

WHAT DOES A CRISIS COST?

By [Dustin Eno](#), COO & Crisis Response Manager, Navigate Response

Navigate Response, a subsidiary of Witt O'Brien's, shares our passion for helping clients develop resilience. Together our experts offer clients best-in-class reputation management when a crisis occurs. Our two companies bring maritime crisis communicators and operational crisis responders together under one roof for the first time.

Crisis communications sceptics sometimes point out that many companies have survived major crises including devastating assaults on their reputations and have come back to be highly profitable and successful – usually without the senior management still in their senior roles (take note CEOs). Certainly, this is true for some companies (not for others, but that's a topic for another time). However, surviving shouldn't be the goal; surely the goal should be to thrive.

A recent study published in the Economist (<https://www.economist.com/news/business/21739695-corporate-crises-drive-media-and-politicians-wild-do-they-damage-shareholder>) looked at the eight most notable corporate crises since 2010 and found that while the companies had survived, they were, on average, worth 30% less today than they would have been based on a comparison with a basket of their peers.

So why the 30% hit to a company's potential valuation? Even those that remain profitable?

1. **Time**. Crises take time – a lot of it – and when a company's leadership is focused on dealing with a crisis, they do not have time to focus on growing the business or even maintaining it. This neglect creates significant and lasting damage. Ask a senior executive at any large shipping company, how much spare time do you have in your day? The answer is almost always zero, yet when a crisis hits, suddenly these people spend weeks, months or even years focused on dealing with the situation and this is time they're not spending on something else.
2. **Reputation** matters, and reputation damage takes a long time to fix. Certainly, it is not the only thing that matters – people still flew with Malaysian Airlines after their disasters, people still bought cars made by VW after the diesel emissions scandal, and shipping companies in crisis are still able to charter their vessels and recruit employees, but they are disadvantaged.
3. **Money**. Crises simultaneously decrease cash flows and limit access to new capital while increasing company costs including overtime, travel, consultants, lawyers, fines etc. In good times, companies will have cash reserves to draw on and insurance should cover many of the costs, but even in the best-case scenario a company's ability to invest in growing the business will be temporarily curtailed.

What does a crisis cost? It costs time, reputation and money. Even if you don't care what people think of you, it is vital that you have a plan to reduce the impact that a crisis has on your company and one of the ways to do this is to communicate effectively.

Have external communications support and you can reduce the otherwise significant time pressure on your team both directly by outsourcing, and more importantly by reducing overall public anger and associated media and political pressure.

Protect your reputation and you can reduce or even reverse the perception handicap that often follows a crisis. Whether you believe this is a big or small variable, it is worth avoiding the risk.

Beyond cash reserves and insurance, access to capital depends on how investors and creditors perceive the company and while much of this depends on hard cold numbers, it also depends on how well (or poorly) people believe a company is managing a crisis.

How much does a crisis cost? It costs your time, reputation and access to capital. Compounded over 10+ years – I'm guessing that's quite a lot.

About Dustin Eno:



Dustin has over 12 years of communications experience including as the head of crisis communications for the largest wildfire management centre in British Columbia, Canada. In this role he managed media and social media relations for destructive wildfires and property loss, routinely filling the Information Officer role in the incident command system.

As our Chief Operating Officer and Crisis Response Manager, Dustin manages the media response for numerous shipping incidents, coordinates the operations of our global network and is one of the company's lead media trainers. Dustin is also an award-winning workshop presenter and public speaker.