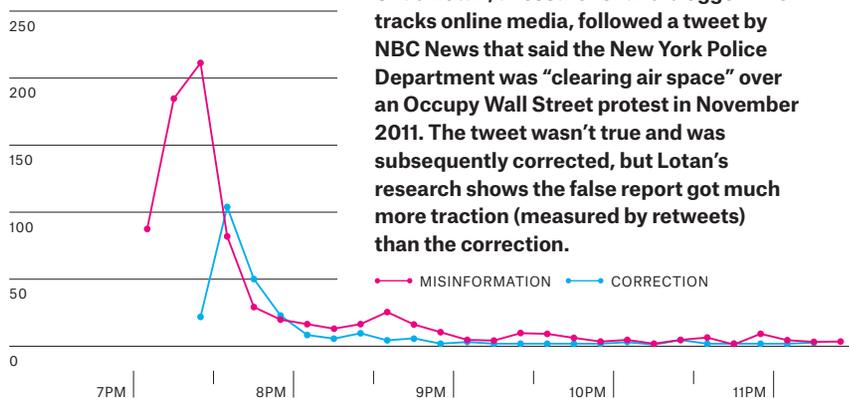
A recent hoax suggests the public is becoming more skeptical. A fake tweet claiming the ex-director of the National Security Agency had been shot dead at Los Angeles International Airport was widely circulated, but unlike the earlier example of the NBC New York tweet, the number of online corrections quickly surpassed the initial piece of misinformation.

It will be interesting to see whether "truthiness" continues to gain ground on rumor and disinformation. ♦

**BARNEY SOUTHIN** is an Associate in Brunswick's London office. He specializes in digital and social media communication. **LOUISE WARD** is an Account Director in Brunswick's New York office.

## NEVER LET THE TRUTH GET IN THE WAY OF A GOOD STORY

TWEETS PER 10 MINUTES, NOVEMBER 17 2011



**Gilad Lotan, a researcher and blogger who tracks online media, followed a tweet by NBC News that said the New York Police Department was "clearing air space" over an Occupy Wall Street protest in November 2011. The tweet wasn't true and was subsequently corrected, but Lotan's research shows the false report got much more traction (measured by retweets) than the correction.**

SOURCE: GILAD LOTAN

Why deal calmly with a situation when you could instead fumble around until you've created a proper crisis? **JEREMY PALMER**, Chairman of MerchantCantos, ponders

# How to dig a deeper hole

**A CRISIS IS A TERRIBLE THING TO WASTE, we are told – a turning point, an opportunity as well as a risk, a moment for innovation and creativity to spring to life, a chance to look at fresh ways of doing things and solve intractable problems that have arisen out of unthinking adherence to old practices – so let us not miss the moment. Let's make sure we don't miss an opportunity to turn an innocuous reputational molehill into an existential mountain, and transform and re-energize ourselves by climbing it. We need a plan.**

**FIRST MAKE SURE NOBODY FAILS TO NOTICE IT.** We must avoid the risk that people might be lulled into a false sense of security by the thought that we, the leaders, are in control and on top of things. It would be such a waste if a potential crisis actually ran out of steam all by itself. What we need now is a masterly combination of random bad actions and carefully chosen bad words.

The best thing about random bad actions is

that they happen organically – all it takes is a combination of inertia and an uncoordinated response, which everyone knows is satisfyingly easy to achieve. Basically, do nothing and let everybody involved, and ideally lots of people who are not involved, respond to the situation in whatever way they see fit. Once the molehill has been identified, stand back with Olympian detachment as molecatchers, landscape gardeners, earth removers, gardening columnists, and bandwagon-loads of neighbors and passers-by all enjoy themselves with opinionated enthusiasm.

As to the carefully chosen words, all the hot air from the commentariat is an excellent source of oxygen to feed the fire, but at the same time it is always a good idea to have a little extra fuel ready for when the momentum of events seems to be slowing. Just in case people have missed the fast-growing molehill, a judicious “Crisis! What crisis?” deftly fed into a carefully chosen ear should be just enough to ensure it is brought to public attention.

The next phase requires real judgment and →



"It would be such a waste if a potential crisis actually ran out of steam all by itself"

forethought. A short delay will ensure that benign neglect takes its course and that things will get visibly worse – then our next intervention. It has been asserted that confidence is what you have before you understand the problem. It will be axiomatic to the audience we care about, that if we display unshakable confidence in our ability to understand and deal with the situation, we are in fact incompetent and stupid. Now we are really on our way.

Note that real commitment is required here – any facts or judgment, any evidence of careful analysis of cause and effect, or genuine empathy, could seriously damage our chances of elevating the situation into a real crisis. So it is essential to restrict ourselves to something facile – “Everything is under control. I am completely confident that everything will be back to normal once we have finished rearranging the deckchairs” should suffice.

At this point, momentum should be building nicely. The molehill is now a decent-sized hillock and on it flames are starting to flicker around the funeral pyre of the Old Order. But we cannot afford to relax now. We need a lot more energy and fuel to build a really satisfying blaze of glory.

What we need now is a carefully timed one-two, a double whammy knock-out, after which we really can stand back and warm ourselves beside the conflagration. The two vital ingredients at this stage are blame avoidance and insouciance, ideally mixed with a dash of inappropriate humor.

Experienced practitioners will have their own preferred techniques and tropes, from the sarcastic aside to the journalist (“I am sure you are better equipped than I am to run this multinational corporation”) to the blatant *mea ex culpa* (“How am I possibly supposed to read the thoughts of all the thousands of minions under me?”).

At this point we should be able to stand back

and congratulate ourselves. The existential mountain of opportunity stands before us, the blazing bonfire on top standing as dramatic evidence that the Old Order yields to the New, and we could never be accused of wasting this crisis. Perhaps a

hilariously inappropriate quote from Mark Twain or Sun Tzu, or the latest airport-bought guide to secrets of leadership, just as the wailing dies away, and the *schadenfreude* of the commentariat is finally silenced by our brilliant plan.

Alternatively, we might discover the truth in the old warning against arrogance and complacency: “If you want to make God laugh, tell him your plans.”

**HOW CONFUSING IT ALL IS.** Maybe we should have remembered that *we* are, by default, part of the Old Order. A crisis is indeed a terrible thing to waste. The challenge for leadership is to approach it with alertness, humility, and responsiveness – the essential qualities to harness the energy it can release; but we must never forget that the very essence of a crisis is that it represents a transition, a pivot, a moment which divides two different states of reality. If we want to play a role after, as well as before, that moment we have to demonstrate our own understanding of the need for different behavior once we find ourselves on the other side of the divide.

And a sense of perspective always helps. As the great playwright and optimist Anton Chekhov said, “Any idiot can face a crisis – it’s day-to-day living that wears you out.” ♦

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**JEREMY PALMER** is Senior Adviser to Brunswick and Chairman of MerchantCantos, the firm’s creative agency. He has experienced at first hand several crises in his career, including the Salomon Brothers Treasury bond scandal in 1990, the bankruptcy of Barings in 1995, and the financial crisis of 2008. He also loses his car keys regularly.

ILLUSTRATIONS: KOTRYNA ZUKAUSKAITE



# BRUNSWICK REVIEW

## SECOND SECTION



**P.76**

T. Boone Pickens:  
arguably the first  
shareholder activist

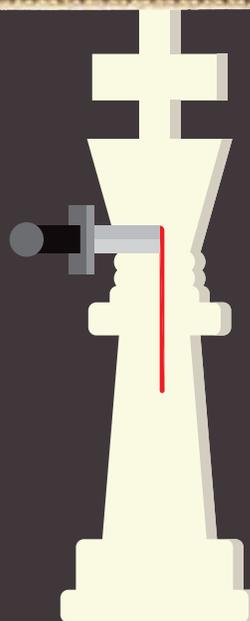


**P.68**

Christie's:  
the art of sales

**P.80**

The handbag can be the  
message, says designer  
Anya Hindmarch



**P.86**

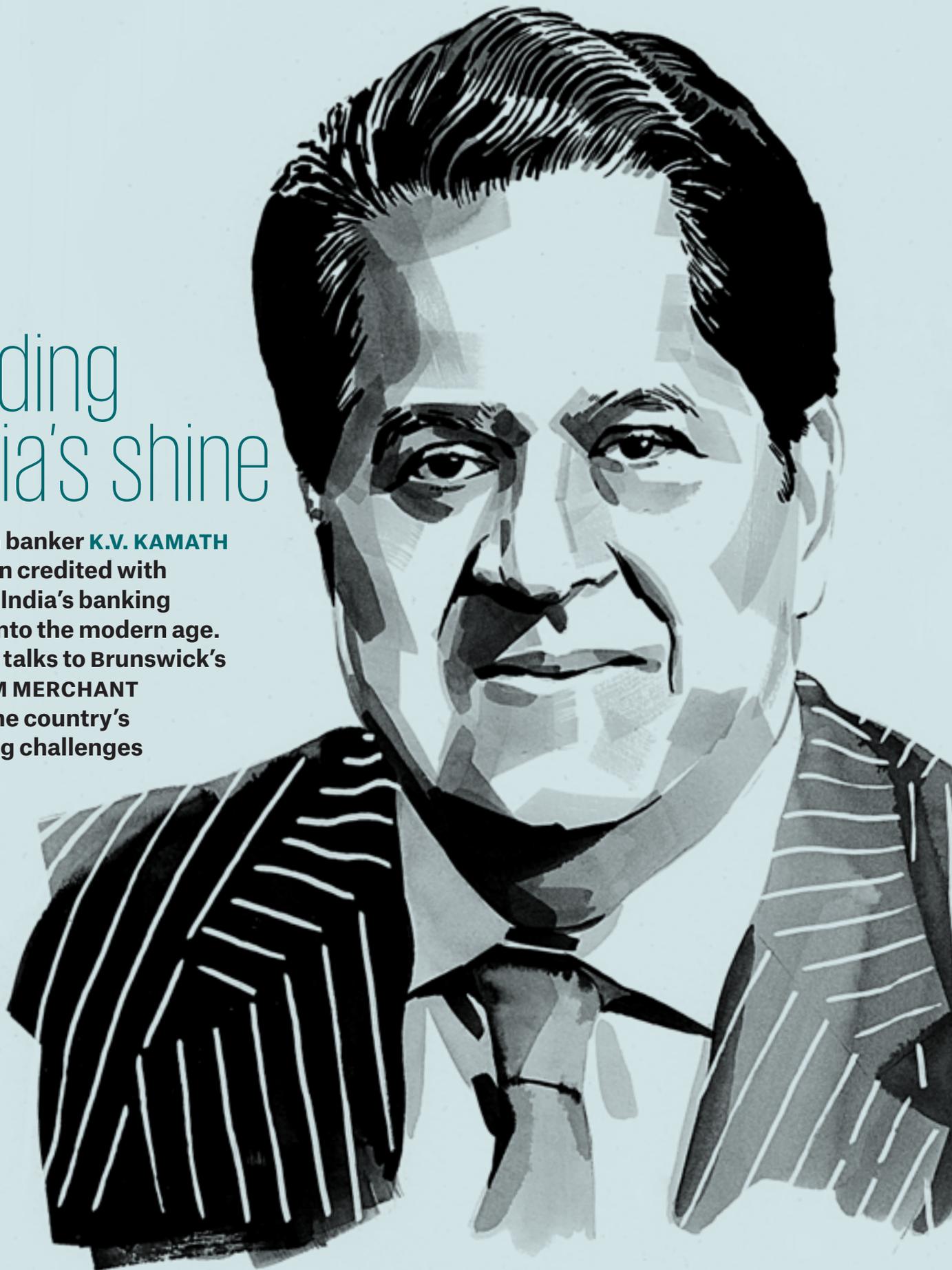
Richard III,  
early victim of a political  
smear campaign

Public art  
with purpose  
on New York's rooftops

**P.84**

# Finding India's shine

Veteran banker **K.V. KAMATH** has been credited with leading India's banking sector into the modern age. Here he talks to Brunswick's **KHOZEM MERCHANT** about the country's enduring challenges



Q

uirky clashes abound in India, where the new bumps into the old each day. Kundapur Vaman Kamath recalls the unprecedented launch a decade ago of 1,000 cash

dispensers by ICICI, India's largest private sector bank, where he was CEO at the time. It was pay day and the shiny new machines drew lines of blue-collar workers in Mumbai's textile mill-land. Most were puzzled by the technology in the wall; and when some ran out of cash, many reckoned the bank itself was out of cash. Word spread fast through the community and then to brokers and investors. The rumors of a run on ICICI Bank even spun on to the next day's newspaper headlines.

"We were not equipped to handle the communications challenge," says Kamath, a candid admission from a banker credited with leading India's banking sector out of its statist era and into the modern age. Nor was ICICI, where he is now Chairman, any better equipped five years later when it was again hit by rumors, this time about exposure to the sinking Lehman Brothers in the US. Kamath says it was "no more than a rounding error on our balance sheet," but ICICI was in a spin, and for a few days local financial commentators got excited about India's leading bank being caught up in Wall Street's meltdown.

"These were reputational crises and our challenge was that we did not know what would happen next. Bizarre as it may seem

## K.V. KAMATH

Kundapur Vaman Kamath is one of India's most experienced bankers, having served as a senior executive of ICICI, India's largest private sector bank, for more than three decades, including a spell as CEO and latterly as Chairman. He is also Lead Independent Director of Infosys, one of India's leading technology services companies, and on the board of oil services company Schlumberger. He is Chairman of the Society and Board of Governors of the Indian Institute of Management in Indore, Madhya Pradesh.

now, we were relaxed, our comfort coming from knowing that our balance sheet was strong after a large capital-raising exercise a year before the Lehman collapse. But our discomfort was in not knowing what to do. This was a new dynamic. So we learned by trial and error."

ICICI Bank was a child of the Industrial Credit and Investment Corporation of India, which itself was jointly set up by the government and the World Bank in the mid-1950s to fund infrastructure projects. The original umbrella development institution and the commercial bank – which came into being in the first wave of banking reform in 1994 and went on to list on the New York Stock Exchange six years later – eventually merged in 2002. This created the first genuinely home-grown full service universal bank – a key strategic objective for Kamath.

Kamath joined ICICI in the early 1970s as a management trainee after an education at prestigious Indian engineering and management institutes far from his native Mangalore, a port city in India's western state of Karnataka. Banking lore has it that as a young project financier, he took a call on a raw but dynamic entrepreneur from Gujarat. The bond between banker and borrower deepened over the next three decades as the entrepreneur's business grew into a petrochemicals powerhouse. When the entrepreneur died, in 2002, his widow asked Kamath to secretly manage a division of assets between her two sons, who had become estranged. The elder son, Mukesh Ambani, is today among India's (and the world's) richest individuals, presiding over the divided Reliance Industries, the country's largest private-sector company.

If such gilded tales have given Kamath a certain mystique in the banking world, his eight-year stint at the Asian Development Bank, starting in 1988, equipped him with the practical tools to run a modern financial services group.

He returned to ICICI in 1996 as CEO, ready to introduce modern banking products, processes, and organizational models. He understood the strategic importance of communications and, crucially, technology. It was, in fact, Kamath's use of technology to both deliver products and as the catalyst to run the bank more efficiently, that created a buzz around ICICI as it broke free from India's banking pack. Kamath is quick to point out that this was done at Indian prices. "At a time when global banks were introducing technology wholesale, we had something exciting to communicate, and we were implementing it at a tenth of the global banks' costs," he says.

The reform of the financial services sector was among the bolder faces of "India Shining" – the political slogan that came to symbolize the heady (and unsustainable) mid-2000s, when India's GDP growth was cantering along at 8 percent a year, with new tech-based banks, such as ICICI, feeding the consumerism unleashed by economic reforms.

For sure, the opportunity for banks during this period was immense, as multiple product lines were launched into a ripe and fast-growing market. Kamath's approach to business development has been described as "South Korean," after the industrial conglomerates – known as *chaebols* – that focused on rapid build-up of market share at high capital cost.

When Kamath sat down for his interview with the *Review*, the bouncy optimism of earlier years had given way to a more measured tone on issues that he now addresses with the perspective of an elder statesman.

He stepped down as CEO at ICICI in 2009. In a shrewd move, he then took on the Chairman's role at Infosys, India's leading technology services company, →

from 2009 to 2013 (where his role has been redesignated as Lead Independent Director following a reshuffle). Infosys needed a heavyweight to fill the void left by the retirement of its two past Chairmen, both, like Kamath, gifted communicators. Kamath has emerged as a respected voice on corporate governance with his berth at two of India's most compliant and best-run companies an appropriate platform for quiet advocacy.

India's corporate sector has historically been dominated by family-owned conglomerates. In the more mature economies of the West, family-owned structures typically evolve to become publicly listed companies, and that is beginning to happen in India.

Having run the country's biggest bank, Kamath has had a particularly good vantage point from which to view India's business plutocracy. He thinks the evolution in India will take longer, partly because of the country's complex family inheritance laws.

"Many family companies are now joint-stock, listed entities but control is firmly in the family. They have changed dramatically over the past decade but there's a long way to go," he says.

In the wake of the 2008 banking crisis and the subsequent debate on Western-style capitalism, there has even been talk of an "Indian model" that sees control and ownership as a form of trusteeship, to be handed down to the next generation of professional managers within the family. Does Kamath think this approach, typified by the Tata group, offers a viable alternative?

"I don't think so," he says firmly. Two factors may force the pace of change: first, family-owners' appetite for growth may mean they will have to sell down stakes in order to raise capital. Second, the next generation simply may not be up to or interested in doing the job.

"The issue is really over control," Kamath says. Change will come "only

## "I would state that most family-owned and controlled companies are still a good 10 years away from a culture of giving up stakes"



when they realize they don't need such large stakes for control. I would state that most family-owned and controlled companies are still a good 10 years away from a culture of giving up stakes."

**A** regular speaker across India, Kamath tells the new generation of CEOs to think globally, be aware of what is going on, and not to get stuck in a "rent-seeking" mindset.

Kamath's greatest current concern is about the impediments to India's development: regulatory, civil and judicial activism stalks executive leadership; bureaucracy is scared to sanction projects, freezing the investment cycle; a currency is discounted amid talk of capital controls; GDP growth has shrunk and political leadership paralyzed. His hope for the business community is that the logjam will be broken after elections to be held by May 2014, offering the very real prospect of new government with new ideas.

The priority, Kamath argues, should be to focus on economic fundamentals. "We must concentrate on the real problem and that is a virtual standstill on infrastructure. If we get that right,

then it's OK." India's Finance Minister, Palaniappan Chidambaram, has been getting similar advice from other business leaders, some of whom have recently committed to large-scale investment in the country, no doubt persuaded that India's emerging middle class – already hundreds of millions strong – will continue to grow.

In November 2013, PepsiCo chairman and CEO Indra Nooyi announced the company would invest \$5.5 billion by 2020, saying it was "a vote of confidence in India's future." Vodafone made a similar statement, unveiling a \$1.7 billion investment for India that same month, despite having had a long-standing dispute over tax on a share sale the company made in 2009.

Even with these and other significant investments, Kamath says India must work even harder to make the business environment friendlier. That means, above all, predictability about policy and the regulatory environment.

The politics that underlie India's debate about how to reform and develop must be concerned mostly with bringing more and more people out of poverty, Kamath acknowledges. "Inclusive growth must be delivered, but if people think it will be done by redistributing wealth then they are wrong. It can only be done in a sustainable way by the incremental creation of wealth."

A quintessential banker's approach, perhaps, and one that might put Kamath at odds with a government that favors handouts on food and guarantees employment (inflating the public debt burden along the way) in its search for inclusive growth. But Kamath's journey from banker to elder statesman has been mostly about looking for new and better ways of doing things. ♦

**KHOZEM MERCHANT** was formerly President of Pearson India, and previously *Financial Times* correspondent in Mumbai. Now a Brunswick Partner, he leads the firm's India practice.



Big business can be  
a powerful engine  
for social change,  
as JON MILLER and  
LUCY PARKER report

# EVERYBODY'S BUSINESS

**F**ROM OIL SPILLS TO SWEATSHOP horrors, tax evasion to corporate fraud, big business these days is rarely far from negative headlines. As companies are hit by one crisis after another, the standing of the corporate community in broader society may seem stuck on a relentless downward slide.

Big business is now often branded as evil and faceless, unaccountable and out of control. From that perspective, the only question would seem to be the extent to which companies should be prevented from causing further harm.

We want to turn that argument on its head. Today's big companies are integral to society, not separate from it. They are powerful, huge concentrations of skills and resources. We need to mobilize their power, not try to take them down.

While many businesses have acted unacceptably, the debate should not be a cartoonish "good versus evil," but one about whether big business is going to be part of the solution.

The answer, we believe, is that big companies want to be – and must be – part of the solution.

While researching and writing our book, *Everybody's Business: The Unlikely Story of How Big Business Can Fix the World*, we found that making that happen cannot be just a case of business as usual. Sure, global businesses all have corporate and social responsibility departments. But progressive businesses are not content with simply minimizing harm and avoiding big headline-making disasters, or with being philanthropic. Their aim is to deliver financial value *and* social value, and they want to do so through their core activities.

Many companies are asking a powerful question, "How can we help?"

"Fifty years ago, as a mining business, you didn't have to worry about your impact," says Jon Samuel, Head of Social Performance at mining giant Anglo-American. "Twenty years ago, you had to minimize impact. Ten years ago, you were expected to have no impact. And now we are working towards having a positive impact." →

Operationally, these companies are developing more socially aware ways of making decisions throughout the organization: where to source raw materials, how to manufacture and transport goods, pay employees, cut costs, and invest in local communities. Forging strong links between those decisions and their impact on the world outside is what builds trust between the organizations and the environment in which they operate.

Traditionally, a big corporation has acted like a citadel: a well-defended fortress built to keep the world out. The view inside the citadel has often been that the problems plaguing the outside world should remain out there. If they threaten to approach, the drawbridge goes up and the archers come out. Increasingly, companies are stepping out over the drawbridge.

**Business in society**



- ▶ Purpose
- ▶ Products
- ▶ Practices
- ▶ Philanthropy
- ▶ Point of View

**THE PRISM** is a way of seeing more clearly the intentions and behavior of businesses in society, played out in each of these distinct strands. Taken as a whole they describe how businesses can create social value.

“We need people with more open ways of doing business, people who understand that our success depends on the success of society around us,” says Andy Wales, Head of Sustainability at SABMiller, one of the world’s biggest brewers. The efforts of companies such as SABMiller have come to resemble some aspects of what development agencies do, with a sharp focus on issues such as clean water, healthcare, and education. Companies need those elements of society to operate effectively, so their approach marries self-interest with positive outcomes for the communities in which they operate.

This mindset is good for business, as IBM found when it launched “Smarter Planet,” a corporate initiative that uses the company’s intellectual firepower to tackle some of the world’s big challenges: thus, Smarter Energy, Smarter Food, Smarter Traffic, and so on.

Colin Harrison, who runs Smarter Cities,

says the strategy has plugged IBM into society in a new way: “The company practically lived in its data centers. The wonderful thing about Smarter Planet is that it has reconnected us to society, simply by asking, ‘What are the problems that a company like IBM ought to focus on?’”

**P**utting business to work on the world’s problems makes sense – after all, companies are large problem-solving machines. But how can they best determine how and where to engage? In studying companies that were successful in doing positive things in the world, we found it useful to address this question under five headings: *Purpose*, *Products*, *Practices*, *Philanthropy* and *Point of View*. This “prism” provides a framework to evaluate the intentions and actions of business in society.

Many of the companies we met are motivated by much more than the blind pursuit of profit. They want to maximize profit, of course, but they also want to align their business goals with social goals. MTN is a good example, becoming Africa’s largest telecoms company by pursuing its conviction that mobile technology would change people’s lives (see right).

Companies have an increasingly sophisticated awareness of the influence they have in the world. In terms of the prism, leading companies have a *Point of View* about issues that matter to them and how to use their influence to enhance their contribution. Their *Purpose* then defines the practical ways in which they interact with the world around them: through the *Products* and services they sell; through the *Practices* they adopt in getting those products to market; and through any *Philanthropy* they choose to engage in.

These five strands describe how business can create value for society. Thinking like this can help us move on the debate: whether you are inside or outside of a business, it is not about whether big business is good or bad, or who is to blame, or how we got here. It is about focusing on what needs to be done to improve society. Ultimately, the questions are simple for a company: are we trying to be part of the solution? Why should people believe in this business? ♦



**JON MILLER** and **LUCY PARKER** are Brunswick Partners, and help businesses promote the positive contribution they can make in society. Their book, *Everybody’s Business: The Unlikely Story of How Big Business Can Fix the World*, is published by Biteback Publishing. [www.everybodys-business.com](http://www.everybodys-business.com)

# A BUSINESS CASE

For some of the world's top companies, making a positive impact is good business



MTN is promoting entrepreneurship by using unemployed people, hawkers and street vendors as distribution agents



Unilever decided to sync its marketing strategy in India with a social goal using Lifebuoy soap, a long-trusted brand

## ▶ MTN

The story of MTN, Africa's leading telecoms company, brings to mind the tale of the two salesmen sent to Africa to assess the market for shoes. One returns saying, "Bad news, people in Africa don't wear shoes." The other is joyous: "Great news! Everyone is barefoot." Two decades ago, no one saw Africa as a telecoms investment opportunity. Today, after MTN's success, the transformational power of mobile technology is taken for granted. As one of MTN's founders, Karel Pienaar, says, "We always believed in the catalyst that cellular infrastructure brings to a country."

The company had to overcome skepticism from the industry about the viability of the market, as well as hostility from some people who saw it as a threat, or thought the technology would benefit only the wealthy. MTN's belief in the transformational possibilities of telecoms motivated both the company and its employees when the going got tough, as their success was seen to be aligned with the interests of society as a whole.

It also made them rethink their business model, putting affordability at the heart of the search for potential customers who lacked a credit history or the means to take on a monthly phone contract. MTN, based in Johannesburg, became a pioneer of the "pay as you go" model that has since become the global standard for low-income markets. The company also sells time in tiny increments via an army of street hawkers who have become a massive and motivated sales force.

Building on that success, a new wave of innovation is changing the way Africans work, learn, and do business: from mobile banking to advice for farmers. MTN's next goal is to make internet connectivity available to everyone on the continent. It's a perfect example of a positive force for change coming from a business acting purposefully and understanding how it can grow by improving the world around it.

PHOTOGRAPHS: MTN / UNILEVER

## ▶ UNILEVER

One of Unilever's earliest products, Lifebuoy soap, was thus named because it was literally a lifesaver, helping to prevent the spread of diseases such as typhoid in Victorian Britain. The soap's slogan made this clear: "For the preservation of health and the prevention of sickness."

From early on, Lifebuoy was sold in India and became the product upon which Unilever's Indian business was built. It is still the leading soap brand there by volume, despite competition from brands that lay claim to more luxurious, less medicinal virtues.

"Everybody in India has grown up with the Lifebuoy jingle, it's instantly recognizable," says Sudhir Sitapati, head of Hindustan Unilever's skin-cleansing business, which has sales of \$1 billion a year. "The brand has always been about health. Lifebuoy is very well-loved in India and that gives it permission to do a lot of good things."

The company decided to sync its marketing strategy with a social goal, via Lifebuoy soap. Globally, 3,000 children die each day from diarrhea, 1,000 of them in India alone. The illness is the world's second leading killer of children under five. The Lifebuoy team came up with a demonstration to help educate children about hygiene by using "glo-germ" powder which shows, under ultraviolet light, how germs remain on hands washed only with water and without soap.

Sitapati says the program combined Unilever's push into India's untapped rural markets with meeting a pressing social need. "We were making a big impact on health and as a by-product of that, soap consumption was going up," he says. "As we continued on the journey, we realized what we were doing was more than just selling soap."

The company was discovering that it was possible to do well and do good at the same time.

salerooms in St. James's, London, speak reassuringly of provenance and affluence. The world's most famous auction house has sold material like this for almost 250 years. A few floors up, in the office of Steven Murphy, CEO, there's evidence of a new philosophy. Here, period plays happily with modern, an antique table looking perfectly at home with a flat screen television, an early Apple computer providing an unusual conversation piece. A Warhol *Mao* looks out from one wall, a large Stanley Spencer illuminates another. Both are for sale, if you are interested – privately, rather than at auction. Murphy, elegant in handsome tailoring, evidently tempers American patrician sensibility with keen commercial drive.

He arrived towards the end of 2010, bringing experience of the music industry and book publishing rather than art. Christie's – founded in 1766 and owned since 1998 by the French businessman François Pinault's holding company, Artemis – has traditionally traded neck and neck with the auction world's other big name, Sotheby's, and reported £3.3 billion (\$5 billion) of auction sales the year he arrived: "I came into a company that was broadly sound. However, it was a company that had historically bobbed like a cork on the seas of the market. So 2007, amazing year; 2005, good year; 2004, not so good. As the market was purported to move, so the company moved."

He spent his first 100 days watching and learning before developing a three-year plan that was signed off by the board at the end of 2011: strengthen the traditional auction business, develop private sales, build e-commerce – all while expanding into new territories. Put like that, it sounds straightforward, but in a world built on tradition it is not. In Murphy's words: "We've taken on the toughest of all challenges, transforming a company while keeping the culture consistent and keeping the people here."

It's a work in progress that, once we look behind the glamorous theater of fine art auctions, offers insight into business leadership, management of change, and the nature of brand. Murphy's plan sheds light particularly on that difficult task of extending a brand without damaging its values.

First on Murphy's agenda was a more fundamental task: to equip Christie's IT infrastructure for the new world. "It was a drag on the operating model and had not been invested in for some time. The good news was it gave us the opportunity to build a state-of-the-art system, with online interaction."

Murphy, a natural communicator with an understanding of the need for a clear narrative, had learned an important lesson in his previous worlds: "I arrived after 10 years in music and 10 years in publishing, two industries where some of the great houses had sadly missed opportunities to connect with customers and been swept over by the wave of change. It had not happened yet in the art world, but why would this industry be any different? We set out as a team to figure out how to design Christie's to become the innovator other people would fear. My concern was how fast we could be the 'new' Christie's. I was afraid of there being a Chinese auction house in a joint venture with a start-up in →

# THE ART OF SALES

**STEVEN MURPHY**, Christie's CEO,  
tells Brunswick Partner **KIM FLETCHER**  
how the venerable auction house is learning  
to love commerce in a digital world



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## STEVEN MURPHY

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Steven Murphy, CEO of Christie's International since September 2010, says his first love was books, which led him to a degree in literature at Georgetown University in Washington, DC, then into publishing, where he rose to President of a division at Simon & Schuster. A detour into music meant a spell heading one of EMI's labels (Angel Records), where he learned, among other things, about the futility of fighting the tide of technology. Later, he was COO and then CEO of Rodale, a US-based publishing company, where he oversaw the most profitable period in the company's 69-year history.

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## CHRISTIE'S

Christie's was founded in London in 1766 by James Christie, whose first sale included two chamber pots and two pillowcases. The salerooms at 8 King Street, in St. James's, London, were opened in 1823.

Austin, Texas, and we would all wake up thinking: 'What?'

"In the music business I'd been in the room with five label heads from the industry choosing the sticky tape to fit on the CD boxes so you couldn't steal the music. Meanwhile there were two kids in baseball hats creating Napster. So my anxiety was about timing: can we build e-commerce, can we build private sales, and can we build Christie's online to be the equivalent convenor of attention that the St. James's salerooms have been for almost 250 years?"

With a Burberry dress or a Gucci bag, the brand is clear. But what is Christie's brand? The auction house is an intermediary, a service business rather than a product. Surely, the brand is in the art rather than the place they buy it? Murphy says, "Actually that is not true in a country like China. People say: 'I got it at Christie's.' The fact that something came from Christie's means it's authentic, it's been vetted and you purchased it in one of the three or four best places in the world to purchase something like this. The brand means trust, authenticity, authentication. The brand should represent that this is the most trusted place to convene and interact with the commerce of art."

The biggest component of the brand resides in Christie's people, a group whose expertise the house is celebrating in an elaborately photographed international advertising campaign.

"There are very few people here who don't want to be involved in art. The experts, the warehouse manager, the porter in the basement, they all have an interest and a knowledge."

And how does that translate to selling? "I've been really taken by the ubiquitous quality of intellectual rigor about the art – love of art – and, without apology, a very mischievous, at times twinkly, love of commerce. So the perfect Christie's executive is someone who knows the art, loves the art, but is absolutely going to make this a commercial experience."

"The greatest specialist in Old Masters who really knows why that drawing is special is thrilled if it makes a big number, as a way of describing its importance as a piece of art and as a service to the client, who's been a friend for 20 years. At Christie's I've seen that this is not a dichotomy – it's not commerce versus love of art – and not something we have to apologize for."

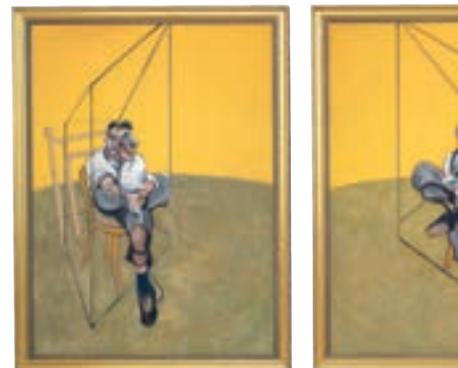
Although he is introducing much change, he is skilled also at playing the heritage card: "We are all here as custodians of Christie's just for the 10 or 20 years we get to be here. It carries on. So, the Stubbs landscape of Newmarket which we sold in 2011, with the horse Gimcrack in the corner – so it's actually a landscape, with the horse in the corner, unusually for him – was commissioned in 1765 and sold four times in its life: all four times at Christie's."

"And on the stretcher of that picture is a number that was stencilled there by someone who worked for James Christie when it was first brought to the house. So that picture has come through the house four times in its life and for someone who might say: 'Oh my gosh, it's been bought by the Americans' – which they probably said around 1910, when some robber baron took it out of the country and it went to Newport never to be back on the shores of England again – well, it came back. Now it's gone someplace else. And in 50 years it will be back again."

Given his easy way with a story, one might infer that all has gone smoothly. Yet we know that those who celebrate great heritage can find it hard to embrace change. Some believe it is unseemly for an auction house to engage in private sales, an area where Christie's now eagerly matches buyers and sellers: "The question of what is unseemly is interesting, and it all depends on who you ask. There are some who conduct private sales who



**Francis Bacon's triptych of his friend and fellow artist Lucian Freud was painted in 1969 and rarely exhibited. It sold in New York in November 2013 for \$142 million, making it the most expensive sale of a painting in an auction to date**



***Gimcrack on Newmarket Heath with a Trainer, a Stable-Lad, and a Jockey (detail)*** by George Stubbs (1724-1806).

The painting has been sold four times, on each occasion at Christie's, most recently in 2011 when it realized £22.4 million (\$35.9 million) – the highest-ever price for an Old Master sold at the auction house.

“On the stretcher of that picture is a number that was stencilled there by someone who worked for James Christie when it was first brought to the house,” says Murphy



might say auction is vulgar – and vice versa. One of the fun things about being new was that I found this attitude and these lines amusing and bemusing. Our role is to connect art and clients, and always has been. Private sales are in our historic DNA as well as auction, so it's coming around again, full circle.

“As a leader, you need to push ahead anyway if you believe you are right and hope that people will be honest in their appreciation of what happens when it works. You have to have the courage to push these initiatives forward and then if the chips fall, they fall.

“We are a year-and-a-half into private sales being a major part of our reality and now it has already been experienced as, ‘I got this consignment for my auction because I sold for this person privately.’ We know from our research that our current best clients spend 47 percent of their wallet outside of auction altogether, doing private deals. So we are just extending our action with the client base, it's not cannibalized at all. Private sales have been accepted.”

There was also muttering about online auctions, territory Murphy was determined to conquer. Christie's encourages online bidding at regular auctions and runs some online only: “We had a fabulous moment when Philippe Garner, one of the most elegant, erudite and respected specialists in our company, a photography genius, spoke to the entire team and in his mellifluous voice said: ‘I was asked to do a Diane Arbus online auction and I must say I was dubious. I'm here to say that I was wrong.’ And he told the story of what happened: these were less popular subjects and yet we were sold out, above our highest estimates, with 45 percent of the buyers never before customers of Christie's. The consigner →



Overshadowed by the record price achieved by the Bacon triptych, Jeff Koons' 10-foot long stainless steel sculpture, *Balloon Dog (Orange)* sold for the “staggering” price of \$58.4 million at the November 2013 New York sale, “a crowning moment in Koons' long and extraordinary career,” wrote *The Independent*

was thrilled, the department was thrilled, and they acquired the names and email addresses of 21 new potential clients. The experience wasn't eBay, it was very Christie's."

The commercial detail about email addresses is telling. Murphy is fluent not only in "creative" but also in the bottom line. "I don't have experience and training in classic American corporate mode. So I didn't bring PowerPoint meetings and a whole series of processes and forums, quite the opposite. I did add discipline in terms of numbers and clarity and accountability, which makes people happier. Most people want to know where we are going, what is expected, will it be appreciated?"

With a wry smile, he acknowledges that it has not all been plain sailing: "Having had this narrative experience before, I have learned that there will be resistance from a certain percentage of people, and when I leave a decade from now there will be some who still say I was wrong. There's always a percentage of well-meaning people who find change hard, if not impossible. The people here are creative, and while I don't say it's been easy – still isn't – I haven't found resistance, only enthusiasm to be more creative."

More surprising has been the nature of external opposition. "One doesn't see in other industries the intensity of a certain flavor of competition between the auction houses, and between them and the dealers. I find it astonishing. Random House does not talk down the Philip Roth novel when Houghton Mifflin is publishing it."

But he is not one to dwell on the negative. It's time to talk about China, where Christie's has become the first foreign auction house to be given an independent license, holding its first sale in Shanghai in September 2013. "I knew that China was an important market, but also an important idea. What does it mean to be in China? The main thing to say is that we have succeeded as Christie's. Christie's operates in a certain way in Mayfair and at the Rockefeller Center and in Amsterdam. They all have the same structures, laws, rules – it's exactly the same in Shanghai. So if you are a European purchasing something in Shanghai, it's the same experience as if you are purchasing it in Amsterdam and also online as well.

"One makes a huge mistake if you are American or European with any colonial filter on your thinking as in, 'We need to teach that market how to appreciate the joys of collecting and of art.' Not necessary. The Chinese woman or man who has two degrees and is the son of an oligarch and is collecting – they're as sophisticated about art as anybody you are going to have lunch with at The Wolseley. The number of clients that Christie's Shanghai is talking to is just a small

**"The brand ... should represent that this is the most trusted place to convene and interact with the commerce of art"**

fraction of the clients we should be speaking to who are already quite sophisticated. The potential of China is to go from hundreds of clients to thousands of clients who are already interested in Chinese contemporary, Chinese antiquities and western art. We knew the audience. The same is true in India.

"The overriding learning of the last two years – not just about the Chinese client potential, but the client potential generally – is that the two big auction houses were succeeding in competing with each other for many years while serving a closed circle of clients. Meanwhile, dealers, art

fairs, and everything else were growing rapidly. So the number of clients available to Christie's to add to its client roster in America, in Europe, and in China is enormous. These are clients already buying art, but not from auction."

Those additional potential buyers, whether in existing or new markets, will be key to Christie's growth as the three-year plan enters its third year. Murphy is quick to point out just how inexpensive art can be at the firm's South Kensington saleroom and eager to describe the crowds who filled Christie's galleries during the Frieze London art fair. Whatever the price, he explains, the impulse is not investment but a human passion for art. Inevitably, in proof of that, we go to the higher end: "The hedge fund billionaire who buys the Rothko for \$35 million dollars is not storing it in a Geneva vault. She wants to have it. Why do I know this? Because her private office manager is on the phone the morning after the sale saying we want it in Greenwich, Connecticut, tomorrow night for a dinner party."

And suddenly there is a glimpse of the old music industry boss: "It's on the wall, man. They want it. They want Rothko." ♦

**KIM FLETCHER** is a Partner in Brunswick's London office, before which he had a long and distinguished career as a journalist, including spells as Editor of *The Independent on Sunday* and Editorial Director of the Telegraph Group.

**Sui Jianguo is one of China's best known contemporary artists. His *Clothes Veins Study Series* of sculptures, including *The Dying Slave* (1988, right), borrows from classical Greek art here combined with the Mao suit which has Western origins, despite its iconic symbolism during Mao's Cultural Revolution. The sculptures fetched \$1.9 million at Christie's inaugural auction in Shanghai in 2013**



# ART WITH CHINESE CHARACTERISTICS

Christie's China Managing Director, **JINQING CAI**, says the auction house's debut auction in mainland China signals a milestone for the global art market



ON SEPTEMBER 26 2013, CHRISTIE'S HELD its inaugural sale in mainland China after becoming the first fine art auction company to gain a license to operate independently in the country.

At a showroom in Shanghai's Shangri-La hotel, sales totaled \$24.9 million, from objects including paintings, sculpture, jewelry, watches and wine. A ruby and diamond necklace fetched the highest price of the night for a single item, \$3.4 million, while contemporary Chinese art also proved very popular, with *Clothes Veins Study Series*, a set of 14 plaster and bronze sculptures by Sui Jianguo, fetching \$1.9 million (see left).

Brunswick's **BEN RAWLINGSON PLANT** talked to Christie's Jinqing Cai about what the breakthrough means for the company and about the burgeoning interest in fine arts in China.

## What was it like on the night of the first auction?

Everyone was very, very excited. There was a lot of buzz created in China and around the world. We brought over about 80 global clients to witness this historic moment. Christie's is the first international fine art auction house that has been able to conduct its auctions completely independently in China, under the Christie's name, in Christie's style, with Christie's auctioneers. It was really a defining moment for the art market here. This is a fascinating time to see this market really become globally connected and Chinese collectors as well as artists are becoming a driving and powerful force in the world.

## Why Shanghai?

Really it came down to a mutual interest – for Christie's and for the city. Shanghai said it would support us in getting a license and creating an environment where more and more international art companies could not only start but also sustain their businesses there. For us, it was about being able to create a complete Christie's experience as Shanghai develops an international position for the city's art market. When we started this conversation, we immediately clicked.

## What was Christie's involvement in the Chinese art market before 2013?

We have been in China for almost 20 years. We set up our first representative office in Shanghai in 1994, the first international auction house to do so. Over the years we developed long-term relationships with Chinese artists and with clients who were buying from Hong Kong. We were also quite innovative in promoting Chinese art globally. Starting in 2002, we developed a whole contemporary offering – in addition to our traditional areas of expertise such as Chinese painting and ancient artworks. We did a lot of promotion of Chinese contemporary artists on this platform and it has become an important way to be recognized internationally. Their value has been growing quite significantly.

## Why is it important to have a fully operational saleroom when people are increasingly buying virtually, by telephone or online?

For us, putting an auction together is very much like putting on a theater production. There is a certain drama – the prices, the high impact of a live event – it's unique. It is the fullest way for people to experience Christie's. Of course you have online and telephone bidding. But however you participate, taking part in an auction is more than just doing a transaction. You really have a special moment to observe the market.

## In emerging markets, is there a learning process too?

The auction sector in China is very young – only about 20 years old. For the Chinese, having a leading brand to conduct auctions provides their first chance to come and see it. For us, there is a learning process too: new laws, how we interact with local clients, their pace and preference, their price range and tolerance. Now, we are convening people not only for sales, but also for lectures, as part of our education program. It all promotes art.

**BEN RAWLINGSON PLANT** is Managing Partner of Brunswick Arts, supporting arts and not-for-profit clients and advising on engagement with the cultural sector.



## JINQING CAI

Jinqing Cai is Managing Director of Christie's China, having joined in summer 2012 from Brunswick Group, where she had been a Partner since 2005. Born in Beijing and educated at Wellesley College and Princeton University in the US, Cai heads Christie's activities in China and leads their educational and cultural projects.

The success of the European Central Bank's policies depends heavily on being understood by a wide audience, says **CHRISTINE GRAEFF**, its Director General of Communications

# CLEAR TALKING

**M**ONETARY POLICY? INTEREST rates? LTROs? OMTs? Full allotment? When the decision-making bodies of the European Central Bank (ECB) meet, many technical terms are used. But listening carefully you would discover that the single word most often used is simply *communication*.

Indeed, the success of a central bank's policies – both in terms of transmission to the markets and being understood by the general public – is more than ever dependent on how a bank communicates.

The times when central bank communication was based on secrecy and market surprise are over. And the aim of policymakers is no longer to have their own “dialect,” such as “Fed speak.” Alan Greenspan's remark, “I know you think you understand what you thought I said, but I'm not sure you realize that what you heard is not what I meant” is a line from the past. The key to trust is building relationships and using clear language.

But while central bank communication was previously aimed at very specific audiences, such as the financial markets, specialized financial players, economists and other key academic circles, there is now a much wider audience interested in the policies of central banks. And this explicitly includes the general public and political decision makers.



## GAME THEORY

**Your chance to play the role of ECB President Mario Draghi**

It's not *Grand Theft Auto*, but you do learn a lot. That was the verdict of a review on American National Public Radio recently by Jason Karaian of Quartz, Atlantic Media's business website, of the European Central Bank's educational games, including *€conomia*, *Inflation Island* and *Top Floor*. Marcello Di Pietro of the ECB says the games are designed to educate 18- to 25-year-olds about economics. “We hope to entertain players, who can have fun while learning about the benefits of price stability, the risks of inflation or deflation and the workings of central banks.” The ECB tools seem to gauge their audience better than similar games offered by the Fed, which Karaian thought were rather unsophisticated and perhaps “wouldn't entice future central bankers.” This may reveal the ECB's real goal: to beat the Fed at recruiting talent.

However, a message that may be helpful in steering a democratic and political process may lead, for example, to extreme nervousness in capital markets. So the ECB must be sensitive to the way its communication can be interpreted by various audiences.

**ADDED TO THAT**, there is the challenge of cultural bias. While German commentators, influenced by the savings banks and life insurers, complain about low interest rates, southern Europeans argue that they are still too high if you measure the real rates local companies have to pay. For some, the exchange rate is too high; for others, too low. For some, ECB experts in the “Troika” – the European Commission and International Monetary Fund in liaison with the ECB, which organizes loans to the beleaguered governments of Europe – are the “men in black.” Meanwhile, bond purchases by the ECB are sometimes seen as the sell-off of people’s assets. What Germans call the “euro rescue” (*Euro-Rettung*) is for the Greeks “the memorandum,” the paper the Greek government had to sign to receive European loans. It is all about language and images and historic associations.

The key to success will therefore be to explain how every single policy decision advances the public interest. In the case of the ECB, this means the public interest of millions of citizens, from the eurozone bailout program countries to the core European nations.

To achieve this, beyond the monthly press conference geared towards the markets – a feature invented by the ECB – its board members reach out to wider audiences. In addition to speaking at academic conferences, they also explain the policies of the ECB at local chambers of commerce, regional gatherings and universities, and by giving interviews to

various national and regional newspapers.

The importance of communication was again highlighted in the summer of 2013, when the ECB’s Governing Council introduced “forward guidance,” assuring the markets that interest rates would stay low for an “extended period of time.” This statement helped to ease concerns – reflected in the market – that interest rates would rise after talk in the US of “tapering” [scaling back stimulus measures]. Forward guidance in the case of the ECB is to be understood as a way of increasing transparency. Market participants know our guidelines – though this did not stop the latest rate cut taking some of them by surprise.

Another aspect of communication is currently being discussed: the publication of an account of the Governing Council’s deliberations, both to increase transparency and to help the various audiences understand how decisions come about and what the key elements



## CHRISTINE GRAEFF

Graeff is Director General, Communications & Language Services for the European Central Bank, based in Frankfurt. A former Brunswick Partner, she started her career in the corporate finance department of Dresdner Kleinwort Benson. Graeff joined the ECB in 2013 and reports to its President, Mario Draghi. The ECB’s main task is to maintain the euro’s purchasing power and price stability in the euro area. The euro area comprises the 18 European Union countries that have introduced the euro since 1999.

## The times when bank communication was based on secrecy and market surprise are over

of the discussion are. Some people are concerned, however, that too much transparency may be counterproductive to a healthy discussion, given the political sensitivities involved.

The ECB is also well aware that the hierarchy of information has fundamentally changed: the top-down approach of one-way communication through established channels is no longer working. Instead, social media users are increasingly shaping policy or seeking to influence how policy is made. New coalitions and networks need to be engaged on their terms through central bank communication. Audiences are participating in the debate and, in many instances, are co-creating and collaborating with us. Establishing a dialogue rather than one-way communication via the different tools available is what the ECB is aiming at.

**AS COMPANIES** and governments know all too well, just having better arguments is not enough.

The key is that we maintain, or even increase, the confidence of the euro area’s 330 million citizens in our ability to keep the value of money stable.

“A secure and stable currency in an insecure world” would be our motto, if we had one. And given that the ECB has delivered this for 15 years now, it is high time that we make citizens aware of it and, more to the point, that we help everyone better understand the opportunities created by the euro and Europe. ♦

A black and white close-up portrait of T. Boone Pickens, an elderly man with a serious expression, wearing a dark suit, white shirt, and a patterned tie. The background is plain white.

**T. BOONE PICKENS,**  
legendary oilman and dealmaker,  
tells Brunswick's STEVE LIPIN and  
CHRYSTA CASTAÑEDA that the  
seeds of his career were sown in  
the risk-taking culture in which he  
was raised, where the status quo  
was rarely acceptable

# FINDING THE LAGNIAPPE

“That’s a term folks  
in my part of the  
country use for a bonus  
or a fringe benefit”

**I**N THE LIFE AND TIMES OF A FINANCIAL swashbuckler, there is often a seminal moment that defined the direction his career would take. In the case of T. Boone Pickens, Texas-Oklahoma oilman and life-long dealmaker, there was a series of such moments on the road to becoming a risk-taker extraordinaire. An essential part of his foundation was clearly his parents: “I got the best traits of both of my parents,” he wrote in *Forbes* magazine in 2012. “My dad was a risk-taker ... My mother was the opposite. She was very analytical and an excellent bridge player. She didn’t believe in sticking her neck out for anything.”

In his autobiography, *The First Billion is the Hardest*, Pickens wrote of another turning point. After qualifying as a geologist and getting a job in the 1950s at Phillips Petroleum, where his father had worked later on in his career, Pickens was married with a child and “the master plan was simply to get everybody fed.” However, the bureaucracy at the Bartlesville, Oklahoma headquarters of Phillips, then one of the largest oil companies in the world, was stifling. (“Things were pretty rigid,” he wrote. “They rang a bell to dismiss us all for lunch, then rang another to get us back to work. Then they rang a bell at 5pm to tell us to go home.”) Pickens just couldn’t accept the status quo, so instead he rolled the dice and became a wildcatter, founding the company that would later become Mesa Petroleum, an innovative deal-making machine that helped to define American finance in the 1980s.

Yet another key point was an encounter with W. Dow Hamm, a highly respected geologist and board member of oil company ARCO. Pickens wrote in *The First Billion* that Hamm told him at a crucial moment, “Boone, you will spend just as much time on a big deal as on a little deal. In big deals, there’s always serendipity. You’ll find a lot of *lagniappe*,” which, Pickens explains, is “a term folks in my part of the country use for a bonus or a fringe benefit. ‘There’s so much in a big deal that nobody can evaluate,’ Dow told me. ‘Once you get in there you’ll find out what I’m talking about.’”

Pickens took that lesson to heart and put his career into overdrive in the late 1960s by launching a bid for a company, Hugoton, that was 30 times the size of Mesa. The basic premise and strategy for Mesa was to find companies that were substantially undervalued – and as Pickens recalls, it was easier back then to find

oil on Wall Street than by drilling holes in the Gulf of Mexico – take a run at them, and either force existing management to enhance the value of the company for shareholders or take them over and do it themselves.

Pickens helped to define the era of the activist shareholder (or “corporate raider,” as they were usually depicted), investors who take strategic stakes in companies and then appeal directly to the shareholder base to force change or a company’s sale. He gained national prominence taking on “Big Oil” – Gulf, Phillips, Unocal – in a series of groundbreaking “raids” that netted Mesa billions.

Pickens says that it was never his intention to shake up the industry, but rather to make money for Mesa shareholders. Nonetheless, he is still committed to the idea that shareholders of public companies should have a strong voice and influence over their strategic direction.

We met Pickens for coffee in his BP Capital office in north Dallas, Texas, which is festooned with portraits of former Presidents and images of his beloved Mesa Vista Ranch. Various aides and assistants (and at least one dog) ran in and out.

Lively, sharp, and throwing out questions about who coached which college football team in the 1960s, recollections of CEOs he had frightened, and deals struck on duck hunts, Pickens exudes Texas charm. A one-hour meeting became almost two hours as we were regaled with tales from arguably the first shareholder activist.

“You must come down to the ranch,” he said at the end of the meeting.

**Some of the things you were saying in the early 1980s, you see a lot of these young activists saying the same things today. Do you think there is a crisis in corporate America?**

The irony of activism is that you’re actually working for the owners. The owners are the stockholders. It used to drive them crazy at the business roundtables when I’d ask management if they were doing a good job for the owners when the stock was worth \$50 but selling for \$25. I’d ask them whether they were serving the true owners, and it would just about kill them to acknowledge that they were only employees and the shareholders were the true owners. →

**Do you think that has changed much in the intervening decades?**

I was asked by *The New York Times*, I think it was in 1987, “What would you do if you could change corporate America – change one thing – what would it be?” And I said: have a board of directors elected by the stockholders. They said, “Well, that’s the way it is now.” I said, no, actually the management picks their bosses and board and there is something that’s not right about that. In some cases, I’d get up and say, ‘Now, where did this guy come from? He’s got 100 shares of stock. Do you think he’s looking after shareholders? Hell no, he’s doing whatever the management wants him to do.’ But you’ve got a lot of directors today that are better qualified than they were back at that time. Yeah, I think it’s a lot better today than it was then.

**So, you think that some boards are more sensitive to shareholders’ rights and shareholders’ issues?**

I would like to see a board of directors that is staggered. Let’s say you have nine seats on the board and you have three that are coming up – now, if the management of the company wanted to submit a person or two for the board, that would actually go to the headhunters, and the proposed board members have to be qualified, meet certain parameters – ownership would be one of them, say 20,000 shares. But that is the only place I see you can fix anything further in corporate America. Then you just have to let the market work.

**What do you think of all the newer shareholder activists – what they used to call “corporate raiders”**

“They used to file lawsuits against me and I’d say, ‘With my money you’re suing me? I’m just a shareholder trying to get value’”



They used to file lawsuits against me and I’d say, “With my money you’re suing me? I’m just a shareholder trying to get value.” What I said made sense but I couldn’t get the media to buy in. They were convinced I was some kind of a raider. Well, that certainly has changed.

**Turning to energy policy, you have been outspoken about the policies followed by both recent administrations, haven’t you?**

Right. They have been afraid to embrace the oil and gas industries. Why? “You’ve made enough.” What does that mean? “You’re not paying your fair share.” What does that mean? What’s enough? When does the next industry, whether it be tech or anything else, when will it have made enough?

What you are missing right now is the same component that was missing in corporate America back in the 1980s: leadership. Here we sit with more

**– that we’re seeing?**

Well, you’ve got people who believe these assets are worth more than they’re selling for. So, they come in, do the same thing that I did and the same thing that Carl [Icahn] has done. Hell, I was doing it back in the 1980s; Carl’s still doing it. He came in behind me at Phillips, called me on the phone and said, “I think you should have stayed in there.” He was exactly right. We were closer than we thought. There was so much we didn’t know about what we were trying to do.

**Do you think companies are more willing to engage with activist investors now? Do you think some of the stigma has gone away?**

PHOTOGRAPHS: JEFF RIEDEL, CONTOUR BY GETTY / BLOOMBERG VIA GETTY

## T. BOONE PICKENS

### STRATEGY OF A DEALMAKER

- In a 10-step outline entitled “How T. Boone Pickens Built His Empire” in *The Wall Street Journal* in December 2013, the first step was, “At the age of 10 in Oklahoma, agrees to mow his grandma’s lawns but grossly underestimates their size. ‘It was a very bad deal,’ he says, ‘but



she made me stick with it.” Grandma was a big influence: Pickens also wrote in his autobiography how she taught him the value of inventory management with a toothpaste anecdote.

The final step reflected on Pickens’ ill-fated venture into wind farms. The hugely ambitious “Pickens Plan” envisioned massive wind power investment and conversion

natural gas than anybody else in the world – and coming up very fast on oil [in December 2013, the government’s Energy Information Agency projected US oil production to rise by more than 800,000 barrels a day through 2016, to reach 9.6 million barrels a day, nearly equivalent to the country’s peak production in the early 1970s]. What you need is a leadership that says, “Hey, do we really have to be in the Middle East?” We’ve spent more than \$2 trillion in Iraq and Afghanistan, 8,000 dead, 40,000 injured and we don’t have a damn thing to show for it.

**The Canadian “tar sands” oil and the Keystone pipeline to run it south to US markets have been controversial on environmental grounds, but you’re a strong advocate for it, aren’t you?**

Here you have 250 billion barrels that they’re asking you to take [that is, Canada’s estimated tar oil reserves], and another 250 billion barrels you’re getting 10 percent of [estimated Saudi reserves] and providing all the protection and everything else. What is the cost of that? On those kind of things I say, well, hell, we’re the best operator. The United States is the best. You say, well, you can be better. Okay. We’ll be better. Can you be 100 percent? No. Hell, no, you can’t. You’re always going to have something that’ll spring a leak sometime, but, man, we don’t mess up the environment in this country. You go to other countries and it’s unbelievable.

You don’t want the Keystone pipeline to ever turn west out of Fort McMurray [where Canada’s tar sands are concentrated]. Then it is headed to China is where it is going to go. You’d be a fool to give up that oil.

“The guy’s a goddamn change advocate is what he is.’ That’s exactly what I am – change will do more good than bad”



**Has there been some benefit for the US in keeping the world oil trade flowing?**

You know how much oil comes through the Strait of Hormuz every day? Seventeen million barrels, okay. Who is it that protects that? That’s right, the Fifth Fleet, based in Bahrain. And how much of the 17 million barrels comes to us in the United States? Ten percent. We’re protecting the Chinese and Europe. Does anybody ask them to pay for anything? Hell, we’re the people that keep the oil moving.

I want off OPEC; I want to make that break. See, I want to change things and if you get down to it, if you knew me from policy, you’d say, “The guy’s a

goddamn change advocate is what he is.” That’s exactly what I am. Change will do more good than bad – change corporate America, change what we do.

**And your passion for change hasn’t diminished?**

I still want to change things. Older people tend not to like change because they think they’re going to get changed out of the picture. Young people love change because they think, “Change will get the old guys out and I got an opening.” They like change, but the man on the street thinks it’s a little scary. He doesn’t know what you’re going to change. He may say, “I don’t like where I am now, but it could get worse.” But I’m convinced things get better with change. ♦

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**STEVE LIPIN** is Senior Partner for Brunswick’s US practice. **CHRISTA CASTAÑEDA** is a Partner in Brunswick’s Dallas office. She specializes in communications arising from legal matters such as litigation, government investigations and crises.

to natural gas in transport, but Wall Street’s financial crisis stalled the scheme. As he recently tweeted, while wind costs are coming down fast, wind is “still challenged by damn cheap natural gas.” [twitter.com/boonepickens](https://twitter.com/boonepickens)

- An online industry membership group, [PrivateEquity.com](http://PrivateEquity.com), wrote of Pickens’



dealmaking style in the 1980s, “His favored strategy was the leveraged buyout, wherein one company buys another with little cash and lots of debt. This is a high-risk investment that has the ability to produce huge gains in a bull market and huge losses in a bear. Either way, the core of Pickens’ investment philosophy was on display: knowing when to strike and when to play big.”

**ANYA HINDMARCH** talks to HEATHER MCGREGOR about craftsmanship, celebrity and her admiration for the woman who turned “handbagging” into a verb

# HANDBAGS FOREVER

## ANYA HINDMARCH

Anya Hindmarch founded her eponymous brand in London in 1987 and now has 58 stores globally. The brand is known for its craftsmanship, personalized pieces, Britishness – and sense of humor.

A UK Trade Ambassador, Non-Executive Director of the British Fashion Council and Trustee of both The Royal Academy and The Design Museum, Hindmarch was awarded an MBE in recognition of her contribution to the British fashion industry in 2009. She was named Veuve Clicquot Business Woman of the Year and Harper’s Bazaar Woman of the Year in 2012.



“A handbag is a piece of engineering. And interesting in a way that a beautiful handmade car is interesting. It has still got to work.”





.....  
**HEATHER MCGREGOR** is a headhunter and *Financial Times* columnist whose favorite handbag is her bespoke Anya Hindmarch Ebury, featuring embossed messages from her three sons and long-suffering husband.

“In terms of communication, we always talk about taut ropes – the connection between, say, me and our store in LA.

Do they feel they can pick up the phone? Do they feel connected?

If they needed to go the extra mile, would they?”

.....  
“We’re 80 people here now [at head office] and it’s very collaborative, cooperative, and – I like to think – a really nice place to work.

We certainly attract a lot of talent because of that.”

.....  
“I don’t design specifically for different markets. It’s a global marketplace these days – everyone is pretty much in sync.”

“There is so much talk in the luxury world about the cult of celebrity – who is wearing what, this bag named after that celebrity, and so on, which is fine. But for me, it’s the craftsmen who should be celebrated.”

**HANDBAGGING** *verb*: to verbally attack or crush (a person or idea) ruthlessly and forcefully [1980s: coined by Julian Critchley, Conservative MP, with reference to Margaret Thatcher’s ministerial style in cabinet meetings]  
*Source: Oxford Dictionary*

Says Hindmarch, “What Margaret Thatcher represented to me was that period of cut-the-red-tape, get out there, start your own business. It was a very exciting time. It was a time when many brands were formed ... Of course, she also made the word ‘handbag’ into a verb – you’ve got to look up to anyone who does that.”

.....  
Having the unsolicited backing of the most famous fashion icon in the world was a coup for Hindmarch, who recounted to *The Sunday Telegraph* the patronage of Diana, Princess of Wales. “She would pop into our first shop on Walton Street, without any bodyguards, and she was very lovely, very low key. She always used to refer to [the Hindmarch clutch] as her ‘cleavage bag’ because she would use it when she got out of the car to protect her modesty.”



"My dream was to have craftsmen in the store. People are so disconnected from how things are made. Seeing a craftsman at work makes you really value why something is special - and appreciate why you want to keep it."

Pictured is the interior of Hindmarch's Madison Avenue flagship store in New York. A growing part of her business is bespoke, where customers can personalize items



“The commercial team want to do what sold really well last year. They want it safe and all in black. And of course the design team want to break new ground. Both are savvy enough to know that they want to achieve the same thing. But there’s a natural tension that *should* be there.”

*“I’m very lucky because I get to play with all this creative madness.”*

“It would be very dry if you ran a business purely to make money. It has to have a life to it. Fashion is a combination of art and business.”

“Sometimes a creative decision is actually smart for the business. It’s not a case of one or the other.”

“

## FASHION...

...speaks volumes about your personality in a way that words don’t. It is very much a coloring in of people’s characters.

...is quite tribal. I’ve always been interested in the psychology behind it because it has a very soft set of unspoken rules.

...is very mood altering and, more importantly, very confidence boosting.

Confidence is hugely important. It is about saying, ‘This is what I love,’ and getting people to follow you.

You can carry people with you on all sorts of journeys if you can do that.

”

The response to Hindmarch’s 2007 project to persuade people to use less plastic was explosive. Cloth bags emblazoned with “I’m not a plastic bag” (£5 in the UK, \$15 in the US) attracted queues of enthusiastic buyers. As the BBC said at the time, “The bag’s must-have credentials were secured when it was chosen as the goodie bag for guests at the 2007 *Vanity Fair* Oscar party.” Hindmarch says, “Someone told me once, ‘When you throw something away, there is actually no away. It ends up in landfill.’ ... [the bag’s popularity] just went around the world like sort of a wave. It can be a bit distracting, I suppose, from day to day business, but it was important to do and made a difference.”

“I didn’t thrive in an academic environment. I was, shall we say, impatient in the classroom. I just wanted to get going. I think that’s quite an entrepreneurial trait.”

“I was keen to build a business that was authentic and came from my passion about craftsmanship and design. And combining that with humor.”

“The way my brain works is good for remembering form – shape – texture – color. I have a very good visual memory.”



**"The average water tank holds 10,000 gallons. The average New Yorker wastes 10,000 gallons a year. That same amount would provide for a whole family in a water-scarce area for five years"**

Mary Jordan, The Water Tank Project, at Mashable's Social Good Summit 2013



PHOTOGRAPHS: ADRIAN WILSON / ICY AND SOT



## WATER COLOR

The water tanks that form a quintessential part of the New York skyline could be the perfect medium for a message about water conservation, writes Brunswick's Laura Dudley. So thought artist, film-maker, and activist Mary Jordan. In June 2014, Jordan's non-profit organization, Word Above the Street, will launch The Water Tank Project. Prominent artists, including Jeff Koons and Ed Ruscha, will transform 100 tanks across the city into a public art project – and campaign.

Jordan's team – with permission – will scale the rooftops and wrap the tanks in fabric printed with the artists' designs. "The tanks have a huge presence," she says, "and we believe this unique combination of an awareness campaign with stunning art will have a big impact too. It is up to the public to make the personal changes necessary to make bigger changes happen. We hope to capture people's imagination, to change their habits – and spread the word about responsible water use."

Many of the artists involved are providing their designs for free, while funding for the project has come from foundations and corporate sponsors.

"The next tanks to carry the message will be in Mexico City in 2015," says Jordan. "As the project ripples worldwide, so will the message that we must all care about how much water we use to protect our most precious resource. We need to activate every single one of us to become a water steward. A water warrior." ♦

**MARY JORDAN** has produced award-winning documentaries in Burma, Africa, Indonesia and India, and worked with Médecins sans Frontières and the International Center for Human Rights.



**A**S SOON AS I HEARD THE news, I rushed up to the city of Leicester in the English Midlands, and found myself standing in a long queue that wrapped around the block, patiently waiting my turn to enter the car park. At the front of the line, marshals wearing luminous jackets ushered the next group through, as if funneling the crowd at a pop concert. Yet this was no ordinary car park, and the celebrity of sorts had been dead for more than 500 years.

Just a few weeks earlier, a team of archaeologists from the University of Leicester made an announcement that hit the headlines globally. Beneath a council car park, they had discovered the bones of a man believed to be Richard III, maligned in William Shakespeare's eponymous play. All signs pointed to the body being Richard. It had been unearthed in the nave of the buried ruins of Greyfriars Church, destroyed during the Dissolution of the Monasteries, where Richard had been buried in a pauper's grave after his death at the Battle of Bosworth in August 1485.

More importantly, the skeleton itself gave clues to wounds suffered in battle, its skull having suffered some kind of massive trauma. Perhaps the most alluring clue as to the identity of the body came from news that the skeleton had a noticeable curvature of the spine. Were these really the long-lost remains of one of the most reviled kings in English history, the crook-backed Richard III?

The news of this remarkable discovery broke just as I was putting the finishing touches to a book on the Battle of Bosworth, which felt at times like covering a breaking news story. The book was to chart the rise of the Tudors, focusing on Henry Tudor's phoenix-like ascent from the ashes of forced exile at the unripe age of 14. However, I began to realize that Bosworth was not so much a story of how Henry Tudor won the battle, but more about how Richard III lost his kingdom.

In fact, Henry Tudor's success owed all to the downfall of Richard, right down to the final moments of the battle when Richard found himself deserted by his supporters and chose to throw all caution to the wind and launch a suicidal attack

upon the young upstart pretender to his throne.

Delving deeper into the original sources and contemporary records, it also became clear that Richard was never the evil monster of legend. For most of his life, he had been regarded as a paragon of virtue, a brilliant military general who had been lauded for his successes in the battle of Tewkesbury and in military campaigns on the Scottish border. During his early years, Richard had worked loyally for his brother Edward IV, earning praise for his straight living (unlike Edward, whose debauchery was unrivaled) and concern for the plight of the common man, especially his devotion to his put-upon northern followers. It seemed that Richard's meteoric rise was indeed well-founded on hard work and sensible judgments.

#### **A BLOODY DEED DISPATCH'D**

Where, then, did it all go wrong, and why is Richard regarded as one of the most maligned monarchs in English history?

There can be little doubt that the seeds of Richard's downfall were sown in his decision to usurp the throne from his →

# THE ONLY WAY IS UP

England's King Richard III may have been an early victim of the "dark arts" of political spin, says historian and Member of Parliament **CHRIS SKIDMORE**



12-year-old nephew Edward V, whom he was charged with protecting, followed by the suspicious disappearance of Edward and his nine-year-old brother, Richard, Duke of York, from the Tower of London.

An Italian visitor to England, Dominic Mancini, who left a detailed eyewitness report of the events of 1483, wrote how after Richard had managed to seize power, Edward V and his brother “were withdrawn into the inner apartments of the Tower” and “day by day began to be seen more and more rarely behind the bars and windows, till at length they ceased to appear altogether.”

Rumors of their death began to circulate, while Mancini wrote that he had seen men burst into tears at the mention of the young king’s name, since “already there was a suspicion that he had been done away with.” By September 1483, it was clear to everyone, the contemporary Crowland Chronicler wrote, that “the princes, by some unknown manner of destruction, had met their fate.”

It seems undeniable that while there is no evidence to prove the exact date of the princes’ death, they certainly went missing under their uncle’s watch. Yet if Richard was guilty of killing the princes, then we are faced with the enigma of why he acted so ruthlessly, suddenly turning against his brother’s children, especially after years of loyal service to his brother.

Without condoning infanticide, it is worth considering the dilemma that Richard faced. Edward V was so young and barely knew his uncle, having been brought up surrounded by his mother’s family, whose hostility to Richard was an open secret. Believing that his own position was possibly about to be fatally undermined, Richard may have taken the only option available to him to protect the Yorkist dynasty. The accession of a child ruler was a potentially destabilizing and disastrous development.

Even allowing that Richard did away with the princes, there is evidence that he was a much-loved and popular king.



RICHARD  
BECAME THE  
TARGET  
OF WHAT  
MIGHT BE  
CONSIDERED  
**ONE OF THE  
FIRST  
POLITICAL  
SMEAR  
CAMPAIGNS**

During his reign, the Bishop of St David’s, Thomas Langton, wrote that “many a poor man” had been “relieved and helped by him and his commands.” Much later, in 1525, the City of London protested to the powerful Lord Chancellor, Thomas Wolsey, that in contrast to Henry VIII, Richard had made “good acts” of parliament, concerned with achieving justice for ordinary citizens. Richard understood that in politics, loyalty above all else mattered. His motto was “loyalty binds me.” He remembered men who had fought and died by his side at the battles of Barnet and Tewkesbury in the 1470s, and surrounded himself with a loyal group

of men from his inherited homeland in North Yorkshire. Such devotion earned him a strong following in the north.

#### HE DOTH DENY TO COME

As Henry Tudor grew ever stronger, Richard knew that confrontation was inevitable. He should never have lost the battle. His force of 15,000 men was twice the size of Henry’s army. Yet on the day, half of Richard’s army refused to fight. In particular, it was the decision of the Stanleys that led to defeat – Thomas Lord Stanley was married to Henry Tudor’s mother. When Richard saw the treachery unfolding around him, he was urged to flee but, according to a Spaniard who was present on Richard’s side, the king flatly refused. “God forbid I yield one step,” he is reported to have stated. “This day I will die as a king or win.”

Having spied his rival and charged, Richard came within touching distance of Henry Tudor when Sir William Stanley, who had sat out the battle, charged against him and swept Richard into a marsh where he was hacked down and killed, the last English king to be killed on a battlefield, reportedly by a Welshman who beat Richard’s helmet into his brains. His final words were apparently “Treason! Treason!”

#### ORATORS OF MISERIES

The first description of Richard as being physically deformed comes from an account by the Warwickshire chronicler John Rous, who might be considered the first author of Richard’s “black legend.”

While Richard was still alive, Rous had praised the king as being “a mighty prince and especial good lord.” It was only after Richard’s death that his account was dramatically altered. Rous pulled no punches, declaring – somewhat implausibly – that Richard had been “retained within his mother’s womb for two years, emerging with teeth and hair to his shoulders.” For Rous, Richard had died “like the Antichrist

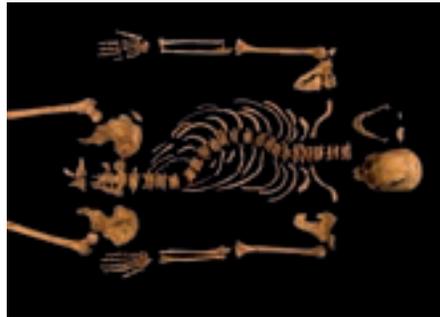
**Found beneath a Leicester car park, Richard's bones had identifying wounds – and a noticeably curved spine**

to come ... confounded at his moment of greatest pride.”

Nor was Rous the only commentator to change his tune. The praise the king had received in life soon turned to condemnation in death, as poets and writers realized how to curry favor with the new regime. The Italian poet and courtier, Pietro Carmeliano, who had come to England in 1480, wrote fondly of Richard the year before Bosworth as being one of the greatest princes in the world. Two years later, with Henry Tudor on the throne, Carmeliano suddenly reversed his opinion, turning his pen against “the murderous tyrant.” Artists of the age joined in. The earliest surviving portrait of Richard shows no sign of a hunchback, but x-rays of later portraits show that a hunch was deliberately added to fit the popular image of the king.

Richard became the target of what might be considered one of the first political smear campaigns, as the new Tudor dynasty sought to tarnish his reputation, condemning him as an evil monster. In his first proclamation, Henry accused Richard of the “shedding of innocents’ blood” – without naming them, surely he meant the Princes in the Tower, but the very fact that Henry refused to name them reveals much about the new king’s own insecurities.

Despite his trumped up assertion to be the true inheritor to the English throne – his was an illegitimate line – Henry knew in reality that his own claim to the throne was extremely fragile. To acknowledge even the names of Edward IV’s male children might jeopardize his legitimacy, especially when there were others still alive with stronger claims, such as Richard, Earl of Warwick (whom Henry eventually had killed in the Tower). Henry’s first decades in power were fraught with danger and insecurity. Plots to overthrow him abounded – even Sir William Stanley, who had placed him on the throne, was executed for treason. How better to



reinforce his kingship than to destroy the reputation of the man he had conquered?

The Tudor version of events was first set down by Henry VII’s official historian, the Italian Polydore Vergil. It was Vergil who, despite not arriving in England until 1502, spoke with members of Henry’s court to write his one-sided history, helping to spin a political narrative blackening Richard’s name. Richard was deliberately portrayed as bad, while Henry could do no wrong.

Around the same time, Thomas More wrote *The History of King Richard III*, a polemical tale of how evil will always have its comeuppance. More presented the image of Richard that is still very much with us today, describing the king as being

“little of stature, ill-featured of limbs, crook-backed, his left shoulder much higher than his right.”

The Tudors were the first dynasty to fully understand not only that history is written by the winners, but that it can be just as effective as the weapons of war in winning the battle of hearts and minds. In many ways, the campaign was a massive success. The familiar image of Richard III as a bloodthirsty, crook-backed tyrant has been handed down to us by one of the greatest men of the Tudor era, William Shakespeare. He was not interested in portraying the historical truth; rather he essentially bought into the Tudor version of events.

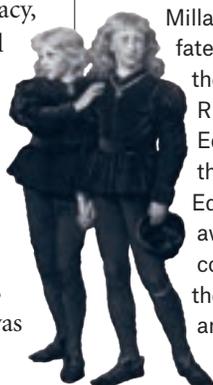
But slowly, as sources are discovered in the archives, and archaeological digs uncover yet more evidence, Richard’s reputation is being restored. The Richard III Society was founded in 1924 “in the belief that many features of the traditional accounts of the character and career of Richard III are neither supported by sufficient evidence nor reasonably tenable.” The society helped fund the dig in the Leicester car park.

Richard reigned for only two years and two months, yet his legacy remains hugely significant for English history. Without him, there would certainly have been no Tudor dynasty, no Henry VIII or Elizabeth I. England would have remained part of the Roman Catholic Church and the very fabric of the nation would have been woven with an entirely different thread.

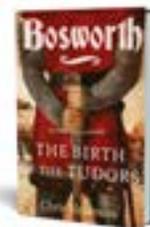
Richard’s supporters will no doubt hope that when competing legal claims to his remains are settled, and he is granted a final resting place, we can also put to rest the Tudor myth of this monstrous tyrant king. ♦

## THE LOST BOYS

The “Princes in the Tower,” Edward V and Richard, Duke of York, were 12 and nine respectively, when they disappeared from the Tower of London. There is a poignancy about their fate that echoes down the centuries, especially given the many images of innocence we have of them, from Shakespeare’s play to the 19th Century



Millais painting (left). However, their fate has never been settled – were they murdered by their uncle Richard to usurp succession? Edward was set to succeed to the throne on the death of his father, Edward IV. Or, were they spirited away to safety on the European continent, as one of many other theories suggest? It may take another fortuitous archeological find to resolve the mystery.



**CHRIS SKIDMORE** is a historian and MP for Kingswood in the west of England. His book *Bosworth: The Birth of the Tudors* is published by Weidenfeld & Nicolson

# CRITICAL MOMENT

SNAPSHOT OF A COMMUNICATIONS TURNING POINT



PHOTOGRAPH: © BOBADELMAN

**AUGUST 28 1963**

“Normalcy, Never Again” is not the snappiest title for a speech, but if Dr Martin Luther King Jr had listened to his advisers, we would never have heard the one that replaced it: “I have a dream.”

The four words that secured King his place in history on that August afternoon in Washington, DC in 1963 weren’t meant to be. He had used them in previous speeches. His team didn’t want to hear them again. Clarence B. Jones, adviser and friend, recalls the words of the speechwriter Wyatt Walker the night before: “Don’t use the lines about ‘I have a dream.’ It’s trite. It’s cliché. You’ve used it too many times already.”

So King took the podium without them, opening with that rhetorical echo of the Gettysburg Address: “Five score years ago ...” There was applause for sure, but the crowd had heard many speeches that day. It was hot. They were tired. After a while the gospel singer Mahalia Jackson, standing on the platform, intervened. She’d heard King “dream out loud” in Detroit. “Tell ’em about the dream, Martin. Tell ’em about the dream.”

There was a pause ... and the direction of the speech shifted. King said later that year: “I started out reading the speech, and I read it down to a point ... the audience response was wonderful that day ... And all of a sudden this thing came to me that ... I’d used many times before ... ‘I have

a dream.’ And I just felt that I wanted to use it here ... I used it, and at that point I just turned aside from the manuscript altogether. I didn’t come back to it.”

King’s words began to sing: “I say to you today, my friends, though, even though we face the difficulties of today and tomorrow ... I have a dream.”

The great civil rights leader chose not just to speak words on a page. Rather, he conveyed a dream. It is a reminder to us all that spreading a message in which we truly believe is more effective than merely sharing a script. ♦

.....  
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