

GEORGETOWN UNIVERSITY MCDONOUGH SCHOOL OF BUSINESS

EXECUTIVE CUSTOM PROGRAMS

Navigating the psychology of real-
world crises.

A legacy of educating leaders. A commitment to tailored experiences.

FROM WASHINGTON TO THE WORLD.

Our world today



| the continued increase in activism... | targeting a growing list of issues... | with ever more sophisticated resources... | means we will need... |
|---------------------------------------|---|--|--|
| ESG activism | <ul style="list-style-type: none"> + Climate change + Natural gas + Rise of the B corp | <ul style="list-style-type: none"> + More players + More money + Expanding toolkit + Increasing use of ballot initiatives + Aggressive social media / media efforts + "Alternative facts" + New platforms like Nextdoor | <p>Always-on, always-engaged, proactive communication effort</p> |
| Shareholder activism | <ul style="list-style-type: none"> + Greater transparency + Industry consolidation + Board diversity | | |
| Political activism | <ul style="list-style-type: none"> + GOTV initiatives | | |
| Lower bar for crisis | <i>Every mistake gets amplified</i> | | |
| Increased litigation | <i>On all of the above and more</i> | | |

A little trivia – Who said it best?

"I want my life back."

"I apologize for having to re-accommodate these customers."

"We are doing god's work."

"Every year-- on average for the last five years, 1,000 did not do the right thing."

- Tony Hayward, BP

- Carlos Munoz, United

- Lloyd Blankfein, Goldman Sachs

- John Stumpf, Wells Fargo

in today's media landscape, crises ...

spread more quickly

dominate conversation

don't go away



Equifax Hack 2017

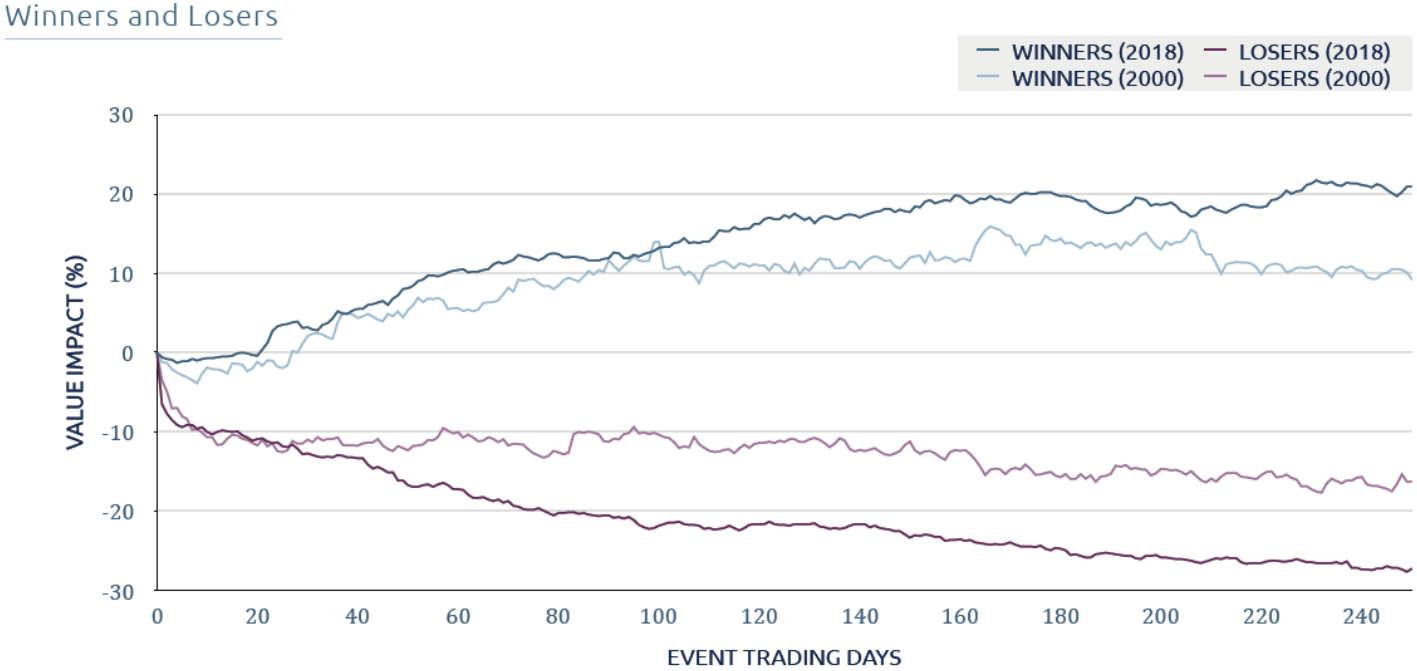


United's passenger crisis



J&J Asbestos Lawsuits

After a reputation crisis, companies tend to fall into **two distinct groups**:
Winners, who on average **gain 20%** in share value over the following year
Losers, who on average **lose nearly 30%** in share value




Source: Pentland Analytics

crises can cause lasting impact.



Why is it so hard to get it right?

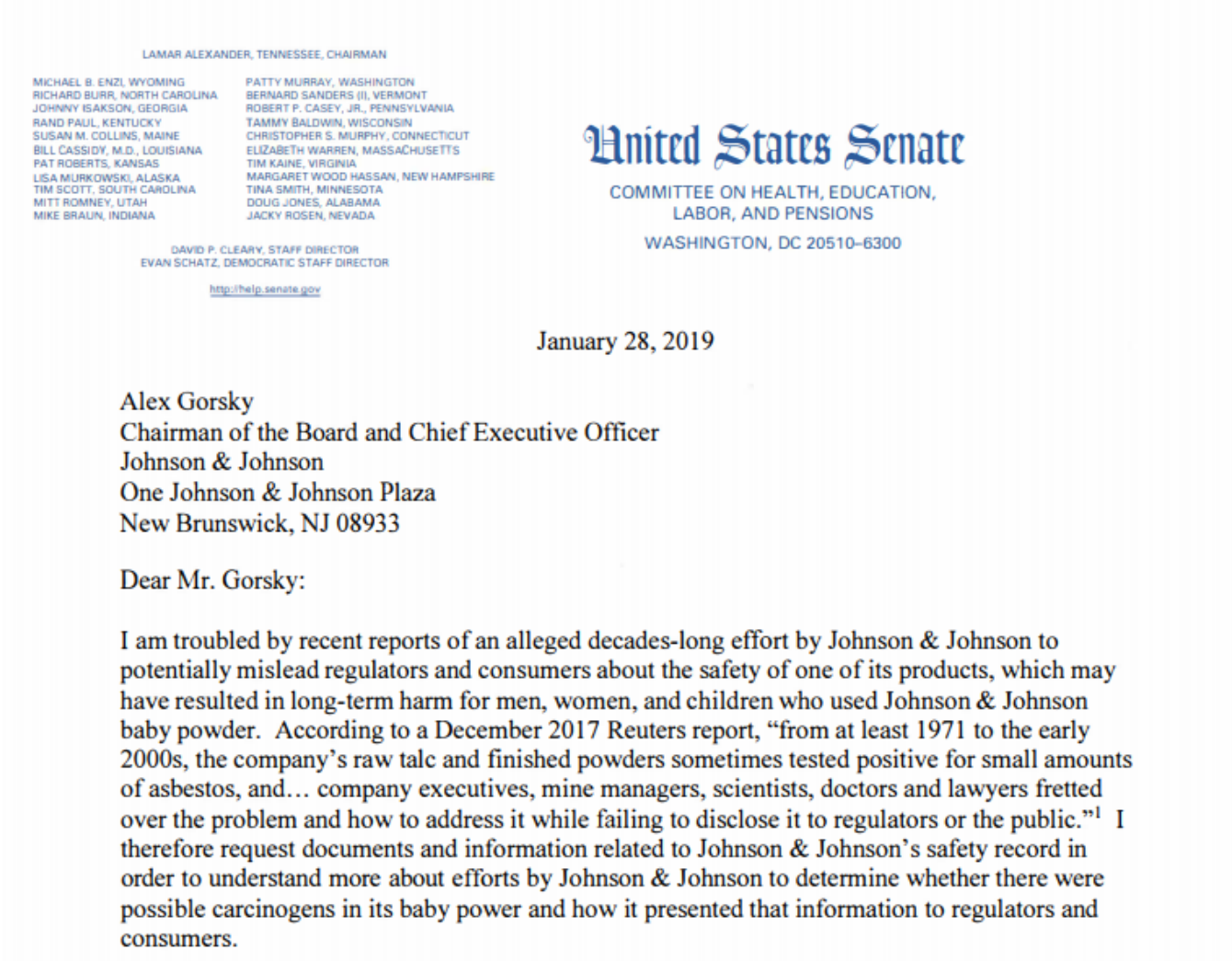
The Attack

 **REUTERS** INVESTIGATES | **Powder Keg**

**Johnson & Johnson knew for decades that
asbestos lurked in its Baby Powder**

A REUTERS INVESTIGATION

Politicians jump in



Sincerely,

Patty Murray
United States Senator
Ranking Member, Senate Committee on
Health, Education, Labor, and Pensions

Meanwhile back at HQ

Who are the players?

CEO

General Counsel

CFO

Sales and Marketing

Government Affairs

Comms

Subject Matter Experts

What is their instinct?

Defend the company and its actions

Minimize Risk

Minimize Costs

Keep Selling

Mobilize support; attack critics

Engage stakeholders; tell our story

Educate and Explain

Who usually wins?

What about our audience?



What does our audience think?

Perception 1: You don't care

Your company or brand:

- ...is putting profit first?
- ...is indifferent to who they hurt?
- ...is mistreating animals or the environment?

Perception 2: You are being dishonest

Your company or brand:

- ...is hiding something?
- ...is lying?
- ...is cheating?
- ...is evading regulations?

Perception 3: You are abusing power

Your company or brand:

- ...is taking advantage of the little guy?
- ...has too much power?
- ...is limiting choice?

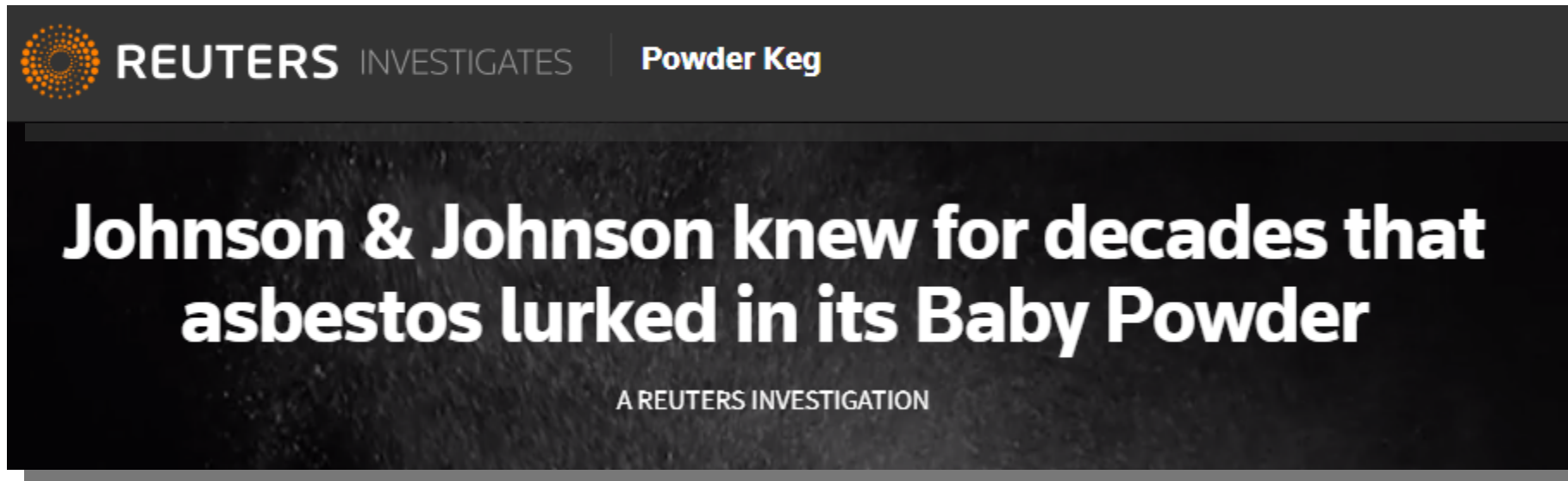
Perception 4: You are making things worse

Your company or brand:

- ...is making products more synthetic, unnatural, or unsafe?
- ...is moving away from how things used to be done?
- ...is introducing innovations, elements, or processes that are new or unproven?

| | | | |
|------------------|------------------|------------------|-------------|
| Objective | Engage | Enrage | Educate |
| Tone | Positive message | Negative message | No Comment |
| Posture | For | Against | Neither |
| Message | Empathy | Blame | Ambivalence |

The Attack

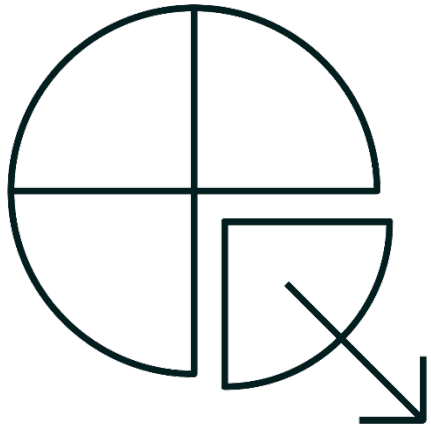


J&J's response

In the article, [Ernie Knewitz](#), J&J's vice president of global media relations, accused attorneys representing those who have filed lawsuits against the company of "distorting historical documents and intentionally creating confusion in the courtroom and in the media."

"This is all a calculated attempt to distract from the fact that thousands of independent tests prove our talc does not contain asbestos or cause cancer," Knewitz said. "Any suggestion that Johnson & Johnson knew or hid information about the safety of talc is false."

Breaking down the message



- ❑ What was the objective?
- ❑ What was the approach?
- ❑ What works?
- ❑ What doesn't?

| | Company | 3rd Party | Nobody |
|------------------|------------------|-----------------------------|---------------|
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Back to our world...



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We live in a Post-Trust Era

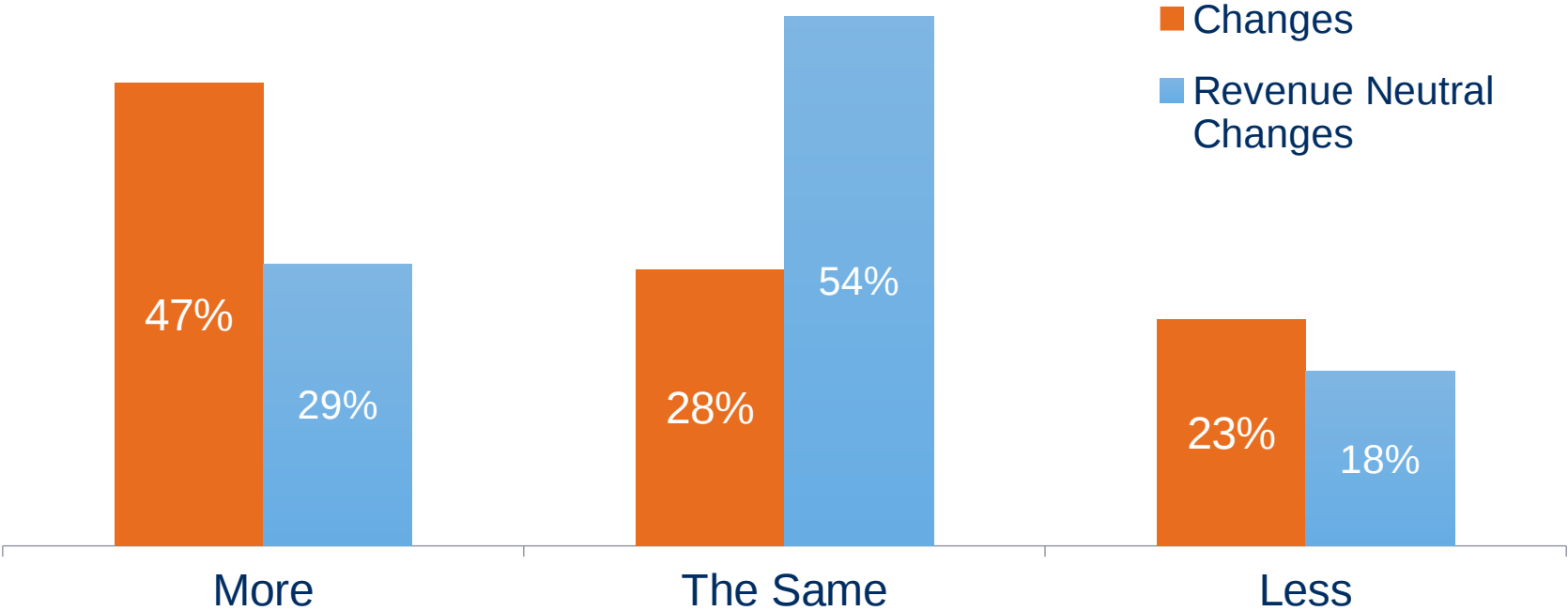
We've lost the benefit of the doubt





They are skeptical about your intent

Q. If you heard your energy company was changing the way it billed for energy [but that these changes would be **REVENUE NEUTRAL** overall], would you assume that in an average month you were going to be paying...?



They challenge your facts



***“You can’t
speak with
certainty about
science.”***

– Seattle
Participant

*So how do we
persuade the unpersuaded?*

“ Some messages make
you feel good...
others work...
they are usually not the same.

+ *Me*

**#1: They don't believe
what you believe**

Understand them

What
you
believe
(your truth)



What
they
believe
(their truth)

Different attitudes

food company's truth



consumers' truth



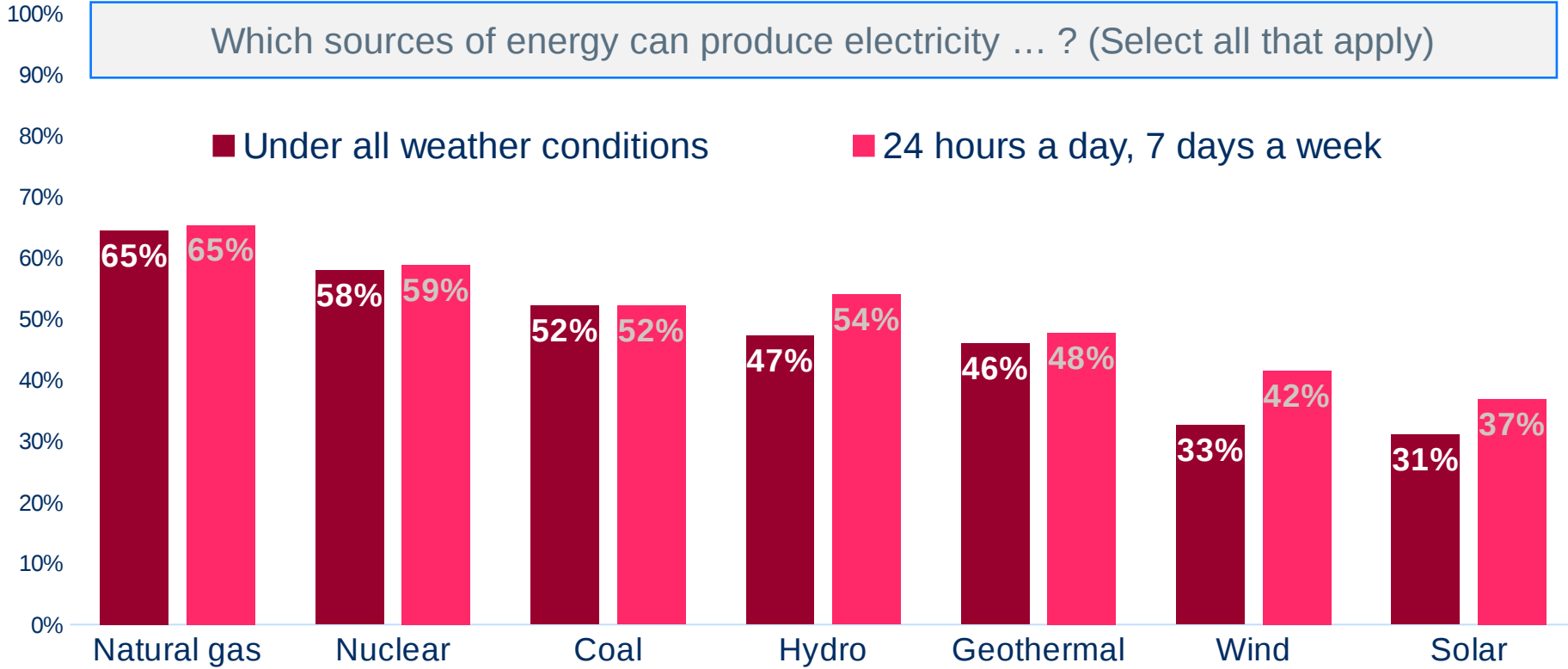
They are skeptical about your challenges

| your truth | their truth |
|--|---|
| It is too expensive and difficult to put all lines underground | You would save so much money if you did |

They are skeptical about your challenges

| your truth | their truth |
|--|---|
| We don't have the ability to tell when your power goes off | Seriously? It's the 21 st Century. Why not? |

They have different facts



**#2: You can't persuade them
if they aren't listening**

Consumers, companies press gov't for guidelines on household chemicals

2016/05/18 09:36

THE KOREA TIMES

: 2016-05-16 18:47

P&G urged to disclose ingredients of Febreze

**CINCINNATI
BUSINESS COURIER**

INDUSTRY NEWS > HEALTH CARE

P&G responds to health concerns about Febreze

May 24, 2016, 11:22am EDT



P&G Press Release:

Febreze safety has been confirmed.

Consumers can continue to use Febreze with confidence.



Give them a reason to listen

| don't say | do say |
|--|---|
| <p data-bbox="545 753 1085 901">“These products are safe.”</p> | <p data-bbox="1319 658 2137 1003">“You deserve to have access to all of the research on both sides of the issue so you can decide whether these products are safe for you.”</p> |

Give them a reason to listen

“Today, we can choose between a balanced energy mix, which provides reliable energy whenever we need it, and 100% renewable energy. **But we cannot have both.** We also need to consider the costs... The logistics, resources, and costs would be immense.”

“We cannot have energy that’s reliable, affordable, AND 100% renewable.”



■ Anti-Renewable ■ Neutral ■ Pro-renewable

“I want to hear about how the work would get done. **I don’t want to hear him complain** about how much work it will take.”

– Minneapolis

**#3: It's not about you.
It's about them.**

you say

they hear

The way energy works, we need to be able to produce and deliver the maximum amount of energy that all of our customers may need at a given time...

The current system doesn't account for what it takes to deliver your energy...

This is not my problem!

....or your business model

| you say | they hear |
|---|---|
| <p>The costs of power are just a pass-through. We do not make any profit on it.</p> | <p>It's like squeezing a balloon. You are going to make your money somewhere.</p> |

Tax Reform - before

EEI Tax Reform Principles

The investor-owned electric power industry provides electricity for 220 million Americans, operates in all 50 states and the District of Columbia, and directly and indirectly creates jobs for more than 1 million Americans. With more than \$100 billion in annual capital expenditures, the electric power industry is responsible for providing safe, reliable, affordable, and clean energy that powers the economy and enhances the lives of all Americans.

Federal and state income taxes are a significant expense for electric companies and their customers. The treatment of these taxes in the establishment of electricity rates regulated by state commissions and the Federal Energy Regulatory Commission is an issue that distinguishes electric companies from other U.S. businesses. This is because income taxes are included in customers' electricity bills, and the related tax deferral benefits – such as for accelerated depreciation – provide an important source of capital that electric companies invest in smarter energy infrastructure. Our industry has a lot at stake in the tax reform policy debate.

Tax Reform - after

General Tax Reform

The nation's electric power companies strongly support policies that promote the growth of the American economy for all Americans. We support the principles of comprehensive tax reform because we believe that a simpler tax code, broader tax base, and lower tax rates will increase the competitiveness of the United States, support job creation in America, and benefit our customers. |

We also know that our customers rely on us to provide safe, reliable, affordable, and increasingly clean energy to power their homes and help them run their businesses. That is why we believe it is essential that tax reform:

- supports investments in America's critical energy infrastructure and
- keeps American's energy bills as affordable and predictable as possible.

**#4: Speak the language
of the people.**



#5: Talk about what you are for.

Reframing in the positive

| negative | positive |
|---|--|
| <p>Non-solar customers are subsidizing customers with solar panels.</p> | <p>We want to make sure no one pays above-market rates for the same energy and all customers pay their fair share</p> |

100% RE – after

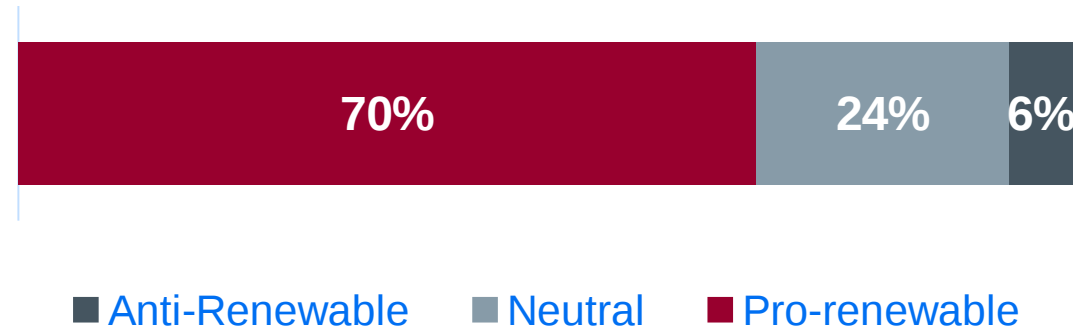
“We support increasing renewables as part of our commitment to clean energy and overall efforts to reduce carbon emissions.

When cities and companies want to go 100% renewable, we want to partner with them.

By avoiding short-term mandates, we can increase the use of renewables without asking customers to compromise on reliability or cost.

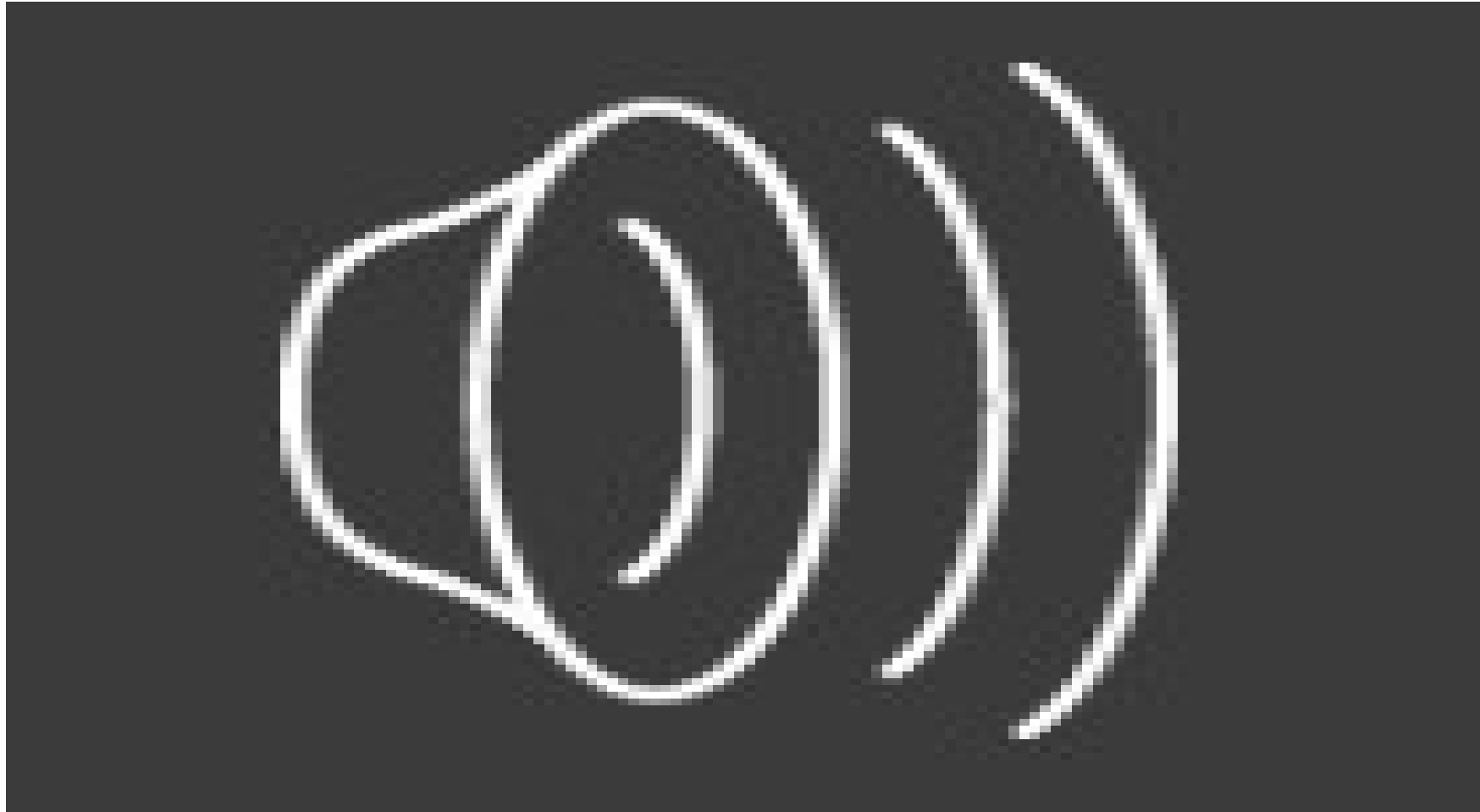
And by continuing to invest in a range of 24/7 energy sources and other technologies, we can reduce carbon emissions faster, and bring the benefits of clean, reliable, and affordable energy to everyone.”

“We would like to bring our customers 100% renewable energy, and to do it right, we have to do it gradually”



#6: Blame-shifting is a bad idea.

They're sensitive to "threats"



They don't like scare tactics

| you say | they hear |
|---|---|
| <p>In a deregulated market, electricity is left in the hands of profiteers who care more about making an extra dollar than reliability.</p> | <p><i>“My BS detector went off. It sounded polemic, like propaganda. I thought they were scare tactics. It was a total turnoff, really.”</i></p> <p>– Retail Customer</p> |

They don't like blame-shifting

you say

they hear

If a house barely uses any electricity in a given month everyone else on the block is paying for that house to stay on the grid. We don't think that's fair.

They are blaming people who don't use much electricity, that's not right.



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Some key questions

Do we go negative or stay positive?

- Engage or attack?
- What we are for or against?
- Accept a role or shift blame?

Can we educate?

Looking at Natural Gas

**What's the message to protect the role of natural gas?
How do you justify investments in new natural gas?**

Step 1: Take 4 minutes and write down 1 or 2 talking points

Step 2: Share out

Is your message consumer-friendly?

Did you focus on benefits?

How will they react?

Questions?

It's not what you say,
It's what they **hear**®

Thank you