

BRUNSWICK REVIEW

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Disinformation
Economic Collapse
Bankruptcy
Populist Uprisings
Asteroids

The **CRISIS** Issue

Cyber Attacks
Activist Challenges
Terrorism
Gambling Addiction
A Museum Saga

FEATURING: Timothy Geithner • Neal Wolin • Baroness Shriti Vadera • Arianna Huffington

BRUNSWICK

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critical issues and stakeholder relations

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**TO DEAL WELL
WITH CRISES,
YOU MUST
UNDERSTAND
THAT, BY THEIR
VERY NATURE,
THEY ARE NOT
MANAGEABLE.
THEY ARE,
HOWEVER,
SURVIVABLE,
AND USABLE.**

THIS EDITION OF THE BRUNSWICK REVIEW COVERS AN AREA VITAL for all leadership teams – crisis. Crises are great tests of leadership that can appear from nowhere and consume huge amounts of time, money and reputation. How can we avoid them, prepare for them, deal with them and recover from them?

With crises now coming from every direction, we at Brunswick have built specialist capabilities so that highly experienced experts in key areas can join our core teams whenever our clients need them. Crisis, like bullfighting and surgery, has never been a great amateur activity. Expertise is critical in handling the most testing moments of one’s career. Our cyber and data, litigation, workplace conduct and other specialist teams bring our clients around the world the latest research and experience of what works and what doesn’t.

“Crisis management” is an expression that rings alarm bells in Brunswick. To deal well with crises, you must understand that, by their very nature, they are not manageable. They are, however, survivable and usable. What an organization needs is the resilience to pull through and the flexibility not to waste the opportunity a crisis presents to make important changes. A long list of companies have not just survived an existential crisis but used it to make changes that enhanced success. Starbucks, Nike and BP stand out.

There are serious problems to be dealt with every day but, thankfully, not all turn into crises. Usually the triggering event surfaces underlying doubts about an organization’s values: “I never did trust them to ... protect my data, protect my health, protect my safety, etc.” This can reinforce a belief or prejudice that the company is putting profits, share price and executive benefits before stakeholder interests. If this is the perception, then the organization has a reputational weakness that is the opposite of the resilience needed to survive. Most crises are ones of values. They test leadership motives as much as competence.

In our experience, there are three essential elements of resilience. The first is trusted relationships with key stakeholders. These must be built beforehand. Trust, like friendships, is not something you want to put off building until a crisis begins. In Brunswick, we describe this as investing in reputational capital. This capital is tangible and can be measured in a number of ways. In a crisis, it will be drawn on heavily and challenged.

The second is an issue of perspective: Can you see the problem the way others do? How does the customer see this issue or your organization? How does a member of staff, the regulator, or a shareholder see it? These conversations actually frame the narrative as to what the problem really is, which is often different from how it looks from inside. This ability to see it as others do is crucial or you will be accused of not “getting it” and of being out of touch with others’ values.

You must be aware of your part in the bigger conversation. A manageable problem can accelerate into a crisis if others use it to drive their wider agendas. The media can hype stories to create sales or clicks. On social media, anyone can seek to make use of your problem. Corporates can be drawn into ongoing debates about issues like plastics, pay, food safety. An organization prepared to join these conversations, and able to embrace diverse perspectives, will prove more resilient.

The third key element is the mindset of the leadership team. It is painful, frightening, even maddening to see others’ versions of the truth, or outright untruth, drive coverage of an issue. Yet feelings of unfairness should not dominate the response of leadership. Now is when you have to stand tall, say what you believe and act in the most honorable way.

Crises are an opportunity for management to show its motives and priorities. You can, as the bumper sticker puts it, “be the person your dog thinks you are.” With the right team, your natural resilience can come through. ♦



SIR ALAN PARKER

**CHAIRMAN,
BRUNSWICK GROUP**



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 – Former US Treasury Secretary Timothy Geithner

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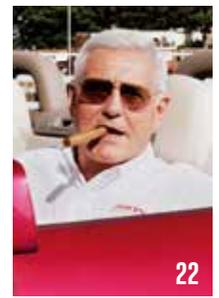
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"Nothing good can come from a desire to appear infallible."

TIMOTHY F. GEITHNER
Former US Treasury Secretary
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"The shortcut to not procrastinating is to do what you're supposed to do when you're supposed to do it. There's no secret or trick or hack. It's simple, but it's definitely not easy."

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"After my collapse from exhaustion and sleep deprivation, I had to ask myself, was this what success looked like?"

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"My whole job was to get GM back to enthusiastically designing and building the best product. Basically, to get General Motors back into the car business."

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"To be honest with you, we could get hit by an object that size without seeing it beforehand."

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"Gambling is meant to be a leisure activity, not a source of human misery."

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CEO of William Hill
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"There is a pretty serious determination among most senior bankers to avoid anything like that ever happening again. Because it's humiliating. Nobody wants to be Lehman Brothers, game over."

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Columbia University economic historian
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"I'd made the decision to trust her in the same way I made a lot of decisions at that moment - by the seat of my pants."

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CEO of Sandler O'Neill
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"We're big AI skeptics at Afiniti. We think it's all kind of a bubble and a mania."

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Afiniti founder, Chairman and CEO
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THERE ARE (AT LEAST) FIVE reasons many European policymakers see the rise of populism as a key preoccupation for the next few years.

First, the European elections scheduled for May 2019 (a few months following Brexit) may upset the political balance, resulting in a Parliament heavily influenced by nationalist and euro-skeptic forces. The center-right European People's Party will remain the strongest but could be weakened. The center-left Alliance of Socialists and Democrats will be significantly diminished, reflecting the collapse of socialist parties. The core block of these two parties may no longer form a reliable majority, especially if (as appears likely) the liberal pan-European En Marche!

POPULISM

TROUBLESOME SIGNS FOR THE EU

FIVE TRENDS bode ill for stability, says Brunswick's Tony Gardner.

underperforms anti-EU political parties like Italy's Northern League and Five Star Movement.

A fractured European Parliament would be a less effective co-legislator with the Council (representing the member states). Some states may seek to diminish

the European Commission's (EC) executive prerogatives by sending euro-skeptic commissioners to Brussels and stalling legislation. Member states may move ahead with their own legislation such as digital sales tax, resulting in greater EU market fragmentation.

Second, Italy has resurfaced as a major source of economic and political instability. Although the Italian Government is highly

unlikely to carry out a referendum on the euro or EU membership, it has shown an eagerness to confront the EU. That threat has reawakened fears in global financial markets about Italy's growing sovereign debt (€2.3 trillion, more than 130 percent of national GDP). Italian banks' balance sheets could once again require strengthening if the sovereign debt value is written down. The tension between Rome and Brussels is also an unwelcome distraction: Italy needs to reignite growth after more than a decade of stagnation. If it fails in that mission, the result may be greater populism and euro-skepticism.

Third, the EU is facing a remarkable challenge to its core values and laws. After the

Parliament censured Hungary for breaches of the rule of law, the nation appealed to the European Court of Justice in Luxembourg (the EU’s highest court) and refused to address EC’s concerns. Hungary might defy the court, unlike Poland, which agreed to amend a law on its judiciary only after the court upheld the EC’s concerns. If Hungary does so, the stage will be set for a conflict that would embolden euro-skeptics and potentially tear the EU apart.

Fourth, Germany’s ability to continue providing direction may diminish. Chancellor Merkel’s

Christian Democratic Union has weakened in national and regional polls, at the same time that her sister party, the Christian Social Union, has lost its historic dominance in Bavaria. The grand governing coalition of CDU-CSU with the Social Democratic Party faces tremendous uncertainty. Merkel has given up party leadership and some speculate that she may not finish her term.

These trends are occurring at the same time as Brexit and political fragmentation across the Continent. France and the UK have complemented, and

counter-balanced, German power at the heart of the EU. If the UK leaves as planned and French loss of political prestige persists, the European project would become even more unbalanced. Diminished leadership in Berlin, furthermore, may mean even greater unwillingness to make bold moves to secure Europe’s future, including partnering with Paris on eurozone reform.

Finally, external factors such as migration, Russia and the US add spice to this witch’s potion. Although the flow of migration from Northern Africa and the

Middle East remains under control, it may re-emerge as a potent contributor to European extremism. While Russia has sought for years to magnify Europe’s divisions, its interference in European elections is new. And in the US, the White House, abandoning six decades of bipartisan foreign policy in favor of bilateral and transactional relationships with national capitals, now hopes for further member exits from the EU. ♦

Tony Gardner is a Brunswick Senior Adviser in London and a former US Ambassador to the EU.



PLAN for the Unforeseeable



LORD BALFOUR, A CONSERVATIVE Prime Minister, observed that the longer he continued in office, the more he realized that “Nothing matters very much and few things matter at all.” In 1902, with the British Empire at its peak, such lofty indifference may have constituted a sensible, pragmatic approach to almost any disaster which might then have befallen the nation.

In 2018, we have taken the opposite approach. The media would have us believe that there is a crisis every day. “A scared reader is tomorrow’s reader” worked well as a maxim in the newspaper world of print and it has lost none of its vigor as the world has gone digital. The concept of “crisis” has gone into the language of daily routine;

Success boils down to discipline, says Brunswick’s Rob Webb.

..... another day, another crisis, be it for the National Health Service, for the Prime Minister, for Manchester United’s manager, for whoever.

But real crises are still quite rare, at least insofar as they affect the population of the affluent West, where prosperity has grown steadily amid a consistent negative drumbeat from the ubiquitous prophets of doom. In the new volatility of our times, business events that threaten prosperity arise with an increasing frequency and can still properly be called crises.

For example, at British Airways, where I worked from 1998 to 2008, there were several corporate-threatening events: the attacks of

9/11; the SARS epidemic (now largely forgotten – it was worse than 9/11 for many airlines); the 2008 financial crash, which interrupted business traffic; and the physical crash of the Concorde into a suburb of Paris in 2000.

A disaster foreseen is usually a disaster avoided – it is the unanticipated ones that are the problem. No company should spend too much money preparing for the unlikely and the unexpected (snow at Heathrow is debatable as an example), but it must at the very least have a plan to deal with the unexpected, as a general concept. No one can know in advance what shape it will take, but that should not prevent planning and rehearsal to answer certain questions generic to all such events:

- Who does what? What will be the roles of the Chairman, the Chief Executive, the CFO?
- Who will take operational charge of the issues? Who will reassure the markets?
- Who will run the Company in the meantime?

Likewise the risk of certain events can always be addressed.

What happens if:

- The Head Office is blown up or flooded?
- There is a denial of service or other cyber attack?
- There is a fatal injury in a critical plant?

It is a potentially endless list, but unrehearsed means unprepared; too often we see the “nine-year-old football team” spectacle, where no one plays in position and all players crowd the goalmouth in the hope of being the one who puts the ball in the net. Even senior executives find it difficult to resist the desire to join in. Crises are exciting, discipline can be dull. Yet it is imperative that each should play to his or her own, pre-agreed positions.

So to the moral: Crises are not daily events, but in the life of corporations, they happen. The best preparation is to identify, in advance, not the precise form that the crisis will take, but who will manage it and then to ensure that such individuals know who they are and are properly practiced. ♦

Rob Webb is a Brunswick Senior Adviser in London.



WORKPLACE CONDUCT: Wake-Up Call

RESEARCH BY BRUNSWICK found a gap between how leaders view issues of workplace conduct and how non-leadership employees see them. In short, leaders are optimistic—and out of touch. The data, collected from a nationally representative sample of 1,000 US adults in August 2018, also found that workplace conduct issues remain prevalent across industries, and that employee trust is in short supply. Almost one in two workers believed HR would prioritize the company over employees.

ONE IN FOUR AMERICAN EMPLOYEES have seen or heard of a workplace conduct incident in their firm in the past 12 months.

89% want to hear from their CEO about respect in the workplace, yet only 29 percent have.

THREE IN 10 EMPLOYEES believe discrimination is widespread in the workplace.

PERCEPTION GAP

Leaders are more likely than others to believe their workplace does not tolerate harassment and is focused on addressing misconduct.



BETTER GET A GO BAG

WHEN PETER HAMILTON stored a Go Bag in his office, his colleagues smirked. Then in 2003, midtown Manhattan lost power and Mr. Hamilton, with his Go Bag flashlight, became the office hero as he led those same colleagues down a dark stairwell.

The Go Bag may be the simplest bit of crisis planning that most people ignore. Governments around the world recommend it, but research suggests that only a minority have such a kit at the ready. The US Federal Emergency Management Agency estimates that 60 percent of American

adults are unprepared for disaster. Faced with the need to run from hurricanes, wildfires, terrorist attacks or floods, there is often no time, so a pre-packed bag can be crucial. New York City's Emergency Management website contains an entire section on Go Bags, and makes clear that one isn't sufficient.

"Everyone in your household should have a Go Bag," it says, adding it "should be sturdy and easy to carry, like a backpack or a small suitcase on wheels."

If it sounds like too much trouble for something that likely won't be used, consider that Mr. Hamilton has used his three times. First after 9/11, when his family's home just north of the World Trade Center lost power. Using the flashlight he always carried, Mr.

Hamilton climbed 16 dark flights to grab his and his daughters' Go Bags. That experience was what led him to keep a second Go Bag at the office.

In 2012, Hurricane Sandy left downtown Manhattan and much of the northeast without power. Their Go Bags kept Mr. Hamilton and his family fed, hydrated and armed with flashlights until



power in their home was restored.

Go Bags can be purchased online, with prices from \$70 and to \$300. Or they can be custom made. Mr. Hamilton's self-made bag contains a long-lasting LED flashlight, a multi-purpose tool, a basic first-aid kit, disposable respirators, work gloves, a portable radio, four water bottles, two mylar blankets, two giant black trash bags and separate small bags for carrying batteries and a cigarette lighter.

Other items to consider: a few days' worth of water and non-perishable food, a battery operated radio, toiletries, cash, copies of important documents, rain gear, medication and chargers for basic electronics. ♦

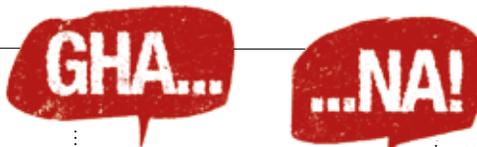
Gabrielle Ouaknine is an Office Assistant in New York.

AFRICA on Speed Dial

Ghana's mobile payments surge offers a lesson.

THIRTEEN PERCENT OF Ghanaian adults owned a mobile money account in 2014. In one sense, that's no real surprise. After all, everyone has heard of the mobile money revolution in Africa. But they tend to think Kenya and East Africa.

But Ghana? Not so much. In 2014, when The Wall Street Journal reported on how banks were vying for a piece of Africa's mobile money revolution, Ghana did not feature in the article at all. Zimbabwe was mentioned. Tanzania was mentioned. Neither of those countries were doing particularly well economically,



politically, socially. Meanwhile Ghana, one of the fastest growing economies in the world ... nope.

To be fair to The WSJ, Tanzania at the time had about 8 million mobile money accounts – over 10 times more than Ghana. Fast forward three years and Ghana (population 28 million) now has 11 million mobile money

accounts, up from less than a million in 2014. Between 2016 and 2017 the value of mobile transactions in Ghana rose by 97 percent to \$34.6 billion. It was \$45.3 billion in Kenya. According to the Consultative Group to Assist the Poor, Ghanaians are now even using their phones to buy sovereign bonds. In short, Ghana came out of nowhere to become the fastest growing and one of the largest mobile money markets in the world.

Berkshire Hathaway recently pumped \$600 million into emerging market fintech companies – the surest signal that fintech is mainstream, ordinary. Ghana, on the other hand, is proof that the technology leapfrog is both possible and plausible.

To understand the potential for Africa to use technology as a developmental leapfrog, one must in part unravel Ghana's rather

curious mobile money experience. How did it go from laggard to mobile banking vanguard? Rather predictably and boringly, through regulatory changes.

Ghana had well-intentioned regulations aimed at financial inclusion, but which proved to be a barrier to mobile money investment. The Central Bank re-examined those regulations and changed them – voilà, revolution.

This serves as a cautionary tale about Africa's development. For economies to grow, to attract investment and enable technologies that will unlock Africa's demographic dividend – rather than doom a continent that will soon have roughly the same population size as Asia – governments must matter, policy must matter and politics must matter. ♦

Itumeleng Mahabane is a Partner in Brunswick's Johannesburg office.

CORPORATE Pre-Mortem

Brunswick Insight's Robert Moran asks, how is your company likely to die?

CORPORATIONS ARE FOCUSING more on risk identification and mitigation than ever before and corporate risk committees are increasingly being used to scan the horizon for emerging risks.

But, are they crowdsourcing these risks with their employees?

Brunswick Insight did this by surveying 601 US employees at large corporations (1000-plus employees). We asked them a range of questions including 1) how likely they think it is that their employer will survive the next 10 years and 2) if their employer were to go out of business, what would be the main cause of corporate death?

What did we learn from this corporate pre-mortem?

First, nearly four in 10 (37 percent) of American employees at large companies aren't convinced their firm will survive



another decade – 63 percent think their firm is “very likely” to live another decade, but everyone else is less convinced. For our study, we divided corporate culture into eight descriptive categories, based on three binary attributes: whether their approach was more proactive or reactive; whether there were many or few decision makers; and whether the time focus for leadership was more short-term or long-term.

As you might expect, cultures with the greatest expectation of survivability were in categories identified to have proactive,

long-term approaches. They were consistently seen as more trusted and resilient. Those with the lowest expectation for survival were both more reactive and relied on fewer decision makers.

But, what do employees think will kill their companies?

Employees are skeptical that a big scandal or crisis, the corporate equivalent of an asteroid strike, will destroy their business. Only 10 percent listed such an event as a likely cause of death. On the other hand, 26 percent identified simple, garden variety mismanagement by leadership as a likely cause –

the accumulation of small, bad decisions. Employees in firms with short-term decision-making by a small group of leaders were more likely to select this cause.

Others saw competition as the biggest threat – 15 percent selected existing competitors and 14 percent new competitors.

New technology followed closely, selected by 13 percent. This was the trend consistently cited as the most challenging over the next decade – more than social change, economic turbulence or environmental issues.

The next most likely cause of corporate death is the sin of omission – “failing to take advantage of new opportunities” at 12 percent. And rounding out the list was lack of demand, a good reminder that this age-old pressure remains our first competitor.

In sum, employees seem to believe that while corporate crises and scandals are common, they are less deadly than bad management, competitors old and new, and disruptive technology. ♦

Robert Moran is a Partner in Washington, DC and Head of Brunswick Insight, the firm's public opinion, market research and analytics arm.

A RECENT WHARTON STUDY OF STOCK collapses following reputational hits found that price recovery on average took 80 weeks. The authors of that study, interviewed here on Page 34, believe it bolsters the argument for anticipating and preparing for crisis. But they acknowledge that a large body of behavioral research shows that we're not rational about risk. We tend to believe that calamity will strike elsewhere, not here. The dangers of that fallacy are starkly apparent in the context of national security.

"A terror attack is no time to learn how to respond," Brunswick's Paddy McGuinness, former UK Deputy National Security Adviser, writes on Page 53.

In the C-suite, quests for growth and prosperity are balanced more than ever by efforts to foresee and minimize threats

who once suffered a health-threatening collapse at her desk at the Huffington Post, and Jocko Willink (Page 40), a decorated Navy Seal turned best-selling author. Where Ms. Huffington sees "a crisis of well-being" marked by too much email and too little sleep, Mr. Willink laments a crisis of laziness and lack of discipline. Surely there's truth to both arguments.

Consistent in these pages is a message of hope. Automotive legend Bob Lutz, Vice Chairman of General Motors during its bankruptcy, recounts with pride its reemergence and revival (Page 22). The US bailout of troubled financial and industrial giants – heavily criticized in 2009 – led to a longer period of growth than anyone could have imagined, says Columbia University historian Adam Tooze on Page 27. In an amusing tale on

CRISIS ISSUE

old and new, and from every possible direction. "Don't let the discovery of a cyber attack be the first time you think about how you will handle it," advise a pair of Brunswick cyber experts on Page 47.

Not every crisis can be anticipated of course, and no set of management rules could apply to each and all. Some rescues, for instance, may gain force from *mea culpa* and apologies, as Brunswick's Stuart Hudson and Andrew Porter write on Page 59. But assigning blame during last decade's financial crisis wasn't the highest priority for US Treasury Secretary Timothy Geithner. Public outrage notwithstanding, he was too busy saving the economy. Among other lessons, Mr. Geithner (Page 12) says decisions must be made even in the absence of attractive options. "Plan beats no plan," he says.

In these pages, the complicated nature of crisis is reflected in the disparate messages of Arianna Huffington (Page 36),

Page 77, Kansas City reaped a benefit from an embarrassing internet prank.

Also clear from this Review is that crisis can offer executives the chance to serve larger-than-usual constituencies. New research shows that companies now contribute a greater share of natural-disaster aid than governments and aid organizations (Page 90).

There is also the rousing influence of character. After a third of his colleagues and his two fellow senior partners perished in the World Trade Center attack (Page 42), Jimmy Dunne's determination to rebuild their boutique investment banking firm became an inspiration to all of America.

We hope that this edition informs and inspires you. ♦

NEAL WOLIN,
CHIEF EXECUTIVE OFFICER

TIMOTHY GEITHNER

PRESIDENT BARACK OBAMA, INAUGURATED AMID THE WORST FINANCIAL crisis since the Great Depression, named an unorthodox Secretary of the Treasury. Timothy F. Geithner wasn't a banker, an academic or an economist. He was a career civil servant who had run the New York Fed since 2003, entirely under President George W. Bush. Politically he was independent. To President-elect Obama's first expression of interest in him as Treasury Secretary, Mr. Geithner responded: "Let me talk you out of that."

What made Mr. Geithner the top candidate was his stewardship of the New York Fed during the previous few months. As mortgage defaults exposed under-recognized risks in the balance sheets of financial services firms, toppling the likes of Bear Stearns and Lehman Brothers, Mr. Geithner had helped design a \$700 billion federal fund to provide liquidity to stricken companies in exchange for preferred stock. That measure, so far, appeared to have contained the ongoing crisis, even if the bailout of Wall Street firms was provoking outrage on the left and the right. Here, too, was a proven virtue of Mr. Geithner's: He didn't care about approval ratings. In his mind the only priority was preventing a second Great Depression.

When he became Treasury Secretary in late January of 2009, Americans were losing their jobs, savings and homes at terrifying rates. Consumer

The former US Treasury Secretary on managing the worst financial crisis since the Great Depression.



confidence had sunk to all-time lows. In the hope of calming nerves in the markets and beyond, Mr. Geithner delivered a speech, early in his tenure, that proved disastrous.

“Stocks tumbled more than 3 percent before I even finished talking and nearly 5 percent by the end of the day,” Mr. Geithner recalled in his best-selling memoir, *Stress Test*, published in 2014. “It was a bad speech, badly delivered. I kept peering around the teleprompter to look directly at the audience, which apparently made me look shifty; one commentator said I looked like a shoplifter.”

In the weeks that followed, Mr. Geithner became a popular target, prompting President Obama to joke at a Wall Street dinner in mid-2009 that he needed to train his dog, Bo, “because the last thing Tim Geithner needs is someone else treating him like a fire hydrant,” wrote Mr. Geithner in *Stress Test*.

Within months, however, the US economy started growing again, and the ensuing decade served to vindicate Mr. Geithner. By the end of 2013, US household wealth had exceeded the pre-crisis peak, thanks in large part to a long bull market, and US GDP was 6 percent higher than before the crisis. The unemployment rate steadily declined. Meanwhile, buybacks of government investments in bailout recipients provided taxpayers with tens of billions of dollars of profit.

Even now, that success isn’t widely recognized. “Conventional wisdom still holds that we abandoned Main Street to protect Wall Street – except on Wall Street, where conventional wisdom holds that President Obama is a radical socialist consumed with hatred for moneymakers,” Mr. Geithner wrote in *Stress Test*. “The financial reform law [Dodd-Frank] that we wrote and pushed through a bitterly divided Congress after the crisis, the most sweeping overhaul of financial rules since the Depression, is widely viewed as too weak, except in the financial world, where it is described as an existential threat.”

Not that Mr. Geithner is inclined to celebrate his and his team’s success in avoiding a second Great Depression. “Nearly 9 million workers lost jobs; 9 million people slipped below the poverty line; 5 million homeowners lost homes. Behind those numbers lies real suffering by real people who didn’t put banks in danger with reckless bets they didn’t understand,” he wrote.

As crisis experiences go, few can match that of Mr. Geithner and his team, including his deputy at

“The worst financial crises and associated recessions are typically followed by a decade of populism, because the public anger and outrage and economic damage are easily exploited by the populist.”

the Treasury, Neal Wolin, now the Chief Executive Officer of Brunswick. “We lived through months of terror,” Mr. Geithner wrote. “We endured seemingly endless stretches when global finance was on the edge of collapse, when we had to make monumental decisions in a fog of uncertainty, when our options all looked dismal but we still had to choose.”

In an interview with Brunswick Review’s Kevin Helliker, Mr. Geithner, now the President of Warburg Pincus, expands on his thoughts about managing during a crisis.

In his new book *Crashed*, which has been praised as the first scholarly history of the financial collapse, Columbia University’s Adam Tooze says the US rescue was more effective than anyone could have envisioned. Is that gratifying?

I think there is reasonably broad consensus that the US strategy was effective, at least in comparison to the Great Depression, and to the financial crises in Japan, Scandinavia and Europe in 2010-12.

But, it was still a terrible crisis, with devastating human costs. With better authority and a stronger financial arsenal in place before the crisis, with a greater understanding of what it takes to confront a classic financial panic, and with greater appreciation of the importance of a large and sustained fiscal stimulus ... it would have been less damaging.

***Stress Test* is infinitely more readable, thanks to the economy of lines such as “Plan beats no plan.” Do you have an innate sense of the balance between too much and too little information?**

More communication is better than less, certainly about broad objectives. But people also need full transparency on the details if you have any chance of credibility.

I never had a good feel for how to explain what we were doing. In part, that was because things were moving too fast, it sometimes took too long to get consensus, and we were working on the design of each stage of escalation up until the minute we announced. We had no time to think, and we couldn’t ask the markets to pause while we designed the best communications strategy. We were often feeling our way, without much knowledge of what we would have to do next and what would work. We could not credibly reassure people that it would all be OK. We couldn’t protect people from a lot of the pain that was going to come.

The narrative that might have been most effective with the financial markets was least effective with the public and the politicians, and *vice versa*.

Of the view that the rescue favored Wall Street over Main Street, you wrote, “I never found an effective way to explain to the public what we were doing and why.” Should communication have been a higher priority?

One thing I learned early in life at the Treasury is that it’s important to put as much time and talent into figuring out how to explain what you are doing to the public as you do into designing the programs. But in this crisis, we were never quite able to do that.

Were there times you wished state or federal prosecutors would help combat the perception of a government beholden to Wall Street?

Sure, but as Michael Kinsley once wrote, the scandal wasn’t what was illegal, it was what was legal. The widespread belief that there was a huge amount of fraud and predation was not sufficient basis for an army of motivated prosecutors to meet the understandable public expectations for justice.

In 2014 you wrote, “We did save the economy, but we lost the country doing it.” Did that loss seem greater after the 2016 election?

No. We were dramatically better off politically and economically with the choices we made, relative to the alternative. I don’t think there is a credible politi-



TO THE EDGE AND BACK

A crisis that began with subprime mortgage defaults led to the collapse of Lehman Brothers, raising fears of a systemic banking failure that government leaders quickly – and controversially – scrambled to avoid, with eventual success.

cal argument that the political consequences of the crisis would have been less harsh, if, for example, we had let the crisis burn, or nationalized the financial system, or tried to drift through the crisis without a forceful deployment of the financial arsenal.

The worst financial crises and the associated recessions are typically followed by a decade of populism, because the public anger and outrage and the economic damage are easily exploited by the populist. It’s worth noting that many of the economic challenges that have undermined public confidence in the fairness of the US economic system and the competence of the political system – the slow growth in the median income, the fall in labor force participation, the high levels of poverty, rising inequality, etc. – had been on a bad path for decades before the crisis.

If the social media environment of 2018 had existed in 2008, would it have been harder to ignore criticism?

The din of criticism had no problem getting through even before Twitter. Might Twitter have made it easier for the policymaker to communicate? Maybe. It does seem to force one to distill a complex point to its essential core. Of course, very few problems and fewer solutions can be reduced to 144 characters.



April 2007

A leading subprime mortgage lender, New Century Financial, files for Chapter 11 bankruptcy protection.

August-December 2007

The Fed cuts the discount rate four times by a total of 1.5 percentage points and does so eight more times in 2008 as the economy weakens.

March 2008

The New York Fed provides \$29 billion in term financing to help JPMorgan buy Bear Stearns.

September 2008

The government places Fannie Mae and Freddie Mac into conservatorship, Lehman Brothers Holdings seeks bankruptcy protection and Bank of America announces a plan to buy Merrill Lynch for \$50 billion.

October 2008

President Bush signs into law the act that creates the \$700 billion Troubled Asset Relief Program, or TARP. The Treasury buys \$125 billion worth of preferred stock in nine banks in exchange for TARP funds.

November 2008

AIG receives \$40 billion through TARP, while Citigroup and Bank of America receive another injection of \$20 billion each.

February 2009

The Fed, FDIC and other government agencies announce a plan to “stress test” banks.

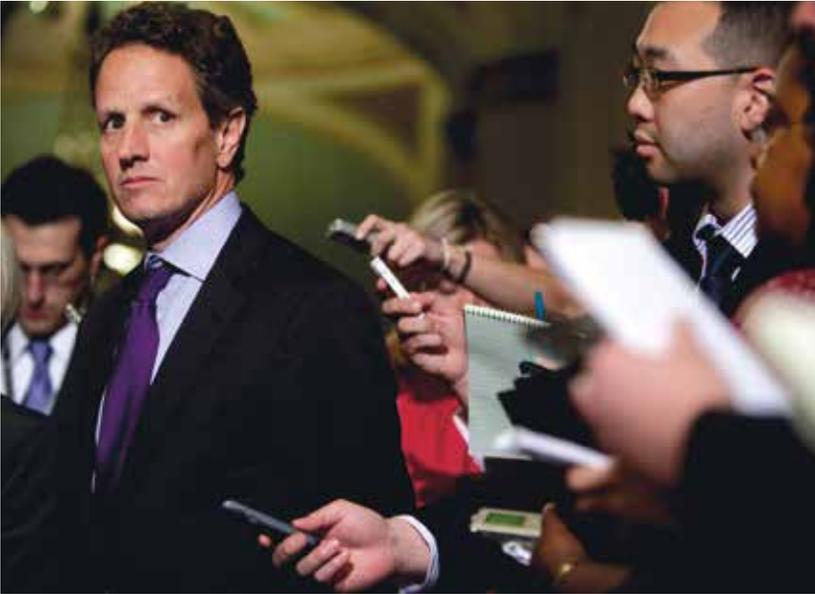
May 2009

Regulators release results of stress tests on the 19 biggest US banks, all of which received TARP funds, and say 10 of them need to raise about \$75 billion combined to endure a possibly deeper recession.

December 2009

Bank of America, Citigroup and Wells Fargo say they’ll buy back all the stock they sold to the Treasury under TARP.

Timeline source: Reuters



You entered the New York Fed never having worked in a bank, never having received an economics PhD. Was that outsider status in any way helpful, perhaps giving you a broader view of options during the crisis?

I think it was more a disadvantage than advantage. There is a lot of valuable knowledge about the structure of our financial system that I wish had had before I took that job.

In recommending you for the New York Fed job, Larry Summers praised your willingness to disagree with him. Is that a quality you seek in people you hire?

Of course. You need people around you who are willing to challenge you, and challenge each other. Good decision making, in any context, but particularly in a crisis, with its mix of high stakes and high uncertainty, requires a level of trust so that there can be open debate. It works better with people who are curious, willing to change their minds, express doubt and work together. It works better with people who are willing to be for stuff, not just against stuff; people able to think about what to do, not just able to describe a problem.

After you and Larry Summers placed Steve Rattner in charge of the federal auto task force, he fired the CEO of General Motors without consulting you – for which you’ve praised him. Is it important not to micromanage a crisis?

Sure. If you have good people around you, as we certainly did, then it’s easier to give them responsibility. But you can’t be too remote. You have to have sufficient depth in the substance of the key choices.

Mr. Geithner’s first public statement as Secretary of the US Treasury in early 2009 did not go well. “My voice wavered. I tried to sound forceful, but I just sounded like someone trying to sound forceful,” he wrote in his 2014 memoir, *Stress Test*.

You’ve talked about the danger of acting too soon versus the danger of acting too late in a financial crisis. In seeking that balance, on which side would you err?

There’s no bright line. In the early stage of a crisis, it make sense to move gradually. But when you are at the point where things are eroding rapidly and the run is spreading, then you have to be able to escalate quickly, with overwhelming force.

You avoided reading news stories about yourself during the crisis. Any other advice on how to stay true to course amid criticism?

Just focus on figuring out what is most likely to work. Don’t worry about whether people will praise or criticize you for it.

Your analysis of your strengths in *Stress Test* is balanced by a depiction of yourself as impatient, foul-mouthed and lacking charisma as a public speaker. Is there an advantage to appearing human as a leader, rather than flawless?

The important thing is to be true to what you believe is right. Without that, you will be less than authentic, and it will be harder to earn credibility. Nothing good can come from a desire to appear infallible.

It sounds as if you slept about three hours a night for two years during the crisis. How does one maintain one’s physical and mental health during such a prolonged period?

I need a fair amount of sleep and worked hard to preserve some room for that. My most important advantage was my relationship with my wife, Carole, and her calm mix of strength and wisdom. And I was very lucky to be able to work with, to share the fear and burden, with a wonderfully talented and ethical group of public servants.

You’ve said that you identified with the emotional intensity of “*The Hurt Locker*,” a film about a soldier who so misses the drama and danger of war that he returns to it. Do you ever miss the intensity of battling the financial collapse? Would you do it again?

No, I don’t miss that type of intensity, and I don’t miss the crushing weight of responsibility. I miss the people, though. And for those of you who haven’t had the thrill and the privilege of working for your country, I would encourage you to try it. ♦

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KEVIN HELLIKER, a Pulitzer Prize-winning journalist, is Editor in Chief of the Brunswick Review. He is based in New York.

NEAL WOLIN WAS SEATED AT HIS DESK AS Deputy Counsel to President Barack Obama in early 2009 when a call came from Rahm Emanuel.

“Get the @&!% over to Treasury,” said Mr. Emanuel, the President’s Chief of Staff.

Only a few weeks earlier, Mr. Wolin had moved from Connecticut to Washington to join the new administration as Deputy Counsel to President Obama for economic policy and Deputy Assistant to the President. This being the winter of 2009, he was not surprised to be dispatched to the Department of Treasury. The financial sector as well as the economy required urgent attention.

In the following weeks, Mr. Wolin kept one desk at the White House and another at Treasury, each with separate calendars and email accounts.

Then on a Sunday afternoon he received a call from Timothy F. Geithner, Secretary of the Treasury, asking Mr. Wolin to serve as Deputy Secretary. The call lasted 30 seconds.

At a moment when the survival of the financial system required emergency action, Mr. Wolin

Thrust into a lead role at Treasury during the financial crisis, Brunswick CEO NEAL WOLIN helped shape the policies that restored the US economy.

brought to the job a law degree from Yale, a graduate degree in economics from Oxford University, a decade of experience as a high-level government attorney and a prosperous run in the C-suite at The Hartford. During his previous stint in government, Mr. Wolin had served as General Counsel to the Treasury, working with Mr. Geithner – then a senior Treasury official focused on international economic policy – on financial crises in Mexico, Russia and Asia.

Their boss back then, Secretary of the Treasury Larry Summers, was now serving as President Obama’s Director of the National Economic Council. The three of them, competitors on the tennis court since the Clinton administration, now belonged to a chorus of experts debating how to reverse the scariest economic downturn of their lives.

“The fact that many of us knew each other

The Call of DUTY



PHOTOGRAPH: COURTESY OF THE US DEPARTMENT OF THE TREASURY

turned out to be very important,” Mr. Wolin recalls. “Naturally there was lots of back and forth, different perspectives on how to move forward and even a fair amount of tension. But it was all undergirded by a set of long relationships and a deep sense of trust.”

When Mr. Wolin arrived at Treasury that February, Congress was demanding that the agency limit executive pay at firms that had partaken of the \$700 billion bailout fund the US government had established the previous fall. Outrage over Wall Street pay was a huge distraction from efforts to strengthen the economy, fix the banking system and restore confidence.

Mr. Wolin had the idea of taking that focus off of Treasury by hiring a “special master” to oversee compensation at firms that had received bailouts. Mr. Wolin also knew exactly whom to hire: Kenneth Feinberg, a mediator who, among other experiences, had served as Special Master of the US government’s September 11th Victim Compensation Fund.

Mr. Wolin’s recommendation turned out to be crucial. “The suggestion to largely remove Treasury from individual decisions about executive compensation helped insulate President Obama and then-Treasury Secretary Timothy F. Geithner from one of the most polarizing facets of the crisis response,” said a 2013 Washington Post story.

Mr. Wolin proceeded to play the role of arbiter between Mr. Feinberg and Herbert Allison, the head of the government bailout fund, whose responsibilities included retaining top-level management at firms now owned in part by the government. “Herb and Ken would have very different perspectives on how to treat executives’ compensation,” says Mr. Wolin. “I’d tell Herb, ‘Ken’s job is to make sure that compensation is at appropriate levels given that companies have taken in a lot of taxpayer money.’ And I’d tell Ken, ‘These companies have taken in a lot of taxpayer money, and we can’t constrain pay to the extent that it impairs the ability of these companies to perform.’”

Besides working to repair the proper functioning of the financial system, the Treasury was under pressure to help design legislation to decrease the probability of future systemic failures. Mr. Wolin played a central role in producing the 122-page white paper that eventually became the 2,200-page Dodd-Frank Wall Street Reform and Consumer Protection Act.

“We started by saying to ourselves, ‘What do we think is right? What do we think the moment calls for? What are the things that government policy makers must have in order to best avoid another financial crisis? What are the tools the government would need to deal with a crisis if it were to happen again – which we assume it will?’”

The process of creating and lobbying for that legislation required Mr. Wolin and his team to negotiate with a vast array of parties: the White House, both houses of Congress, consumer advocates, the heads of other financial regulatory agencies and of course leaders of industry. “We had input from the big banks, the community banks and every other piece of the financial sector,” Mr. Wolin recalls.

At one point, the passage of Dodd-Frank was threatened by a splinter group of Congressional Democrats. “The centrist New Democrat Coalition, which had some members with close ties to the financial industry, threatened to block (Dodd-Frank) unless we barred states from passing consumer regulations tougher than federal rules,” Mr. Geithner wrote in his bestselling 2014 memoir, *Stress Test*. “They backed down after Neal Wolin deftly brokered some compromise language.”

It helped that Mr. Wolin had credibility on both sides of the aisle. He began his federal government career during the George H.W. Bush administration as counsel to two CIA directors, both Republicans.

“Wolin was instrumental in finding compromises with difficult members of both House and Sen-

**“WE STARTED
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ate on issues that had to be resolved before Dodd-Frank could be enacted,” wrote Robert Kaiser, the veteran Washington Post Editor, in *Act of Congress*, his 2013 book on the making of Dodd-Frank. “A round-faced, jovial man with curly dark hair, his relaxed talent for dealing with people disguised an intensely competitive personality. He was one of the few Obama administration officials involved in financial regulatory reform who had actual experience working in the financial sector. He was smart and floridly profane. His colleagues loved him.”

“It was a team effort,” says Mr. Wolin. He starts to cite names – Michael Barr, Diana Farrell, Austan Goolsbee, Cass Sunstein – but the list is too long. “You put 40 people in that cauldron at that moment in time and none of us will ever forget it. It was intense. It was morning, noon and night. But it was a pretty well-oiled machine. Not to be melodramatic about it, but it felt like the stakes were pretty high.”

As Deputy Treasury Secretary, Mr. Wolin generally stayed behind the scenes, though when he did appear in public he displayed a penchant for humor. “Mr. Wolin is relentlessly cheerful,” said a New York Times story in 2010. “He laughs at his penchant for legalese. At a recent press briefing, he said the White House would resist efforts to weaken consumer finance protections. ‘A carve-out for auto dealers would be sort of a paradigmatic example of such a weakening move,’ he said.

“‘It would be a what example?’ one reporter asked.

“‘A good example,’ he replied.”

During his long stint as Deputy Secretary – the longest in Treasury history – Mr. Wolin served as Chief Operating Officer, essentially managing the department, including a unit charged with combating terrorist financing. That responsibility sent him to places like Pakistan, Yemen and West Africa. When Mr. Wolin proposed pressuring Afghanistan to monitor and regulate Kabul Bank, the nation’s largest bank, much of the federal government resisted, citing the bank’s close ties to Afghanistan President Hamid Karzai, a US ally. But President Obama backed Mr. Wolin, who met with Mr. Karzai to start a process that led to reforms of the bank.

In 2013, with the recovery in its fourth year, Mr. Geithner left the Treasury. In the acknowledgments section of the memoir he published the next year, Mr. Geithner wrote: “Neal Wolin, who parachuted in at a fraught time as deputy secretary, was my closest adviser on the most important challenges we faced, all while helping to manage the vast Treasury empire. He ably represented Treasury



around the world and across the street in the White House Situation Room, where the National Security Council met constantly.”

Mr. Wolin was planning to leave the Treasury around the same time. But President Obama asked him to stay on to serve as acting Secretary of the Treasury until Jack Lew was confirmed as the next secretary. When Mr. Wolin left the Treasury later that year, President Obama said in a statement to the Washington Post that Mr. Wolin’s “deep knowledge and excellent judgment helped us ... pass tough new Wall Street reform, strengthen our financial system, foster growth here at home, and promote economic development around the world.”

Looking back at his decision to leave The Hartford for the Obama administration, Mr. Wolin says the terrifying state of the economy at that moment was part of the attraction. “If you have public policy or public service as part of your DNA, it was an irresistible moment to go serve,” he says.

Mr. Wolin says the experience helped prepare him for his current role as CEO of Brunswick, a firm that offers crisis counsel. “Government is a good training

Treasury Secretary Timothy Geithner, right, talks with his deputy, Neal Wolin, at the Treasury building in July, 2010. Mr. Wolin joined Brunswick as CEO in February, 2018.

ground for crisis,” says Mr. Wolin. “You’re under a lot of time pressure. You’re under a lot of scrutiny. There are vast numbers of stakeholders each with their own perspectives on what ought to be the right answer or the preferred path. And the domains of policy, politics and communications are necessarily deeply intertwined.”

Since leaving government, Mr. Wolin hasn’t spoken much publicly about his Treasury experience, though in 2015 he delivered a speech about it to seniors at his alma mater, Evanston Township High School, just north of Chicago. Student blogger Ben Osterlund, writing about the speech, outlined Mr. Wolin’s message and his legacy in a few words: “His perspective included details on what it was like to handle the financial crisis while working in the Treasury. Wolin and others at Treasury acted to put in place policy that would avoid a complete meltdown, and set the economy on a healthy path so such a crisis wouldn’t happen again.” ♦

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TODAY BARONESS SHRITI VADERA IS ONE OF the best-connected people in corporate London. The chair of Santander UK, on the board of BHP Billiton and until recently AstraZeneca, Baroness Vadera also runs the UK financial services umbrella group trying to tackle the Brexit fallout and the media talk about her as a possible next Governor of the Bank of England.

Brexit has the whiff of a crisis to many financiers. But rewind 10 years and you find the real deal, a full-blown global economic storm that was threatening all major Western economies. In London, orchestrating the response from the heart of Downing Street, was Baroness Vadera.

It is October 2008 and the Ugandan-born, Oxford-educated, former Warburg banker is a minister in Gordon Brown's Government. There is a Cabinet, there is a smaller kitchen Cabinet and then there is the inner circle.

Ed Balls, a long-time colleague and close ally of both Mr. Brown and Baroness Vadera, put it very straightforwardly when the Brunswick Review asked him. "There were only four people who really knew what was going on: the Prime Minister, The Cabinet Secretary Jeremy Heywood, the Treasury Permanent Secretary and Shriti," he said.

And what was at stake? Baroness Vadera is not overstating it when she says: "It was about saving the economy from the banks. It was about avoiding the 1930s and the Great Depression."

Britain was teetering on the edge. The credit crunch was gripping the country. And the banks were looking to the Government.

In late September, she went to Washington with Gordon Brown for urgent talks with US President George W. Bush. The British team were disappointed the President was simply set on the TARP plan being developed by then-US Treasury Secretary Hank Paulson. They felt this was inadequate and headed home.

On the London-bound flight, huddled around Mr. Brown's first-class seat, Baroness Vadera and the close cabal of advisers decided Britain would go it alone and recapitalize its banks, a course of action Mr. Paulson had rejected. She admits that it felt a "lonely place on that plane." But she began working on the complex rescue plan that aimed to give more liquidity, credit guarantees and recapitalization.

A few days later she convened a meeting at Standard Chartered's London HQ to test the plan quietly with bankers. The bank's chief executive Peter Sands hosted and with advisers from UBS, and Tom

Scholar, now Permanent Secretary to the Treasury, they set to work.

On October 7, the plan was being finalized. She eschewed sleep whereas others, including the Prime Minister, decided they need some rest. In the dead of night Baroness Vadera needed to speak to Mr. Brown and tried to navigate No. 10 Downing Street's corridors to find the sleeping PM. She tripped in the dark and stumbled over a tricycle belonging to the PM's young son John, waking up the family. Sarah Brown, the PM's wife, matter of factly called out, "Go back to sleep, John." Baroness Vadera whispered back, "It's me, not John."

As October 8 dawned, the plan was revealed to the market. "Neither I nor anyone else had any idea how it would play out," she says. But the markets reacted well. The timing and make-up of the rescue plan was critical. The markets often had a habit of rejecting rescue plans, particularly where Britain was concerned. Witness the way the UK tried to prop up the pound in 1992 – a failure which led to the UK falling out of the European Exchange Rate Mechanism.

"I don't think I had ever been so frightened in my life. But the important thing was not to show it because the whole package was about confidence.

"I remember walking down Whitehall from Trafalgar Square with Tom Scholar at the height of it and

Baroness Shriti

talks to
Brunswick's
**ANDREW
PORTER** about
overseeing the
plan to rescue
the UK financial
system from
the most severe
crisis it had
endured in a
century.

he turned to me and asked what my biggest worry was. I said that there would be no cash in the ATMs and the economy would not be able to function.

"There were thousands of people walking around that busy part of London and their lives could have been severely impacted if this went badly. The pressure was huge.

"At the time you are just focusing on the here and now. But there was no getting away from it: This was the stuff of nightmares."

The plan saw the government plow hundreds of billions of state support into the UK banking industry to keep it afloat: a £50 billion capital wall around all the UK's banks; £250 billion of credit guarantees to underpin bank lending; increasing a Special Liquidity Scheme to £200 billion. "We had to solve all the problems in all the banks," says Baroness Vadera.

Sir Fred Goodwin, chief executive of Royal Bank of Scotland, was a man who would become the pan-

tomime villain of the whole crisis. A few hours after the rescue plans were announced he rang Baroness Vadera as she attempted to finally get some rest on her office sofa. Baroness Vadera takes up the story. “He asked if I was sitting comfortably because he was about to say how much he thought RBS would need to stay afloat and I might be shocked. He offered a figure of between £5 billion and £10 billion. I replied that I was shocked but only because I was convinced RBS would need more.”

She was right. Ultimately RBS took £45 billion.

The word “tension” doesn’t go far enough when describing the atmosphere. The world hung on the

Baroness Vadera outside Downing Street on January 2018, roughly a decade after she had played a leading role in helping the UK financial system emerge from the financial crisis.

“We had to get the thing done before the markets opened on Wednesday, October 8. Honestly, anything else was irrelevant.”

So how do you deal with a crisis so profound, so real and so global? Then-Prime Minister Gordon Brown was, she says, “the man for that moment.”

“There were people who understood the politics, people who understood the economics, and people who had the connections, but only one person who embodied all of that in one individual, and it was Gordon Brown.”

Baroness Vadera points to the G20 summit in London in April 2009, where Mr. Brown persuaded



VADERA

flickering terminal screens in London, on Wall Street and across the globe.

“There was never a moment’s respite. We had BlackBerries back then and mine was primed to alert me to certain financial indicators and it would keep going off during the night. That tension and total awareness are hard to switch off. When I left in autumn 2009 I had nightmares. It stays with you.”

It’s not as if any playbook existed for this frightening an economic threat. “This was not some ‘off-the-shelf’ rescue plan you could take down and implement. This was something radical. It absolutely could have erupted if people had responded badly.

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fellow world leaders to back a \$1 trillion injection of funds to stabilize the global economy. “We had constructed a \$1 trillion liquidity package for the world and were negotiating it live; I have never seen the like. That is a story that has not been told.”

Is the financial world and corporate world prepared for the next crisis? Where might it come from?

“I don’t know where the next one is coming from but there are cyber risks, there’s uncertainty in the political environment globally and there’s increasing activity outside the conventional banking system. The banks are ten times better capitalised but I have to tell you there is no shortage of crises in the world.” ♦

NEEDING A BAILOUT DURING THE FINANCIAL CRISIS OF

2008, General Motors wouldn't have been worth saving if not for its automobiles. Sure, there were a million or more jobs at stake. But those jobs would have been lost anyway, gradually, if GM were still producing the uninspired and unreliable vehicles that over several decades had cost it half its market share, rendering the company unprofitable and too broke to withstand a recession-induced plunge in sales.

The federal government would not have wagered nearly \$50 billion on GM's return to profitability if the vehicles rolling off its assembly lines in 2009 had been lemons. In fact, they were the most stylish, luxurious, high-performing and reliable portfolio GM had ever produced – including several models reviewers deemed best-in-class. That transformation to a large degree was the work of Robert Lutz. A GM executive in the '60s who then did stints at BMW (Executive Vice President), Ford (Executive Vice President and board member) and Chrysler (Vice Chairman, President and board member), Lutz had returned to GM in 2001 as Vice Chairman for global product development, charged with elevating the quality, performance and curb appeal of its vehicles.

It's no surprise that he succeeded. Among automotive fanatics, he's known for caring less about Wall

ROBERT LUTZ, a veteran of each of Detroit's Big Three automakers, tells Brunswick's **KEVIN HELLIKER** about his boardroom experience during the General Motors bankruptcy, where he argued, as he always has, for the pursuit of great cars.

KING

CAR GUY



Street than how a car looks and performs on Main Street. As the title of his 2011 book put it, *Car Guys vs. Bean Counters*.

If serving in the C-suites and boardrooms of each of Detroit's Big Three sounds provincial, consider that Mr. Lutz was born in Zurich, grew up there and in New York (his father was a Vice Chairman of Credit Suisse). He speaks German, French and English, among other languages. A former US Marine Corps fighter pilot, he also gained undergraduate and graduate degrees in business from the University of California at Berkeley.

He goes by Bob, but always wears a business suit, and at age 86 still looks athletic in it. His collection of gasoline-powered classics includes cars, motorcycles and military jets. Some have called him the auto industry's Cary Grant. The models that bear his fingerprints include the Chevrolet Volt and Camaro, the Ford Explorer and the BMW 3 series.

As Vice Chairman of GM during the financial meltdown, Mr. Lutz had a front-row seat to one of the most shocking corporate crises in American history. In immediate need of cash, GM received what amounted to a nearly \$50 billion investment from the US government, which became its majority shareholder. In one of the bleakest moments of the financial collapse, the government's auto task force guided GM, once the symbol of American industrial dominance, into Chapter 11 bankruptcy, where in a matter of weeks the company shed capacity – plants, workers, dealers, brands – that would have taken years to unload outside of court. The outcome speaks for itself: The new GM became almost instantly profitable, launching a hugely successful IPO barely a year after it exited bankruptcy court.

In those board meetings at GM headquarters in Detroit, the government's auto team did more than hand over cash and deliver bad news to creditors, union chiefs and vendors. They also took charge of management. Armed with research on the company

and industry, the government task force ordered GM to close or sell seven of its nine brands. This was a threat to several promising models Mr. Lutz had in the works.

In an interview with the Brunswick Review, Mr. Lutz tells how and why he fought back against that demand, describing battles he won and lost. He also offers his views on the future of electric cars. Mr. Lutz, who now runs Lutz Communications out of Ann Arbor, Michigan, just outside Detroit, is the author of three business books. In one, the 1998 *Guts: 8 Laws of Business*, he became an early advocate of a now-popular idea: "Disruptive people are an asset."

Inside General Motors, how big of a surprise was the financial downturn?

We knew there would be some sort of economic downturn at some point. We planned for it. In past economic downturns, the car business fell by 15 percent or 20 percent. That we could have weathered.

But when the bottom dropped out, we didn't have a 15 or 20 percent reduction in volume; we had a 50 percent drop. It was a one-two punch: a combination of fuel prices going to about \$4 a gallon seemingly overnight and the economic meltdown due to the subprime mortgage crisis.

When people stop buying full-size sport utilities and full-size pickup trucks – your most profitable vehicles – because of fuel consumption, when overall you're selling only 50 percent of what you sold before, when the total market goes from 17 million units a year to 8 million, you can't reduce expense fast enough. Not if you're in a high-fixed-cost business like automobiles.

People second-guessed us, said management should've known or should've planned, et cetera. But I'm sorry – you can't plan for a catastrophe like that. For years, we'd been in the process of trying to do all of the things that were later done during Chapter 11. We were trying to reduce capacity.

THE FALL AND COMEBACK OF GM
TIMELINE SOURCE: USA TODAY

PHOTOGRAPHS: JIM LO SCALZO/ BLOOMBERG VIA GETTY IMAGES; KEN GEDENO/BLOOMBERG VIA GETTY IMAGES



GM receives \$13.4 billion in short-term financing through the Troubled Asset Relief program.

DEC. 31, '08



Another \$4 billion is added to the loan.

MAY 20, '09



DEC. 19, '08

The Bush Administration announces plans to bail out Detroit's auto industry, notably General Motors.



APR. 22, '09

The Obama Administration provides a \$2 billion working capital loan to GM.

4 BILLION

JUNE 1, '09

GM files for bankruptcy reorganization and cuts costs, shedding Saturn, Hummer, Saab and other well-known brands.

We had done a deal in 2007 with the United Auto Workers that would get a massive healthcare obligation off our backs. But there was a three-year delay before the actual implementation. So in '07, '08 and '09, we had no benefit from that agreement. And that's exactly when the downturn struck.

Suddenly, all the pundits who had been praising our wisdom for shifting production to sport utility and full-sized trucks – because that's where the money was – were saying, "The prudent thing to do would have been to invest in small cars."

We also had Mitt Romney saying he was opposed to the government bailout of General Motors, saying, "They should have gotten private financing for it." When we saw that we were running out of money, that we were basically going to be insolvent, naturally we went to all our normal banks and said, "Hey, we need a few billion to tide us over." And guess what? Every bank said, "You know what, we're in exactly the same situation you are. We have no money."

What was your response when the government's auto task force ordered the sale or closing of all but Chevrolet and Cadillac?

I wasn't formally a member of the board. I had no voting rights. As Vice Chairman I was an observer. But I wasn't silent.

When they told us to go down to two brands, we said, "That would be a mistake. You can't drop Buick because Buick is GM's number-one brand in China. The whole China market was rising and the upper-middle-class Chinese have a high regard for the Buick brand because it's an American brand. And if the brand gets cut in the United States, it's going to lose legitimacy in the Chinese market." And the auto task force guys said OK. Today, by the way, Buick is profitable not only in China but in the United States again too.

Then we said, "We'd like to keep GMC, too." And they said, "No, you can't keep GMC. GMC is a ridicu-

"EVERY BANK WE CONTACTED SAID, 'YOU KNOW WHAT, WE'RE IN EXACTLY THE SAME SITUATION YOU ARE. WE HAVE NO MONEY.'"

lous brand. It's nothing but Chevrolet trucks that are a very little bit different. It's nothing but marketing."

At that point a board member who was the recently retired chairman of a large consumer products company jumped up and said, "Only marketing? What do you mean only marketing?" Ultimately we convinced them that GMC had a large and loyal customer base, and it is still doing great.

But we lost Hummer. If it had been properly fed, I think it could've been a great brand. Saab, it was right to sell that. Every year Saab lost on average half a billion dollars. Saturn basically competed for the same customers that Chevrolet did. But Saturn as a brand had outlived its usefulness and was consuming more resources than were coming out the other end. Saturn, Saab and Hummer, I was very comfortable with abandoning those.

Pontiac, though, I had a problem with. Because Pontiac was on the verge of coming back and being a legitimate, recognized, well-liked car brand that was going to be technologically different from other GM cars of the same size. But the feds said, "Do you want the money or don't you?" When the other guy holds all the cards, you do what he says.

That's surprising coming from someone known for pushing back in the C-suite and the boardroom. After all, you all but invented the idea that disruption should be rewarded.

Most of us are trained to work in teams – don't make waves, don't disagree with people, try to find consensus, et cetera. That doesn't work. If everybody just sits around being nice to each other, absolutely nothing gets accomplished. If what you're doing is no longer competitive, somebody has to say, "We should change this."

What I heard my whole career was, "That's a very good thought, Bob. But at your level, we expect you to just follow orders." I would say, "I realize that, Sir. And I'll do whatever you tell me, but I felt it was im-

30.1
BILLION

GM is kicked off the list of 30 companies comprising the Dow Jones Industrial Average.

JUNE 8, '09



GM makes its final loan repayment. Government holds a 61 percent stake in common and preferred stock.

APRIL 20, '10



JUNE 3, '09

The Obama Administration provides a \$30.1 billion debtor-in-possession loan as part of the bankruptcy filing.



JULY 10, '09

GM's emergence from bankruptcy is followed by the debut of its hybrid, the Chevy Volt.

61
PERCENT

NOV. 18, '10

GM goes public. US Treasury reaps \$13.5 billion in conjunction with the new company's IPO, reducing its stake to 33 percent.

portant to point out that we are doing this wrong.” That attitude gets you in trouble.

One boss or the other would say, “Bob, we’ve heard you, we respect your opinion, we’re not ready to change.” I would say, “Thank you very much for listening, Sir.” Then I’d back off. You have to know when to stop.

What was the difference between the GM you left in 1971 and the GM you rejoined in 2001?

In the 1960s, GM had the best cars, the best styling, the best engines, the best everything. You know, the big Chevrolet Impalas, Oldsmobile Cutlass, various Pontiacs, the big Buick Riviera. Back then, General Motors had to be careful not to get over 60 percent market share in the United States because they were starting to draw the attention of the antitrust people. GM back then was a very product-focused company.

But over time, especially in the ’80s and ’90s, GM became increasingly focused on cost reduction. It forgot that you cannot save your way into prosperity.

I was hired because Rick Wagoner [GM CEO from 2000 to 2009] asked me, “What do you think is wrong with GM?” After my 30-year absence, there was nobody left at GM who had served in a senior capacity for the company in the 1960s. I gave Rick an earful. A few weeks later he hired me as vice chairman and my whole job was to get GM off of this robotic, bureaucratic, formulaic approach to product and get them back to enthusiastically designing and building the best product. Basically, to get General Motors back into the car business.

In the years that followed, any number of launches or redesigns – Chevy Volt, Buick Enclave, the Camaro, GMC pickups – won acclaim. Even the Malibu, which had become a ho-hum rental-car sedan, emerged from a redesign as the North American Car of the Year. How’d you do that?

It was a process of reversing the prior policy of how little do we have to put in the car in order to have a viable entry in the marketplace. That philosophy was minimal, minimal, minimal.

I pushed the approach of let’s give people something fantastic that will wow them. Drivers look at it and say, “Holy smoke, I get all this for \$22,000?” Of course, all the finance people were wringing their hands, saying, “Oh, Bob, what you’re doing is terrible. You’re putting more money in the cars.”

I said, “What happens when our cars reach the market? We have to put \$4,000 rebates on them to sell them. What does that do to the margins?” I said, “Let me put 500 bucks of visible, tangible customer

“MY WHOLE JOB WAS ... TO GET GENERAL MOTORS BACK IN THE CAR BUSINESS.”

value into each car and bring them up to a competitive level or, if possible, a bit beyond competitive. And then we will reduce the average incentive from \$4,000 to \$2,000. I’m saving you \$2,000 per car, and it’s taking me \$500 to get that \$2,000.”

Did the financial crisis slow that transformation?

A lot of things that we wanted to do had to be deferred, in some cases up to two years. But it turned out that our competitors had the same problem. Everybody cut back their product plans.

In a 2017 Automotive News column [see excerpt] you predicted humans would be all but absent behind the wheel in 20 years. At the same time, you have made waves for slamming the short-term potential of electric cars, Tesla in particular.

Long term the potential for electric cars is good because the cost of batteries will come down, the cost of all the electrical systems will come down.

But until then, electric vehicles are so-called compliance cars, made to comply with zero emissions regulations as postulated by California and 13 or 14 other states. Every maker is doing electric cars because they have to. But Mercedes, BMW, Audi, General Motors, et cetera, can afford to sell electric cars at a loss, because of the profits they make on their big gasoline-powered vehicles. Tesla has no gasoline cars on which to recoup that money. ♦

KEVIN HELLIKER, a Pulitzer-Prize-winning journalist, is Editor in Chief of the Brunswick Review. He is based in Brunswick’s New York office.

BOB LUTZ ON THE VANISHING OF HUMAN DRIVERS

IT SADDENS ME TO SAY it, but we are approaching the end of the automotive era. The end state will be the fully autonomous module with no capability for the driver to exercise command. You will call for it, it will arrive at your location, you’ll get in, input your destination and go to the freeway. On the freeway, it will merge seamlessly into a stream of other modules traveling at 120, 150 mph. Then, as you approach your exit, your module will enter deceleration lanes, exit and go to your final destination. You will enter your credit card number or your



thumbprint or whatever it will be then.

The tipping point will come when 20 to 30 percent of vehicles are fully autonomous. Countries will look at the accident statistics and figure out that human

drivers are causing 99.9 percent of the accidents. In 15 to 20 years – at the latest – human-driven vehicles will be legislated off the highways. – Automotive News, November 5, 2017.

PHOTOGRAPH: ALEXANDER RYUMINTASS VIA GETTY IMAGES

A BRUNSWICK REVIEW INVESTIGATION INTO the number of books published about the financial crisis of 2008 culminated in a throwing up of hands. Whenever our search seemed complete, another title or three emerged. The 2008 Financial Crisis shelf bears so many books (more than three dozen) that New York Magazine last summer divided them into nine categories, and asked a panel of economists to choose the best in each. Best first draft of history? *Too Big to Fail* by Andrew Ross Sorkin of The New York Times. Best memoir? Timothy F. Geithner's *Stress Test*. Best book if you were to read only one? *The Shifts and the Shocks: What We've Learned – and Have Still to Learn – From the Financial Crisis*, by Martin Wolf of the Financial Times.

That survey took place too soon to include an examination of *Crashed*, published last August. Its author is Adam Tooze, a Columbia University economic historian whose previous works include *The Wages of Destruction*, an examination of Nazi Germany's economy. At 706 pages, *Crashed* ranks as perhaps the longest book on the financial collapse, and hardly the most accessible – though it was named one of The New York Times' 100 notable books of 2018. Of all the great books on this topic, however, *Crashed* is the most comprehensive, which is to say the most global, and therefore one could argue the most relevant. "There were European narratives about the crisis, and there were American narratives," Dr. Tooze told the Brunswick Review. "But there really wasn't a transatlantic narrative, and there needed to be because what happened was a transatlantic financial heart attack."

Like most accounts, *Crashed* takes the reader deep into the US Fed and Treasury discussions that culminated in bailouts that Dr. Tooze believes avoided financial Armageddon. But he also takes the reader into similar crisis rooms in Berlin, Paris and London, where financial leaders initially dismissed the subprime mortgage debacle as an American problem. That view faded quickly enough, as real-estate-related debt began tanking banks and economies across Europe. "Between 2001 and 2006, Greece, Finland, Sweden, Belgium, Denmark, the UK, France, Ireland and Spain all experienced real estate booms more severe than those that energized the United States," Dr. Tooze writes.

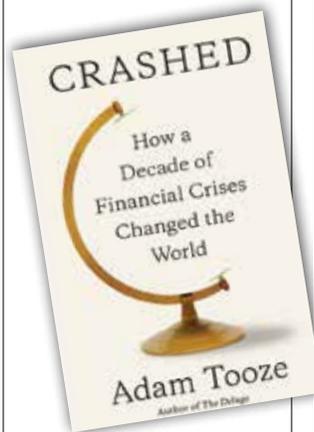
Using researched gleaned from public records across two continents, Dr. Tooze shows that banks across the West behaved irresponsibly, and he contends the US combination of bailouts and stimulus – however imperfect – saved the world economy.

Second Draft

Journalism being the first draft of history, *Crashed* by Columbia University's **ADAM TOOZE** offers a more-definitive account of the financial crisis.



The US rescue of Wall Street wasn't popular with the public. But in his new book, Columbia University's Adam Tooze argues that the rescue likely saved America and the world from a more severe downturn.



Like *Crashed*, Dr. Tooze's own story is transatlantic. Raised in Germany, he was educated in his homeland of Britain (receiving a PhD from the London School of Economics), and for several years now has lived in the US. A book a decade in the making, *Crashed* has been hailed by reviewers as the first "second draft of history," a tribute meant to distinguish it from journalism, even if Dr. Tooze himself doubts that any second draft will be the last. In the book, he notes that no complete history of the crash of 1929 could have been produced in 1939.

A self-described liberal, Dr. Tooze criticizes US Republicans for a pre-crash history of deficit spending and for their post-crash opposition to the financial rescue that began under their own leader, President George W. Bush. But Dr. Tooze finds fault as well with the Obama Administration, for allowing bankers to profit from their own recklessness, and for providing what Dr. Tooze regards as too little support to struggling homeowners. But *Crashed* never loses sight of the chaos, confusion and dearth of any attractive options that faced both presidents and their teams of experts.

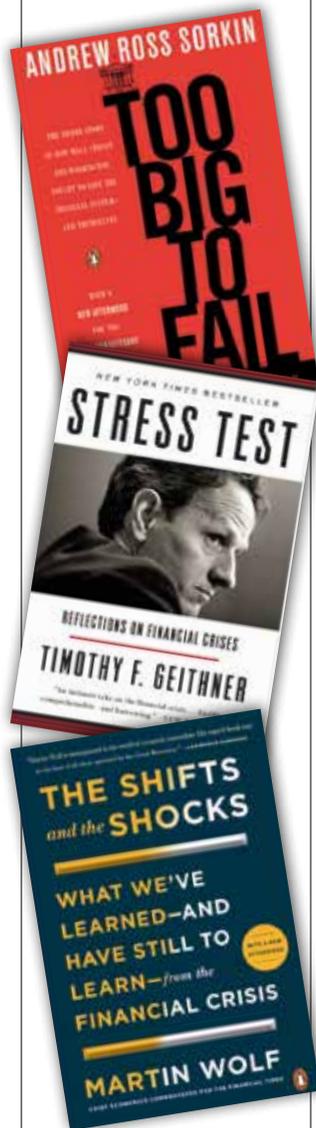
As an economic historian in academia, Dr. Tooze strives for the definitive. It's a slow process. He says his next book, due out in a decade, will be a history of the crash of 1929. "Most of the histories of 1929 were written in the 1970s. I want to write a history of 1929 that's suitable for the world of 2029."

Dr. Tooze made the following remarks in a conversation with *Review* Editor in Chief Kevin Helliker.

I GREW UP IN MACROECONOMICS. THAT WAS MY first love, in intellectual terms. My first book (*Statistics and the German State 1900-1945: The Making of Modern Economic Knowledge*) was about the development of macroeconomics back in the early 20th century, and how we arrived at numbers like GDP, GNP, current account, how we put in place the metrics of macroeconomic knowledge.

The 2008 crisis immediately struck me as historically important in shifting the way we need to think about and analyze economic crises going forward.

Unlike 1929, the risk in this case wasn't in the markets. It was in the banks. It was in the balance sheets of very, very large banks that there was a buildup of very serious risks. Then came the recognition of the widely reverberating risks of bankruptcy. How to respond? You can cap the size of banks and address "too big to fail" in an aggressive restructuring of the banking system, for instance the so-called Swedish model, where you nationalize failing banks and then restructure them and privatize them.



So many books have been written about the financial crisis that New York Magazine chose the best offering in each of six categories. The books above each topped a particular genre. But that judging took place before the publication of Adam Tooze's *Crashed*, which was named one of The New York Times' 100 notable books of 2018.

If you're not going down that route, then the entire game going forward is on bank regulation. And that is an incredibly complex technical field in which you may need, as [JPMorgan CEO] Jamie Dimon once said, a psychiatrist and a lawyer. I'd add an economist to that, and probably a political scientist.

There are so many questions to consider. How much liquidity to require? How are international banks managing currency mismatches on their balance sheet. Are their liabilities and assets in the same currency? If not, what are they doing about the risks involved in that? In the case of global operations, where is their capital in relation to their balance sheets? Are they a European operation with a huge US franchise, but no capital in the US?

Then come the questions of how we interpret what we've decided to do and how we enforce it – an ongoing game, one that has shifted with the Trump presidency to a much more pro-business mode.

As I wrote in the book, the election of 2016 seems to me to be much more directly overshadowed by '08 than was Romney versus Obama in '12.

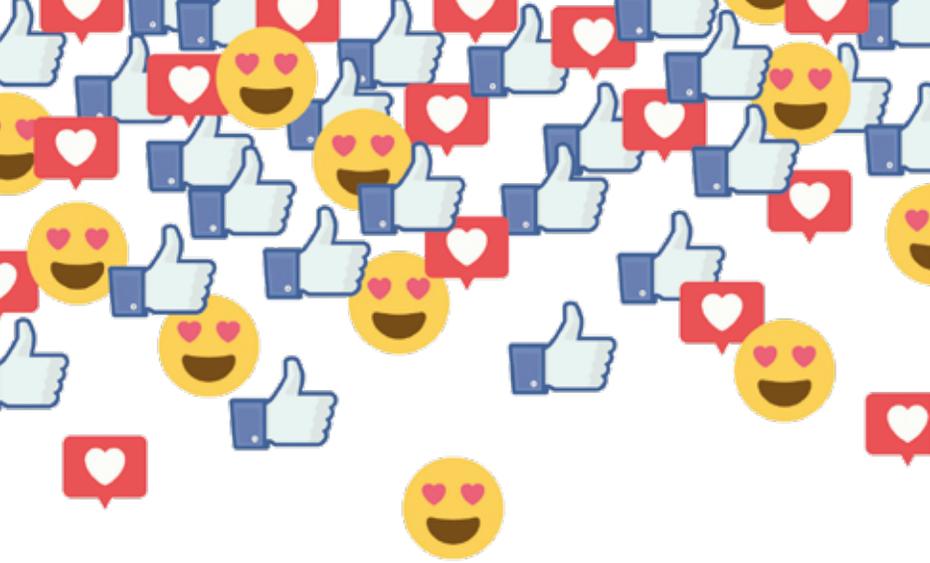
I think there are three things that the Obama administration could have done which might have shifted this. One is they could have pushed harder, more spectacularly, with more resolve for support for homeowners. Two, they could've found legal means to aggressively pursue some of the senior bankers. And they could've done a much larger stimulus, a much larger work creation program in 2009.

If they had done or been seen to be attempting those things, I think they might very well have persuaded more of the Democratic Party's constituency that this was a party worth voting for, even if the next candidate was Hillary Clinton, not Obama. And that very well may have shifted the outcome of the 2016 election.

Still, there's every reason to think that there's been a substantial adjustment in the leadership of Wall Street. I don't think anyone in that Wall Street leadership group walked away from the crisis rubbing their hands, going, "We had a crisis and the taxpayer bailed us out and we made all these profits. What canny businessmen we are."

The mood is that this was a near-fatal disaster and there is a pretty serious determination among most senior bankers to avoid anything like that ever happening again. Because it's humiliating. It's risky. Nobody wants to be Lehman Brothers, game over. ♦

KEVIN HELLIKER, Editor in Chief of the Brunswick Review, is a Pulitzer Prize-winning journalist. Previously he worked for 27 years at The Wall Street Journal.



IN THE OLD DAYS, A COMMUNICATIONS CRISIS WOULD play out over days or weeks, evolving from one daily news cycle to the next. With the arrival of 24-hour news, the cycle became hour by hour and led to the creation of war rooms and rapid-response teams. Social media ratcheted the pressure yet again, to real-time, minute-by-minute leadership decisions.

Social media also provided a new window into how customers, stakeholders, politicians and even journalists were reacting to the story. But, like too much ice cream on a hot day, too much data consumed too quickly makes for a distracting headache.



Data-Driven Divination

In a crisis, what's needed most is perspective. Too much focus on real-time events can divert attention from what's truly important: the outcome, the integrity and reputation of the brand. Data is backward looking, and gains real value only through insight.

Predictive analysis attempts to provide that insight. It enables decision makers to judge whether a story is growing or declining in significance, and help determine the character of a potential response, or whether a response is necessary at all. It can highlight the facets of an issue that most merit attention and enable faster decision-making.

Platforms like NewsWhip use an array of social media data to create a more accurate view of the future. Originally designed to help publishers spot stories with viral potential, NewsWhip captures content from the web and social media within 90 seconds of publication. It then tracks the growth of human interactions with the story and weights the increments by the speed of change. Using machine learning from tens of thousands of previous analyses, these measurements are extrapolated to estimate the number of social media interactions a story will have earned by the end of a particular period. The longer News-

Predictive analysis can help companies discern – and get ahead of – the tweets likely to become front-page headaches. Brunswick's **MARSHALL MANSON** and NewsWhip's **BENJAMIN NICHOLSON** report.

MARSHALL MANSON is a Brunswick Partner, based in London. **BENJAMIN NICHOLSON** is an Editorial Researcher for NewsWhip.

Whip observes interactions around a story, the further ahead it can predict with reasonable accuracy.

Recently, a global business was facing a highly critical report from a well-known international NGO. They feared a tidal wave of bad media coverage all over the world that would disrupt their activities and erode sales. But within minutes after the report was released, predictive analysis told a different story. People weren't reacting. There was little anger, except from constituencies directly connected to the NGO.

Within an hour of the report's publication, the business chose to be reserved in its social media response, mostly responding to direct questions from customers. It managed the story with the small number of journalists who expressed interest, while making substantive changes behind the scenes.

Combined with historical benchmarking, predictive analysis can enhance the analytical value even further. In another recent situation, a business became aware of pending criticism from a regular feature in a national media outlet over an issue that had previously been identified and corrected. Benchmarking previous editions of that feature showed that the likely impact was less than might be feared. When the story broke, predictive analysis indicated it would finish marginally above the historical best case/smallest impact scenario.

Within a few minutes, decision makers were able to choose to ride out the situation without elaborating on the response they had provided in the original story and attention soon moved on. Overall impact was minimal.

The most compelling use of predictive analysis is in those situations when the story can't be anticipated. Today, anyone can make an impact with a compelling piece of content. In one case, a Twitter user of no particular significance published evidence of racist activity within a well-known brand's community. The volume of interactions and predicted impact flagged the Twitter content and allowed the brand to recognize the situation was bad and going to get significantly worse. Swift action addressed the racist activity and launched a successful communications campaign to take responsibility and reiterate the company's commitment to tolerance while promising to do better. The business was protected from disruption and reputational damage.

There's lot of buzz about data, but too often it's disconnected from purpose. Predictive analysis supports a focus on purpose, empowering decision makers to deal with communications efficiently, minimize disruption and address substantive problems. That's a big win. ♦

AN EARNINGS CALL ON HIS MORNING CALENDAR IS NO THRILL FOR DAN DAVIES, who follows banks and other financial firms for Frontline Analysts. “A big one-hour gap in the middle of a busy morning where you can’t do anything useful and your phone line is tied up,” wrote Mr. Davies.

Then there is the call itself. New research by Brunswick gives some credence to the sense that one call sounds just like the other. A Brunswick study of the earnings-call transcripts of nearly 1,000 companies during the four quarters ended mid-year 2018 found that nearly all follow the same structure: Introduction, legal disclaimer, prepared remarks, Q&A session, closing statement. They also feature the same words, especially predictable ones such as “growth,” “busy,” “new” and “increase.” Even the number of words spoken is uniform, averaging about 7,000 per call in the transcripts Brunswick studied.

Yet the research did unearth a surprise: Fortune 100 CEOs follow a different script. The research analyzed three separate groups: Fortune 100 companies, the remaining 400 companies on the Fortune 500 list, and a random sample of 500 smaller publicly traded companies.

Brunswick found that Fortune 100 CEOs appear less often on quarterly earnings calls than CEOs of smaller companies. Our research found that 11 percent of Fortune 100 transcripts include no CEO appearance, an absentee rate more than three times higher than that of smaller companies. Jeff Bezos hasn’t joined a quarterly earnings call in years. The CEOs of Costco, Exxon and Unilever have also missed multiple quarters. Another difference: Executives of Fortune 100 companies are less likely than their smaller counterparts to use negative or

BRUNSWICK RESEARCH finds that most quarterly earnings calls follow a predictable formula – one that Fortune 100 leaders are least likely to follow. **RILEY BACK** and **EDWARD STEPHENS** report.

TOO BIG FOR EARNINGS CALLS



LINCOLN

apologetic words such as “sorry,” “issue” or “unfortunate.” One word Fortune 100 leaders do say far more often: “billion.”

The example of Fortune 100 companies may be instructive to smaller-company CEOs whose schedules conflict with a particular call, or who simply prefer to delegate it. On the other hand, smaller-company CEOs may view the earnings call as too important to miss. After all, in what amounts to a mystery, the predictable and typically devoid-of-news earnings call appears to wield an outsized influence on company stock. A recent Wharton study looked at a decade of sharp stock price movements among S&P 500 companies – more than 20 percent decline over a 10-day period, relative to peers. It found that roughly 30 percent of those drops came in “the immediate wake of a quarterly or annual earnings announcement,” making earnings calls by far the most frequent catalyst of a share-price crisis. It took companies, on average, nearly 93 weeks to recover.

Regulation may help explain why earnings calls sound so similar and why more CEOs are choosing not to participate. In 2000, the US Securities and Exchange Commission established Regulation Fair Disclosure, commonly called Reg FD, which forbids

publicly traded companies from sharing “material nonpublic information” with analysts and investors. The passage of Sarbanes-Oxley in 2002 further regulated what companies could share on the calls. The result: When asked pointed questions, executives on earnings calls have to be wary of saying anything not already publicly available. Many understandably beat a hasty retreat to well-worn phrases and euphemisms. Such answers may not provide clarity, but at least they avoid penalties.

While quarterly earnings calls are regulated, they aren’t legally mandated in the US; since 1934, companies have only been required to file a quarterly report. Though voluntary, a vast majority of public companies decide to hold earnings calls, seeing them as an opportunity to clarify their financial performance and long-term strategy – to provide a narrative around the numbers. Investors have come to expect the calls; not holding one is likely to raise questions and draw attention.

But the regulation of corporate calls doesn’t handcuff the audience of analysts and investors, even though research suggests that their questions and comments are no less predictable. Many analysts in particular seem to use the calls to ingratiate them-

BRUNSWICK INSIGHT

analyzed 2,932 earnings call transcripts from 996 companies (493 of the Fortune 500; a random sample of 503 non-Fortune 500 companies) across four quarters per company from August 2015 to August 2018. The data was gathered and processed in partnership with **QUID**, an AI company that uses a search engine to analyze and visualize the world’s written content.

RILEY BACK, an Executive with Brunswick Insight, the firm’s research arm, is based in Washington, DC.

EDWARD STEPHENS is Deputy Editor of the Brunswick Review.

EARNINGS CALLS FROM THE C-SUITE

JASON GOREVIC, CEO OF TELEDOC, a company that provides on-demand medical care via mobile devices, took his company public in 2015. He shares advice and lessons learned.

What advice would you give to CEOs preparing for their first earnings call?

The first thing is determining the key themes you want to address. Keep those in mind throughout the process. It’s easy for these key messages to get lost amid all the details that inevitably emerge during your preparations. Keep it to three key points, which are easy for your audience to remember. If these themes are clear in both your script and your responses to questions, you’ll see them articulated in research notes and news stories. A bonus piece of advice: pre-record your opening remarks a day or two before the call. This helps you devote your full energy to interacting with call participants on earnings day.



How have the calls changed since your first one?

A significant part of our early calls was spent educating investors and analysts about the basics of the nascent telehealth industry, as well as our company. Earnings season is hectic for them, so it’s important to recognize and respect this.

Over the years, we’ve made a concerted effort to shift the education discussion into one-on-one conversations. As a result, we’ve built a strong dialogue with the investment community and our earnings calls today increasingly focus on our strategy, the quarter’s results or recent news.

Since these calls aren’t legally required, why invest the time and resources to host them?

Earnings calls should be considered one tool – among many – to connect with your stakeholders. Interactivity is the best way to keep earnings calls interesting. Minimize your prepared remarks and have as much time as possible for the Q&A, when your stakeholders can discuss the topics they want to. Also, remember the earnings calls aren’t limited to investors. I receive emails from employees, friends, clients – even family – after these calls. These calls serve a large audience, and deserve your time.

selves with management. A common analyst comment to management: “Great quarter, guys.” A 2017 study by professors at Florida International University looked at analysts’ language on a large sample of quarterly earnings calls and found “great quarter” spoken more than 3,000 times over the span of a decade and “congratulations” more than 11,800 times. Over a decades’ worth of calls, more than half featured praise from analysts.

The predictable nature of corporate leaders’ remarks and responses compelled investors and analysts to search for meaning and patterns obscured by euphemisms and business-speak.

“Analysts and investors are already using algorithmic textual analysis, Central Intelligence Agency (CIA) lie-detection techniques, and more recently, audio analysis, to seek an edge. That includes text of shareholder letters, investor day presentations, management commentary prepared for earnings, and earnings Q&As,” a 2018 National Investor Relations Institute publication reported. Anastasia A. Zakolyukina, a professor at the University of Chicago’s Booth School of Business, said in a 2017 interview that a leader’s tone of voice or intonation might soon be analyzed, and “even the pause between the question and answer could be predictive.”

It isn’t only shareholders and analysts who are scrutinizing these words. Research from Columbia University and Harvard found that “on average, half of buy-side consumers listening to or reading the transcript of an earnings call do not hold the firm’s securities at the time they’re doing so.”

As analysts and investors scrutinize leaders’ words, they also remain susceptible to their influence. A 2017 study found, for example, that when leaders use personal pronouns on a call – “I,” “we,” “ours” – investors are likely to form a more favorable impression, regardless of a company’s results. Another study by the National Bureau of Economic Research found that when leaders use vague words – “maybe” or “probably” – on earnings calls, their stock prices move less compared with more direct-speaking executives. The effect worked both ways: Vague words prevented sharp climbs as well as drops.

Analysts and investors occasionally are treated to a bit of earnings-call color. A recent study by Quartz looked at the use of expletives on earnings calls between 2007 and 2017 and found them increasingly common – 2017 being the most profane year of all. Among the most memorable outbursts: A CEO of a printing and software company, frustrated by failed attempts to dial into the call, said “I’m going to shoot this f*cking system.” ♦



DITCHING THE SCRIPT

In a 2001 earnings call, Enron CEO Jeffrey Skilling fielded a remark from Richard Grubman of Highfields Capital Management, a known short-seller of Enron stock.

“You’re the only financial institution that can’t come up with balance sheet or cash flow statement after earnings,” Mr. Grubman said, after hearing the company wouldn’t release financial metrics he’d requested.

“Well, thank you very much, we appreciate that,” Mr. Skilling said, before adding, audibly, “Asshole.” Eight months later Enron filed for bankruptcy.

During an earnings call in 2014, investors in a small Philadelphia-based company called WPCS International asked management how many new shares had been issued. Neither the CFO nor CEO could provide an answer. Speaking to the CEO, the CFO said, “We need to end this call.” The share price ended the day down 48 percent.

In a 2013 call, analyst Mike Mayo asked JPMorgan CEO Jamie Dimon if he was worried about losing high-net worth customers to UBS, which at the time boasted higher capital ratios. Mr. Dimon responded: “So you would go to UBS and not JPMorgan?”

“I didn’t say that. That’s their argument.” Laughing, Mr. Dimon said, “That’s why I’m richer than you.”



THE QUARTERLY EARNINGS REPORT

WHY?

THE MERIT OF QUARTERLY REPORTING IS FAR FROM

settled, despite 85 years as a legal requirement in the US. Even President Trump has weighed in. In an August 18 tweet, he said, “In speaking with some of the world’s top business leaders I asked what it is that would make business (jobs) even better in the U.S. ‘Stop quarterly reporting & go to a six month system,’ said one. That would allow greater flexibility & save money. I have asked the SEC to study.”

It later emerged that the “one” Mr. Trump quoted was PepsiCo CEO Indra Nooyi, who was voicing a sentiment shared by many business leaders, including BlackRock’s Larry Fink, JPMorgan’s Jamie Dimon and Berkshire Hathaway’s Warren Buffett.

These leaders believe quarterly forecasts encourage short-termism. Investors react, if not overreact, when quarterly forecasts are missed – or even when they’re met, incentivizing corporate leaders to focus on short-term targets rather than long-term growth.

While quarterly earnings calls and quarterly guidance are often lumped together, Messrs. Buffett and Dimon clarified in a WSJ op-ed that their views “should not be misconstrued as opposition to quarterly and annual reporting.” The pair remain in favor of the transparency that these reports and calls encourage, just not the quarterly guidance and forecasting that so many investors fixate on.

Some argue that Messrs. Buffett’s and Dimon’s changes would only mark a modest improvement; leaders being judged every six months rather than three. Others argue that changing the requirements would have no impact at all, as analysts and investors would pressure companies to continue reporting and forecasting on a quarterly basis regardless.

There is precedent for a country reducing its reporting requirements. In 2014, after seven years of mandating quarterly reporting, the UK changed to a biannual schedule – the standard common across most markets today, including the EU, Hong Kong, Singapore and Shanghai. Shivaram Rajgopal, Vice Dean of Research at Columbia Business School, studied the effects of the reporting changes on UK companies. “Moving away from quarterly reporting did not end corporate short-termism and earnings management,” Mr. Rajgopal wrote. Despite the shift, many UK companies still choose to report more regularly: as of September 2017, 57 of the FTSE 100 issued quarterly reports.

LOOKING AT S&P 500 COMPANIES BETWEEN 2001 and 2011, professors Howard Kunreuther and Michael Useem, who both teach at the University of Pennsylvania's Wharton School, found more than 2,100 instances of a share-price crisis – where a stock fluctuated by at least 20 percent within a 10-day trading period, compared to industry peers. The most frequent driver of these crises? Reputation and marketing.

It's no secret that reputation is valuable – variations of that phrase have become tired truisms – but the professors' research brings new precision to the traditionally nebulous topic, using a decade's worth of data to establish how valuable it can be to a company's bottom line. "We found companies can lose 15 to 20 percent of their market value," Professor Useem says. "It's obviously well worth investing against that potential, which would be a fraction of 20 percent of your market capitalization."

The professors' research also measured how long it took for companies, on average, to recoup the losses. Of the 22 areas that drove a share-price crisis, only two – "international" and "intellectual property" – saw share prices recover in less than a calendar year. Those caused by marketing and reputation required 80 weeks. "Analysts and investors have come to put a price on failing to avert significant risk," says Professor Kunreuther. "And there's clearly a wait-and-see attitude by the equity market on whether a company has actually taken steps to not only repair itself, but also prevent the next disaster."

Their recent book, *Mastering Catastrophic Risk: How Companies Are Coping with Disruption*, offers a numbers-driven assessment of a crisis' price tag and a 15-step framework for companies to better prevent them. Professors Kunreuther and Useem discussed their findings with Brunswick's Liz Dahan, and explained why they're optimistic about Corporate America's ability to navigate these turbulent times.

If you had every Fortune 500 CEO in the same room, what would your message to them be?

HK: We actually did something close to that; we interviewed 100 people who had a leading role in their organization on dealing with adverse risks and disruption – from Chief Risk Officers to CEOs – to complement their insights with our data.

So what we would tell those 500 CEOs is that there's a tendency to think short term, to feel that low-probability events are not going to happen to you – until after they do. It's time to think about a checklist of how you can prepare for disasters and disruptions well in advance of them actually happening.

Research by Wharton Professors **HOWARD KUNREUTHER** and **MICHAEL USEEM** found a reputational hit can cause a 20 percent drop in share price and take 80 weeks to recover. Brunswick's **LIZ DAHAN** reports.

THE NEW

MU: I would say, first of all, look around you. Ten, 15 years ago – and we documented this in the book – many companies paid little attention to enterprise risk management. Many are paying attention now. The second message would be: The human condition being what it is, we tend to be relatively short term in our thinking and myopic in our behavior. I think we'd urge CEOs to engage in more analytic, more deliberative thinking – and expect that not only of themselves, but also of their middle managers, too. Even the board can be, sometimes, not so focused as they should be.

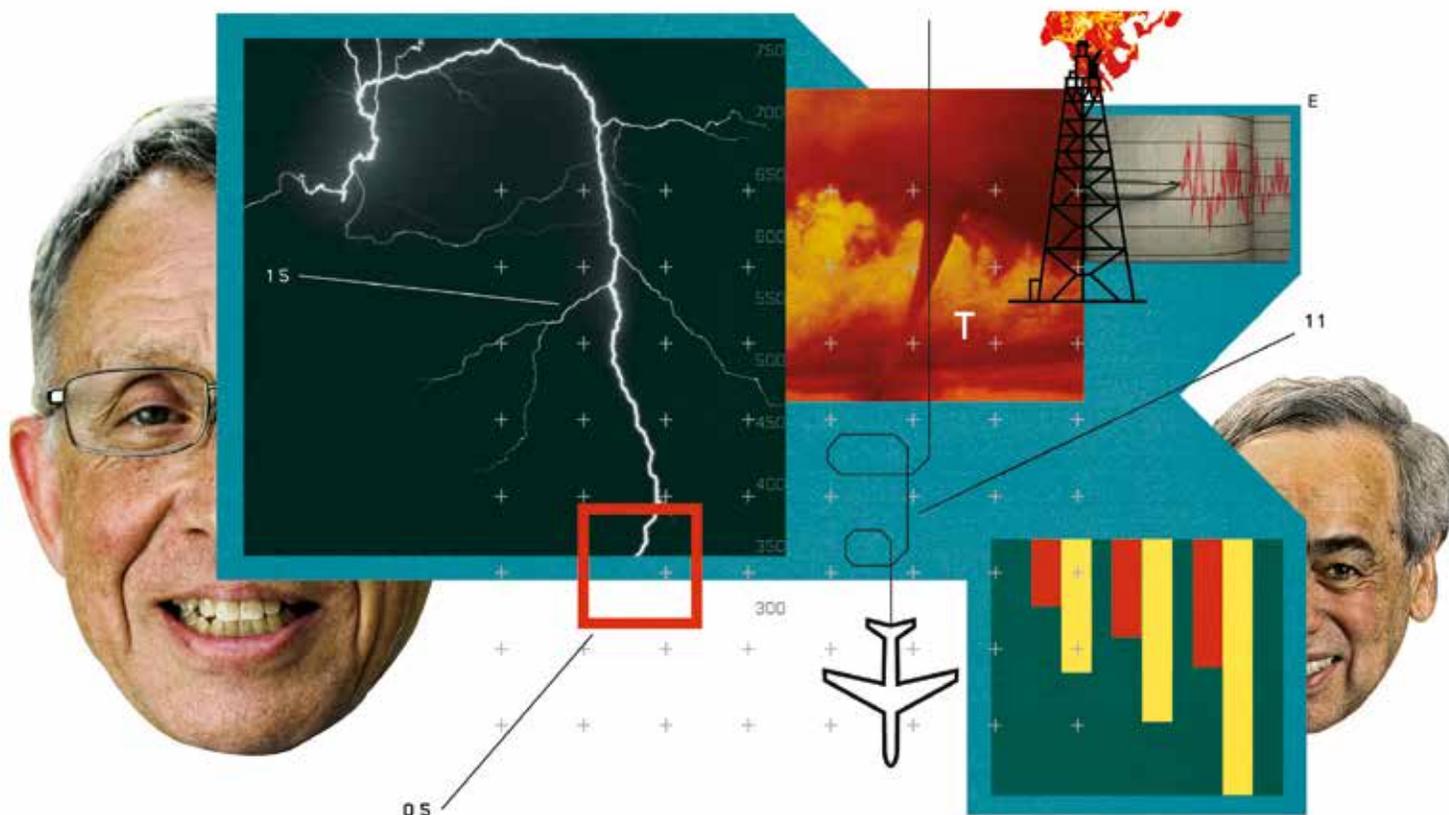
HK: There's a human element but also a structural one. Companies have processes and procedures that lead to short-termism: quarterly reports, annual bonuses. Things of that nature push employees to think short term because they're being judged on the short term. There's a challenge for firms to recognize that and consider things like contingent bonuses.

You've highlighted some biases that are hardwired into our brains and incentives that are built into modern businesses. Are you optimistic there's going to be real change any time soon?

MU: I would have been more pessimistic until we actually conducted these interviews with those 100 leaders. For a host of reasons – 9/11, Hurricane Katrina, the BP oil spill, Wells Fargo, Volkswagen – I think many companies and leaders have become much savvier about the downside risks. We often heard, you know, "There but for the grace of God go I."

One reason we wrote the book is to provide examples of how other companies have done it. Many companies that have been through a crisis become much better at managing risk the next time. But that's not a great way to learn how to deal with the world. Better to prepare for it before you have to live through it.

HK: I share Mike's optimism. We came out of our interviews feeling that a lot of these companies were trying to take the right steps. But I would also be a little bit cautious. For how long will they do this? Will they be motivated to go back to their old ways of thinking if nothing bad happens in five, 10 years?



80/20

Your research found how expensive reputation can be; what are some investments a company can make to safeguard it?

MU: The state of the world is that sometimes these enormous setbacks come from natural disasters. So in parallel with strengthening their internal risk-management schemes and protocols, companies have also become more involved in helping the communities where they operate recover from setbacks.

Virtually all large, publicly traded companies, in the wake of major disasters, intervene today. Our research found that for a company's reputation, it's important to become involved in disaster relief – not your own disaster, but that of others, if you operate in the region. That's the key point: If you've got a footprint there, then you become involved. If you provide services, products and cash – and this has to be handled well, obviously – then your local revenues will actually be enhanced. There's unequivocally a reputational advantage.

LIZ DAHAN is a Director in Brunswick's Washington, DC office, specializing in public affairs and crisis communications.

One of the 15 steps toward mastering catastrophic risk is to be unsurprised by surprise. How can leaders actually do that?

HK: Start thinking about their risk appetite and risk tolerance. The minute you ask, "What are you willing to tolerate?" you have to figure out what would happen and how you'd deal with it. It has often taken a BP oil spill or a financial crisis for companies to do that.

MU: Another way is to draw on the amazing intelligence you've already got in your company – both at the board level and at the front line, managerial level. The data's there. It's just a matter of pulling it up from the ranks.

Deutsche Bank, for example, is headquartered in Frankfurt. Who would've guessed that the Japanese 9.0 earthquake of 2011 and the resulting tsunami could affect Deutsche's operations? At one point, Deutsche almost shut down its Tokyo operations, since the Fukushima power plants looked like they might explode. Fortunately, Deutsche had already put in place a risk-management system. They had people trained and ready to go. It still was a surprise to Deutsche, like everybody else, but their people were prepared and empowered to respond to the unthinkable – in this case, evacuating 1,000 Deutsche employees in Tokyo and all their families.

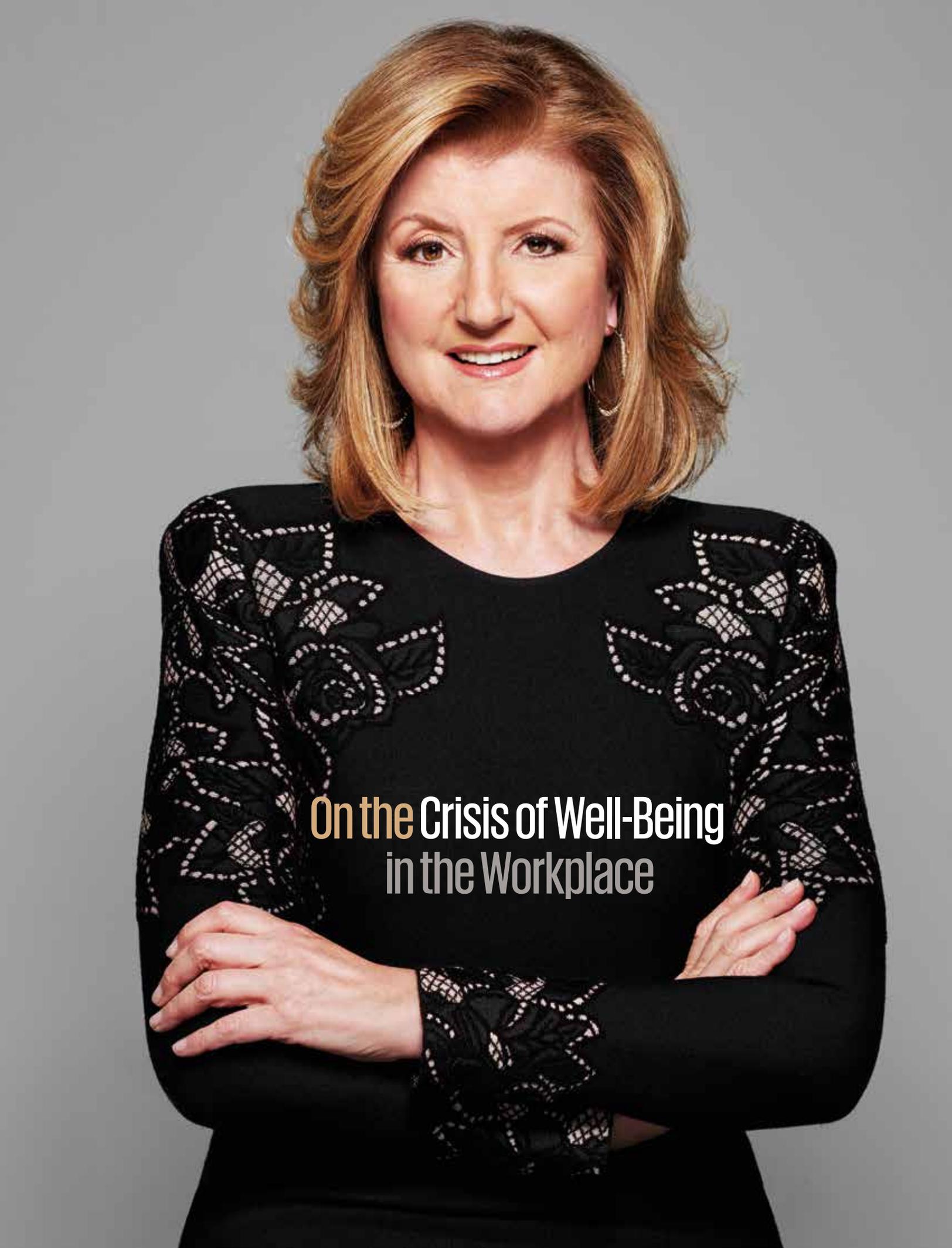
We're always going to be surprised by the particulars of a disaster – they tend not to repeat themselves exactly. But chance favors the prepared mind. ♦

A YEAR AFTER SHE'D BEEN NAMED ONE OF TIME'S 100 MOST influential people in the world, a sleep-deprived and exhausted Arianna Huffington collapsed at her home office. Her head smashed against the corner of her desk. Ms. Huffington awoke in a pool of her own blood. • That moment marked the beginning of Ms. Huffington's quest to "Ignore the workaholic wisdom that says we're lazy for not living up to the example set by notoriously self-professed undersleepers" – and to inspire others to do the same. • Ms. Huffington published the best-selling *Thrive* in 2014, a book that called for us to redefine what a successful life and career looked like: "More and more scientific studies and more and more health statistics are showing the way we've been leading our lives – what we prioritize and what we value – is not working." *Thrive* extolled practices such as walking, meditation, mindfulness and rest. One section's tongue-in-cheek counsel: "Sleep your way to the top." • A year later, Ms. Huffington left her position as Editor in Chief of Huffington Post to start Thrive Global, which helps individuals and companies address many of the issues highlighted in her book. Recently valued at more than \$120 million, Thrive Global works with firms like JPMorgan and Hilton to make their workplaces healthier and higher performing. The company also produces a range of content, from blogs to podcasts, to "serve as a global hub for the conversation about well-being and performance." • Thrive Global also sells quirky, health-conscious products. The phone bed, for instance, is a miniature bed meant to encourage people to "tuck their phones in" at night before going to sleep themselves. Its mini-sheets

The author, entrepreneur and well-being expert talks to Brunswick's **BLAKE SONNENSHEIN.**

ARIANNA HUFFINGTON

are made of microfiber cloth. Other products are digital. ThriveAway deletes or archives emails while you're on vacation; the app "Thrive" allows you to schedule blocks of time where you can't be reached on your smartphone and it will even auto-respond to texts on your behalf. One Washington Post reporter customized his auto response: "Arianna Huffington told me to put my phone away." • Ms. Huffington spoke recently with Brunswick's Blake Sonnenshein about what's broken with the modern workplace and what science suggests can fix it. She also had a message for leaders: "Well-being is no longer just an HR issue, it's a bottom-line issue."



On the Crisis of Well-Being
in the Workplace

To eat well, to sleep well, to exercise – these are ultimately personal decisions. How do employers promote arguably intimate choices without appearing to cast judgment or insert themselves into employees’ personal lives?

Yes, they’re personal decisions, but they’re also deeply impacted by our work and our workplace. We don’t check our humanity at the door when we leave for work – we take our whole selves to work. There is no work life and home life – there’s just life. What employers can do is not just encourage employees to prioritize well-being but also put in place policies that make that easier rather than harder.

At Thrive Global, we have a set of cultural values that we not only employ at our own company but also teach to others. One of those is to relentlessly prioritize and be comfortable with incompletions.

Nobody can do anything important, let alone thrive, if they don’t establish clear priorities and relentlessly ask themselves what matters most. It means knowing the difference between what’s important and what’s not – and what requires a quick turnaround and what doesn’t. When you determine that something isn’t a priority – or isn’t worth doing at all – that opens up new space, time and possibilities.

The second step is to realize that there isn’t anybody in any demanding job who can complete everything each day. Doing ambitious, meaningful work means having to embrace incompletions. If you’re able to complete every possible task before you go to sleep, you’re not challenging yourself enough. Structure your day so you’re able to declare an end to it knowing that you’ve handled the essential priorities – but also knowing that you’ll arrive tomorrow recharged and ready to tackle challenges and seize opportunities.

You often point out there’s a powerful business case for well-being. Why aren’t more corporate leaders realizing it?

Science unequivocally proves that fully recharged employees are a huge competitive advantage. If you’re running a company and you think qualities like decision-making, creativity, energy, focus, collaboration and innovation have no effect on the company’s long-term survival, then, yes, feel free to ignore the well-being of your employees and whether the workday of the company is structured to allow them a good night’s sleep. But I can tell you that that’s not a company I’d buy stock in.

Well-being is no longer just an HR issue, it’s a bottom line issue. Those that don’t care about it are ceding a huge competitive advantage. No good leader would leave such easily available resources and tools

“Studies show that US employers spend **200 to 300 PERCENT** more on the indirect costs of healthcare, in the form of absenteeism, sick days and lower productivity, than they do on actual healthcare payments.”

“In the UK, stress results in **105 MILLION** lost workdays each year.”

Source: Thrive, Arianna Huffington

for success unused, but it’s amazing that so many still do – though thankfully, fewer and fewer do.

One example of this cultural shift was a 2016 Harvard Business Review article about how “sleep deficiencies can undermine important forms of leadership behavior.” The authors are from McKinsey – and one of them is a sleep specialist. If someone a few years ago had shown me an article by McKinsey consultants saying that the way for executives to be better leaders is to sleep more, not less, and that McKinsey would actually have a sleep specialist on staff, I would have assumed the piece was in *The Onion*.

But the piece was real, and so is the science behind it. As the authors note, sleep has a profound effect on the brain’s prefrontal cortex, home of advanced cognitive processes like planning, decision-making and problem solving – all very handy skills for business leaders. “Sleep (mis)management, at one level, is obviously an individual issue,” the authors write. “But in an increasingly hyperconnected world, in which many companies now expect their employees to be on call and to answer emails 24/7, this is also an important organizational topic that requires specific and urgent attention.”

What about those who see well-being campaigns as a luxury for employers with money to spare?

They’re absolutely wrong. Well-being isn’t a luxury, or an add-on or a perk. It’s not about fancy cafeterias or having a gym in the office – a company can have all those and still be fueled by burnout and stress. Well-being needs to be woven into the DNA of a company’s core purpose and culture. And that’s not dependent on a company’s profit margin. It’s companies that are operating in challenging environments that most need the resilience well-being provides. And companies that realize this have a competitive advantage.

Could you have made such a success of the Huffington Post without the brutal work schedule and focus that led to your eventual burnout?

Absolutely. I wish I’d learned the value of prioritizing my well-being much earlier in my career. I now know that I still would have achieved whatever success I have, but I would have done it with more joy, more happiness and with less of a cost to my health.

We founded *The Huffington Post* in 2005, and two years in we were growing at an incredible pace. But after my collapse from exhaustion and sleep deprivation, I had to ask myself, was this what success looked like? Was this the life I wanted? I was working 18 hours a day, seven days a week, trying to build a business, expand our coverage and bring in investors.

In the traditional measures of success, which focus on money and power, I was very successful. But I was not living a successful life by any sane definition of the word. I knew something had to radically change. I couldn't go on that way. Today, I realize that whatever success I've been lucky enough to have was in spite of – not because of – overwork and burnout.

If you could get most CEOs in the same room, what is the one thing you would tell them to start – or stop – doing?

Model the company culture you want to see. Most CEOs and business leaders I talk to are on board with well-being. They know the connection between well-being and performance and a lot of them preach it within their companies. But even the best well-being programs won't be effective if there's not buy-in from senior management to model the change.

What about employees? What can they do on their own to manage well-being?

Be zealous about their well-being in the workplace, even if their employers aren't. And that means remembering that a great day starts the night before. All aspects of our well-being are intricately connected. If you're not sleeping enough, that will make you less able to handle stress the next day and more likely to compensate by doing things (like slamming caffeine) that will make it harder to sleep – and onward (or downward) the spiral goes.

It's important to remember that well-being is about all parts of your life, both at home and at work. If you prioritize your well-being, a virtuous circle will replace that vicious one.

What would you say to employees who work in cultures that still measure commitment by hours chained to one's desk or iPhone?

There are still too many companies using burnout as a proxy for dedication. And for those stuck in companies like that, I'd say, first, that they should try to use whatever influence they have to change their company culture.

If you can't get your employer to listen, it's important to prioritize your own well-being both at work and outside of work as best you can – that includes taking small two- or three-minute breathing breaks while at work, doing some movement exercises at your desk and, especially, making time to unplug and recharge outside of work, which can include things like taking walks without your phone or charging your phone outside your bedroom.

"Of all the sleep-deprived Americans, women are the most fatigued. Working moms get the least sleep, with

59

PERCENT reporting sleep deprivation, and 50 percent saying they get six hours of sleep or less."

"A study published in Science calculated that for the sleep deprived, an EXTRA HOUR OF SLEEP can do more for their daily happiness than a \$60,000 RAISE."

Source: Thrive, Arianna Huffington

BLAKE SONNENSHEIN is a Partner in Brunswick's New York office, specializing in both the consumer and private equity sectors.

Does your advice vary based on a company's size, or the country where it operates?

There can be different strategies employed when a large company needs to make changes throughout the company, and different cultures have different ways of talking about these issues, but the core principles are the same: to unlock the human potential of their employees by putting well-being at the center of the company.

The methods needed to scale the behavior change – whether it's in-person workshops, digital tools or, usually, a combination of both – are customized for each company. And regionally, we tailor our solutions to draw on the ancient traditions that every culture has to keep people connected with themselves and with what really matters.

Are you optimistic for the future of well-being?

Absolutely, we're in a real moment of transition. But cultural shifts like this don't happen on a dime. So what you see in times of profound transition are examples of the old paradigm that's being superceded right alongside examples of the new paradigm that's establishing itself. And that's where we are right now.

Exhibit A of the old paradigm is the recent saga of Elon Musk. After he gave an interview to The New York Times about how he'd been working 120-hour weeks and sleeping in the office for weeks on end, I wrote an open letter to him pointing out the fact that all elements of our job performance actually improve when we prioritize our well-being. The whole point was that it's a myth that we have to choose between ourselves and big ambitions and goals. I wasn't asking him to choose between taking care of himself and taking care of Tesla. I was reminding him that taking care of himself is taking care of Tesla. It's the same choice.

That's the old paradigm – and so many people who are stuck in it seem to believe it's either/or.

And on the other side, there's someone like former Aetna CEO Mark Bertolini. He's long been a leading voice for changing our workplace to leverage the connection between well-being and the bottom line. Years ago, he broke his neck in a ski accident, which led him to yoga and meditation. He then implemented a program offering meditation, yoga and mindfulness to Aetna employees. The result was a 7 percent drop in healthcare costs, and 69 minutes of additional productivity per day for the employees who participated, which Aetna valued at \$3,000 per employee per year.

So we're in this time when leaders are operating on two entirely different – and even mutually exclusive – premises. And we know from the science which one is going to win out. ♦

FOR DECADES, FORMER MILITARY LEADERS HAVE built successful businesses translating their service experiences into advice for corporate executives seeking a competitive edge in strategy, team-building or crisis management. So how is it that in just four years, facing stiff competition, a pair of former Navy SEALs have risen to the top ranks of executive coaching, shaking things up with an intensity and physicality rarely seen in the sector?

Jocko Willink and Leif Babin served together in Iraq during some of the most intense periods of combat the conflict saw. Shortly after leaving the US Navy, they founded Echelon Front “to educate, train, mentor and inspire leaders and organizations to achieve total victory.” They’ve also published two New York Times Best Sellers: *Extreme Ownership* in 2015 and *The Dichotomy of Leadership* in 2018. Mr. Willink’s “Jocko Podcast” is one of the most listened-to podcasts in the US.

Given the number of ex-military leaders writing books and giving speeches, what is it about these hard-bodied combat veterans that has enabled them to build such a devoted following – one that reaches beyond the business world? Brunswick’s Raul Damas and Edward Stephens did a grueling early morning workout to prepare for the interview, though both still felt slightly intimidated.

Why is military experience seen as a source of insight to business leaders?

JW: The US military is widely recognized as the world’s greatest leadership development program. Combat is the ultimate teacher, the harshest and most difficult instructor. It teaches lessons that you will never forget.

LB: Combat is like life amplified and intensified. Emotions run higher. The fear is more real. And the decisions leaders make have the ultimate consequences. So, if leadership principles are proven on the battlefield, then why not utilize those same principles in business? Even though the environment changes, leadership doesn’t change. Whether you’re trying to sell more widgets or are on the battlefield trying to kill insurgents, you are trying to get a diverse team unified behind a plan to execute the mission as efficiently and effectively as possible. That’s leadership.

How would you respond to the claim that military leadership works because subordinates are required to follow orders?

JW: Those who would argue this have watched too many movies. If you give military personnel an order that could get them killed or if they don’t believe in



Battle-tested LEADERSHIP

Decorated Navy SEALs and best-selling authors **JOCKO WILLINK** and **LEIF BABIN** talk early-morning wake-ups and crisis management.

the mission, they will push back against that order. Anytime a leader finds themselves thinking that they have it harder than someone else, that their challenges are greater than others face, it’s merely an excuse. Don’t give yourself that excuse.

LB: And when people talk about “rigid command structures” in the military, they should realize that the best teams don’t operate in a rigid manner – not in the military, not in business, not anywhere. I want my subordinate leadership to question me. I want them to develop their own plans. The optimal teams operate with a collaborative methodology. They work together to come up with a plan and execute it. This is true in the military and the civilian sector.

Leif, you’ve talked about the tendency for leaders to over-prepare, to over-plan. What’s the sweet spot and how do you know you’ve hit it?



Jocko Willink (far left) and Leif Babin served as US Navy SEAL officers in the most highly decorated special operations unit of the Iraq War.

Below, a photo Jocko Willink shared with his more than 500,000 followers on Instagram in November 2018. Its caption read: "UNMITIGATED DAILY DISCIPLINE IN ALL THINGS."



LB: Planning is crucial. If you don't plan for likely contingencies – that is a failure of leadership. But as with everything else, there is a dichotomy: Planning can be taken too far. If you try to solve every single potential problem that might arise, you overwhelm your team, you overwhelm your planning process and you overcomplicate decisions for leaders. This creates greater problems for the team rather than solving them.

How do you know when you've found the balance between planning enough but not too much? When your team is able to quickly react to problems, overcome them and effectively execute to accomplish the mission.

Jocko, you wake up at 4:30 a.m. What possible good can come from this?

JW: When you wake up early in the morning – before the enemy, before your competitor, before everyone else who will snatch time from you – you will be at an advantage. And I didn't make this up. Sun Tzu said it 2,500 years ago: He who arrives on the battlefield first will win. I just put a time stamp on it: 0430. Get some.

You're often asked about the "secret" to being able to wake up early, hit the gym, write a book, record a podcast.

JW: The shortcut to getting in good physical condition is to work out really hard – a lot. The shortcut to not procrastinating is to do what you're supposed to do when you're supposed to do it. There's no se-

cret or trick or hack. It's simple, but it's definitely not easy. And the cool thing about it is if you can just do these simple things, you can get ahead of your competitors. There are people who are always looking for the easy way. Part of that is driven just by a culture of looking for efficiency in the world. That is sensible. It is smart to do things the most efficient way. But sometimes people mistake efficiency for avoidance. And they think, "Oh, well, if I can just do this seven-minute ab workout I'll be good to go." And what that's really doing is avoiding the hard work that it takes to be in good physical condition.

LB: I'd add that people think that Jocko is this robot, and it's somehow easy for him and it's harder for me. But it's not. Jocko's a human being like anybody else.

JW: Negative. Negative. [Laughs]

LB: There are just a lot of people who want to take shortcuts; as Jocko just said, you have to do the work.

How has this dynamic surfaced in your advisory work at Echelon Front?

LB: When we started out, people would say, "What you're telling us is really common sense." And we'd say, "Well, that doesn't mean it's easy to implement. And if this is actually so obvious and easy, then why aren't you doing it?"

Is there a specific lesson you've learned working with the corporate sector?

JW: When I got out and I started talking to businesses, I wondered about the adjustments I'd have to make to talk about leadership in the corporate world. And the answer was, as I talked to more and more companies, I didn't change anything. The mistakes I saw leaders make in a SEAL platoon are the same mistakes that leaders make in the business world. When we work with a client, we have a fundamental combat leadership brief that we give. And that brief contains the exact same leadership principles that we used to prepare SEALs deploying to Iraq and Afghanistan.

LB: Whenever I encounter an outstanding leader in a company, regardless of the industry, I'll find myself saying, "This guy or this lady would be an amazing combat leader." Why? Because they're doing all the things that are necessary. They lead from the front. They set the example. They empower their team. They give their broad guidance and commander's intent. They let the team go out and execute. They take ownership of problems and mistakes when they happen, so they can actually solve those problems. They're building that within the culture of the team. Leadership is leadership is leadership. ♦

RAUL DAMAS is a Partner in Brunswick's New York office. He specializes in corporate reputation and crisis management. **EDWARD STEPHENS** is Deputy Editor of the Brunswick Review.



FIGHTING BACK

JIMMY DUNNE III allowed a journalist to chronicle his battle to rebuild Sandler O'Neill, which lost 66 people on 9/11. The resulting article on the investment banking firm paid tribute to the living and the dead.

Among those who perished in Sandler O'Neill's World Trade Center offices were Jimmy Dunne's two fellow senior partners, and a heroic trader who had saved the lives of several others.

A FEW DAYS AFTER THE HORROR OF SEPTEMBER 11, 2001, Jimmy Dunne III received a visit from a Fortune Magazine reporter named Katrina Brooker. She knew that Mr. Dunne was the sole surviving senior partner of Sandler O'Neill, an investment banking firm that had lost its headquarters and 66 of its 171 employees in the World Trade Center attack. Her question: Would Mr. Dunne allow her to shadow him and his fellow survivors as they sought to rebuild the firm from scratch?

Mr. Dunne had no experience handling the media. In the past, his two fellow senior partners – Herman Sandler and Chris Quackenbush – had taken those calls. In fact, Mr. Sandler had prohibited Mr. Dunne from talking with the media, regarding him as too direct. Mr. Dunne's role at the 13-year-old investment banking firm had been to run its trading desk and deliver bad news to employees failing to make the cut. "I was the tough guy, if you will," recalls Mr. Dunne.

But now Messrs. Sandler and Quackenbush were dead, and Mr. Dunne had little time to mull Ms. Brooker's request. The sense of urgency at Sandler O'Neill was so intense that Mr. Dunne was taking mere moments to make decisions that normally would take days, if not weeks.

Mr. Dunne told Ms. Brooker yes, despite knowing nothing about her or her previous work. In his mind, such an article could pay homage to his deceased colleagues, including his mentor, Mr. Sandler, and his best friend, Mr. Quackenbush. Mr. Dunne also thought the article could shine a light on the generosity he and Sandler O'Neill had received from other firms on Wall Street.

Mr. Dunne bought Ms. Brooker's argument that a distressed nation would take heart from the story of a decimated firm's battle to survive and thrive beyond the horrific murder of more than a third of its workforce. Understanding that such a story would require deep research, he invited Ms. Brooker to embed herself in the cramped quarters of the struggling firm, and she did so with fervor, showing up at the offices day after day just as if she were a Sandler O'Neill employee.

Fortune published the article in January of 2002, and 17 years later it raises a question. At

a time when companies are seeking to control their own narrative, is it possible that any company could produce so compelling and credible a portrait as that sketched by a talented and trustworthy journalist – especially amid a crisis not of the company's making?

The story that Mr. Dunne read in that issue of Fortune was sympathetic, sensitive, inspiring, powerful and accurate. It shows Mr. Dunne and his colleagues alternating between the tough work of reviving a firm whose back-office functions and Rolodexes had been destroyed – and the tougher work of delivering eulogy after eulogy at memorial services for the dead. It shows business meetings where heartbreak is palpable, for instance when mention is made of Mr. Dunne's murdered friend, Mr. Quackenbush. "His voice begins to shake, and he looks over at me with an intensity that I've never seen in my life," wrote Ms. Brooker. "Here is his grief: raw, open, blunt. He makes no effort to hide it; on the contrary, it's impossible to sit in a room with Jimmy Dunne and not feel overwhelmed. I have to look away."

Ms. Brooker captured, in a single quote, Mr. Dunne's rationale for providing extraordinary financial support and guidance to the families of the dead. "Fifteen years from now, my son will meet the son or daughter of one of our people who died that day, and I will be judged on what that kid tells my son about what Sandler O'Neill did for his family," Mr. Dunne said in the article.

Of course, Ms. Brooker was hardly neutral on the subject of Al Qaeda's heinous attack on New York. "I am a born and raised New Yorker – and I saw the towers go down that day. So this was an incredibly emotional story for me, and still is," says Ms. Brooker, now a writer for Vanity Fair and other publications.

Besides emotion, she invested extraordinary time and effort in the story, even by the standards of long-form journalism. "I started reporting in September and I handed in my final draft in December.

"I had so many notes, my editor and I made storyboards to organize them. I had a huge outline of the story mapped out before I sat down to write. There were many drafts, many late nights, many re-writes."

Seventeen years later, her admiration for Mr. Dunne persists. “Following Jimmy around was an indelible experience,” she says. “I have interviewed Jeff Bezos, Bill Ackman, Warren Buffett, Tim Berners-Lee (inventor of the World Wide Web) – all fascinating, but there is no one like Jimmy Dunne.”

Still, Mr. Dunne recalls what Ms. Brooker told him when they met for drinks following publication of the article. “She said, ‘Jimmy, what you did for me in terms of saying, ‘Yes,’ and being so open, do not ever do that again with another journalist.’”

Today, Sandler O’Neill is thriving, with a workforce of 318, almost double its size before the attacks. In an interview with the Brunswick Review, Mr. Dunne recalls how and why he participated in what ranks as a classic among the literature of 9/11. He also talks about a Sandler O’Neill victim who turned out to be a 9/11 hero. On a lighter note, the avid golfer reveals the makeup of his fantasy foursome.

How did the Fortune story come about?

One day Katrina and her editor came in, and they said they felt it was important to do a story showing what we were faced with day to day, and they wanted it to be an authentic story from the inside. Katrina wanted free and total access. And I remember thinking, “I got nothing to hide.” I also thought they seemed genuine about what they wanted to do, and I thought it was worth doing.

Over a period of weeks, actually months, she became well known around here. She was like an employee. If you didn’t know any better, you would have thought she was working here. She made her own decisions on who to speak with for the article. I didn’t direct that. She would meet and talk to people, and people were very open. She’s very smart, she’s engaging, she has a nice way about her, she’s interested in other people and she listens.

You never worried about what she might write?

Late one afternoon, I got a call from one of my partners asking, “How well do you know this Katrina Brooker?” At that point she’d been on the story at least a month. I said, “Not at all.”

By then, she’d been around several of our partners. “She knows a lot more about you than you think she does,” this partner said. He asked, “Have we checked her out at all?”

The answer was no. So I asked one of the young people here to find some of the things she had written, and when I looked at those stories I found that she was pretty tough on several of the people she had written about.

“HERMAN USED TO SAY I COULD MAKE ANY DECISION ON COMMITMENT TAKING BY MYSELF ... BUT IF I WERE TO SPEAK TO THE PRESS, I WOULD LOSE A TENTH OF MY PERCENTAGE POINTS PER SYLLABLE ... WHEN THEY WERE KILLED, THEN I HAD TO DEAL WITH THE MEDIA.”



In starting over, Sandler O’Neill received help from other Wall Street firms, including competitors. Its survival enabled it to support the families of the dead.

That was the first time I gave any thought to what she was doing. But when I thought about it, I still had the view that the article won’t be perfect, I’m not perfect, but the arc of the effort will be correct. Her questions made it clear she was a formidable person. But I didn’t worry about that. I didn’t have time to worry about that. I’d made the decision to trust her in the same way I made a lot of decisions at that moment – by the seat of my pants.

You have to understand that our temporary space was so small and so crowded that there was no alternative to total transparency. We were constantly making decisions on things little and big in a room full of people, including Katrina. In such close quarters we operated in a way that might seem rude today. Under those conditions it was the nature of the beast. If Katrina asked a question about something I didn’t want to talk about, for instance, I wouldn’t even answer. I’d just wave her off. We were in emergency mode, our focus was intense, and Katrina understood that.

Did you see the article before publication?

I did not see any part of the article before it was published. When it did come out, I read it and thought it was very good. I cringed at a few things that I’d said. But I didn’t regret saying them. I remember thinking that it was pretty authentic. She got it right, she got the moment right. She was sensitive to things, and she included a lot of different people.

About three weeks after it came out she called and asked me if I’d meet her for a drink. I said, “Absolutely.” I liked her. Everyone here liked her. To us she was like an employee. I still see her occasionally. Her husband and son went to the school that my two boys went to.

And for the first time ever, I played golf with her this summer.

Looking back at your experience with Fortune, is there anything that you would do or say differently?

I wouldn’t have told her about a colorful remark I once yelled at a trader back before 9/11. But really I have no regrets about the article. It came together during a period after the attack when I unabashedly gave everything I had every day, constantly making decisions along the way.

When your effort and focus is never less than 100 percent for two or three years, you might wish at times that you’d made a different decision about this or that. But if you’re getting an A for effort and attitude you can’t ask for much else.



Are you more guarded with the media today than you were with Katrina?

I don't think I'm guarded at this moment with you. It's just that back then, the circumstances were abnormal, they were raw, and everyone was emotional. You'd be carrying on a conversation with someone in the office and suddenly they'd break down.

Why didn't Herman Sandler want you dealing with the media?

Herman used to say that I could make any decision on commitment taking by myself whereas another partner would need four partners to sign off. But if I were to speak to the press, I would lose a tenth of my percentage points per syllable. With good reason. I'm very direct, which may not always be understood.

When they were killed, then I had to deal with the media. And I had to change in other ways. Herman was very tough, but he had a convivial and warm exterior, whereas I could be pretty cold when it came to business. When they were both killed, I had to have a gentler hand, and I tried to do that.

When did you first hear the story of Welles Crowther, the young hero, a trader for Sandler O'Neill, who helped at least 12 people escape the South Tower before perishing when he returned to save more?

It took a while for the information to emerge that a lot of people had been saved by the same guy, a guy in a red bandana, and then for his parents to con-

Within moments of learning that terrorists had destroyed his firm's offices, killing his friends and colleagues, Mr. Dunne, the firm's designated tough guy, vowed to fight back.



A mystery hero who saved a dozen people, before dying in the effort to save more, turned out to be Sandler O'Neill's Welles Crowther.

firm with those survivors that the guy who saved them was Welles. I may have read the story in the paper when it first came out, like everyone else. I was proud, I was proud of him, I was proud of his family.

I feel like we had good people. I remember being at the funeral of one of our people when somebody said to me, "How did we get so lucky to work with all these incredible people?" And I said, "Luck had nothing to do with it. It was a painstaking process of trying to make the right decisions on people and if someone was not of our grit or our will and our humanity, we'd decide that they wouldn't stay."

We had a methodology to get really good people. And Welles was a Class A, Example No. 1 of that.

Were you surprised when, after 9/11, other Wall Street firms - including your competitors - started throwing you pieces of deals to help you get moving?

I was stunned by it. When somebody called and told me they were putting us in a deal, I couldn't really understand at first. But I made two points to everyone at our firm. I said, "This is great, we're appreciative, and when the tables turn, and they will turn, we're going to respond the same way. Also, we'll know we're getting better when this stops."

What is next for the firm in terms of building the franchise?

We're expanding our client base, we're doing a lot more with private equity funds, with fintech funds, with insurance companies and debt issuance.

Each day we're trying to come out with something different. I feel good about it. But I've always been sort of paranoid and nervous about it, and I still am today.

At the moment of the 9/11 attack, you were on a golf course hoping to qualify for a tournament.

What's your golfing goal these days?

I'm going to be 62 tomorrow. This next year I'm going to get myself in the best possible condition, play in a lot more tournaments, and act like I'm 13 years old again trying to make the high school golf team. Wherever that takes me, I'll be okay.

In golf, what is your fantasy foursome, and where would you play?

My father, Chris Quackenbush and Bobby Jones. And I'd like to play at Augusta National. ♦

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KEVIN HELLIKER, a Pulitzer-Prize-winning journalist, is Editor in Chief of the Brunswick Review.

A program for donations of paid time off strengthens workforce satisfaction, says **KAROLINA KARR**, Brunswick's Chief People Officer.

Taking Care of Your Own

WHEN I SWITCHED JOBS AND STARTED WORK in the US in late 2011, I was prepared for the sticker shock of a system that relied on employers to provide health benefits. What I didn't expect to find was that, despite the tremendous costs of this system, there were times when employees with good benefits coverage would nevertheless find themselves in personal hardship situations with little support.

Imagine a single working parent who has to undergo cancer treatments but has already exhausted the limits of short-term disability insurance and all of their own paid time off; a parent who is now facing unpaid leave and the possibility of coming up short on their monthly pay check. Or a colleague who takes time off to care for a sick family member. Or an employee who needs additional time off after a storm or fire has damaged their home.

We all want to believe that the companies we work for will be there for us in the event of such an emergency. But there

are limits to what organizations may be willing or able to offer, no matter how tragic the situation. In that moment, will a loss of income be covered by insurance? Too often it is not.

Such a case was presented to me in the first week in my US role. It led me to conduct broad research and ask other HR professionals about creative solutions they may have encountered. I found organizations in the public and the private sectors that ran employee donation programs for paid time off (PTO), a basket that includes vacation, sick and personal time. These programs allowed employees to donate unused PTO into a pool available for colleagues in emergency situations. Many smaller companies had donation programs in place, started at the request of employees looking for a way to support a colleague in need.



THERE ARE LIMITS TO WHAT ORGANIZATIONS MAY BE WILLING OR ABLE TO OFFER, NO MATTER HOW TRAGIC THE SITUATION.

The feeling of social belonging, a sense of community at the workplace and among colleagues, is one of the most important factors influencing employee engagement. As a direct expression of the desire to care for and support others, a PTO donation program enhances that sense of community, creating in turn a greater loyalty and pride among employees.

A few **SIMPLE RULES** help make such a program successful:

1. Pool donations and don't earmark them for a specific employee. While requests to donate are often triggered by knowledge of individual cases, employees quickly understand the need to make donations equally accessible to all.
2. Have clear eligibility rules governing the distribution of donated time. What emergency situations are eligible? Are there prerequisites? For example, must the applicant use all their own PTO first?
3. Put a small team (such as the HR head and the general counsel) in charge of approvals to make distribution quick and avoid red tape.
4. Place an upper limit on donations per employee; even the most generous employee still needs to use PTO for themselves.
5. Have similar limits for PTO distributions to ensure there's donated time available for all cases.

Companies should consider matching employee donations. An employer match in the first year can encourage adoption of the program and ensure a bank of time sufficiently large to cover emergency cases as the program gets started. Similar matches could be set up as a recurring event to signal ongoing support for the program and the community.

The reactions from colleagues during the roll-out of our PTO donation program were some of the strongest, most positive I have experienced during my time as an HR professional. Employees proudly mentioned the program to friends and family, earning us a lot of praise by word of mouth. We maintained a regular flow of communication about the program and the bank of time never ran out.

Most donations didn't reach the upper limit and there was no pressure for employees to donate, but many gave an average of two days annually, especially toward the end of the year. Every application for an emergency distribution ultimately became a story of support and engagement – of feeling part of a caring community that had the ability to do the right thing. ♦

KAROLINA KARR is Chief People Officer at Brunswick, based in New York. Previously, she held senior HR leadership roles at Allianz in New York and Munich.



OVERNIGHT, YOUR INFORMATION SECURITY team discovered unauthorized access to sensitive files. Early this morning, your technology team confirmed some file IDs have been changed and cannot be accessed. Both teams propose taking the network offline until they can find the root cause. This means your people can't work and your customers can't use your services, potentially for days.

You don't know how much information has been accessed, what has been done with it, who has it or for how long. You do know that you cannot serve your customers and, if their accounts have been compromised, their businesses could also be at risk.

This is now your job for the foreseeable future. Good morning.

Blame Game

Your company is now in the spotlight. Rightly or wrongly, in the case of a cyber incident, the brunt of the blame falls on the victim of the attack – not the perpetrator. In a Brunswick Insight survey, financial media readers in the UK indicated that they're well aware of the usual suspects who carry out these attacks. Nearly nine in 10 respondents recognize serious threats from nation-state actors, global terror

Don't let the discovery of a **CYBER BREACH** be the first time you've thought about how you will handle it, say Brunswick crisis and cyber specialist **WENDEL VERBEEK** and Brunswick Insight's **JEREMY RUCH**.

groups and individual criminals. Even so, nearly half (47 percent) say they'd blame the business that fell victim to the attack, compared to just 32 percent who would blame the perpetrator (Chart 1 on next page).

Companies not meeting expectations of preparedness are the biggest target for blame. In our survey, 83 percent say they're concerned services they rely on will be disrupted (Chart 2); just 53 percent say they're confident those businesses can prevent an attack. Only 10 percent say they're very confident.

Cyber attack headlines are now part of our daily newsfeed. Perhaps we are more accepting of the idea that our personal data has been breached, and we know we bear some of the responsibility to watch out for fraud. But we still expect companies to take all the right steps, mainly because:

You should have seen this coming. "When, not if" has long been a stark warning from cyber experts and regulators.

You should have been better prepared. Despite growing awareness that business can be brought to a standstill, adequate steps are rarely taken in advance.

It Matters

These events have consequences for leadership, employees, customers, partners and investors. Each

expects that the appropriate steps are being taken by the others to protect the company and sensitive information. But do they all understand the potential financial and reputational consequences?

Regulatory repercussions. The General Data Protection Regulation took effect in May of 2018. We don't know yet what fines for the worst offenders will be, but they could amount to 4 percent of global turnover. The regulator could also force companies to suspend business if they aren't satisfied the proper steps to protect data have been taken.

Loss of business. The June 2017 NotPetya attack aimed at the Ukraine caused material sales impacts for a number of global companies. They were simply collateral damage, the result of perhaps even just one user clicking on malicious links. Maersk has used the experience to warn others. They reported \$265 million lost sales in a quarter following a 10-day period where the company was reduced to pen and paper while it reinstalled all of its IT systems.

Share price impact. Breached companies see immediate share price impact and underperform the market in the long term. An analysis by Comparitech of 28 breaches showed that these companies underperformed the Nasdaq by 4.6 percent over the first 14 days and by 11.35 percent over two years.

Lost productivity. Responding to cyber attacks weighs on your company's performance. Production loss accounts for one-third of a company's annualized costs due to cyber crime, the 2017 Accenture and Ponemon study found.

Executives are collateral damage. Companies that have suffered major breaches, like Yahoo!, Equifax, Target and Uber, often see the resignations of either their CEO, CISO and/or General Counsel.

Class action lawsuits. These are not limited to the US. We saw a firm threaten a group action suit against British Airways within days of the September 2018 data breach.

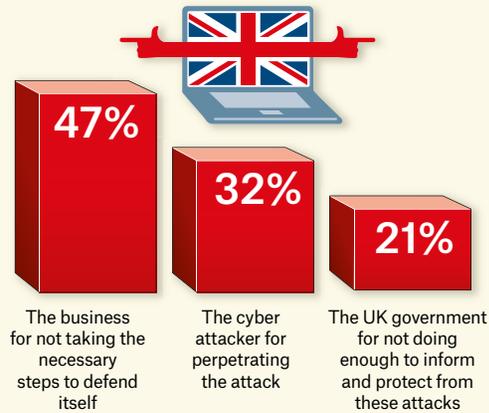
Preparation Pays

This is the seatbelt moment for companies. The expectation is on them to protect their business and any that they work with by thinking now about how to increase cyber reputational resilience. Consider the critical decisions you will be faced with to inform your everyday approach to arming your people, systems and your leadership team:

1. Align your response team. Swift coordination in a pressured situation requires a defined decision maker. The CEO needs to know when that decision-making power should sit with her and how the critical details to inform decisions will be shared. When

1. FINGER POINTING

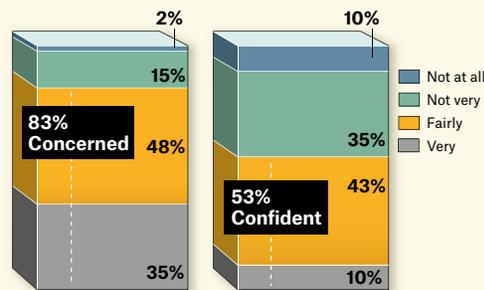
Who would you blame if a business you use here in the UK experienced a cyber attack that resulted in serious inconvenience or disruption for your life?



2. CONCERN VERSUS CONFIDENCE

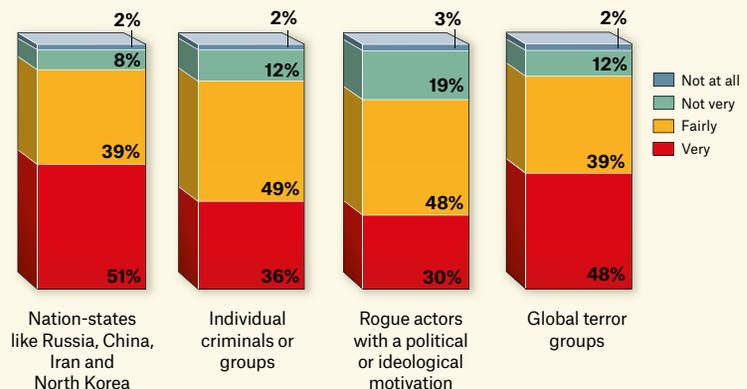
LEFT, how concerned are you that a business or service you rely on will be disrupted?

RIGHT, how confident are you in their ability to prevent a cyber attack?



3. WHICH GROUPS POSE THE GREATEST THREAT?

Based on your understanding, how serious are the threats posed by cyber attacks from each of the following?



Source: Brunswick Insight

facing a business unit incident that affects a global customer base and requires international regulatory alerts, that responsibility can get muddled.

The smoother the public response, the shorter the public follow-up cycle and scrutiny. That only comes with practice.

2. Consider the tough decisions. You want to be able to offer your customers something in response to a potentially protracted disruption. The first debate about exactly what that offer will be should not happen under the pressure of a tight deadline. As with any critical decision that could affect your long-term reputation with customers and employees, understand the likelihood of risks and weigh how you could respond.

When would you advise customers of a potential risk? When should you inform the market, given that it may be some time before you have a complete picture? How often should you communicate during the disruption? How will disclosure affect different parts of the business? You have to be prepared to communicate clearly but cautiously and your first communication has to be accurate.

How would issues in different regions drive decisions? Global companies must reconcile the different cultural and geopolitical pressures around the level of information expected in each market when hit with a cyber incident. Which of your markets will guide your response strategy?

How would you respond to extortion? Does your executive team agree how you would respond to threats of extortion? Would you take a public stance around refusing to pay ransom, and is that more effective in your key markets?

3. Get to grips with the potential consequences. With the right questions, you can understand where you are most at risk of a cyber incident. That should inform both how much you put toward mitigation of key risks and how you prepare to respond. If a phishing attack could grant access to sensitive IP critical to your business, extra defenses and training are required.

Are those most sensitive systems the first ones your information security team would check at the notice of potential unauthorized access? Do you appreciate the level of complexity involved in understanding what could have been accessed? Where will you need to be prepared to offer compensation and how much?

4. Increase your IT security literacy. There is a call to action for boards to increase their understanding of the cyber risks their companies face, and to do that they need to understand their current defenses.

This extends to the preparedness of the members of your supply chain.

Earn a Return from Managing Cyber Risk

Cyber resilience is not just a matter of risk management. Robust preparation across your business should be value enhancing.

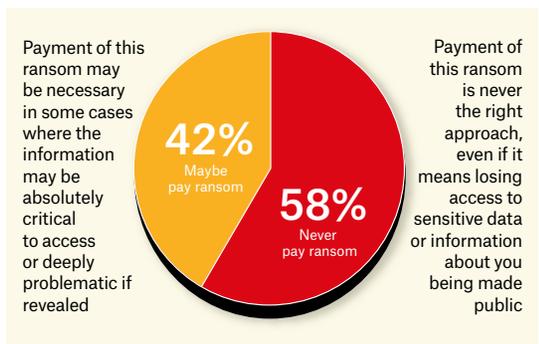
An informed executive team will demand higher standards from everyone in the business. If it is a theme heard from the top, information security will be echoed across the business making it a message your customers and partners hear too. Employees want to be part of a solution and understand the role they play.

Good management appeals to investors. Our survey shows a very positive response to senior executives detailing how they've dealt with ongoing cyber threats and strengthened defenses and preparation.

Cyber attacks can disrupt business and carry long-term consequences. Hackers work full time to get into your system. Advance planning and company-wide cyber awareness can make their job considerably harder. ♦

THE SMOOTHER THE PUBLIC RESPONSE, THE SHORTER THE PUBLIC FOLLOW-UP CYCLE AND SCRUTINY. THAT ONLY COMES WITH PRACTICE.

4. EXTORTION RESPONSE



“WARNING! All your important documents are now encrypted and cannot be unlocked without a unique private decryption key. You have 48 hours to pay \$5,000 or your files will be permanently locked.”

Messages like this throw millions of people into panic each year. For those who find sensitive business or financial information locked and inaccessible, this is an immediate crisis.

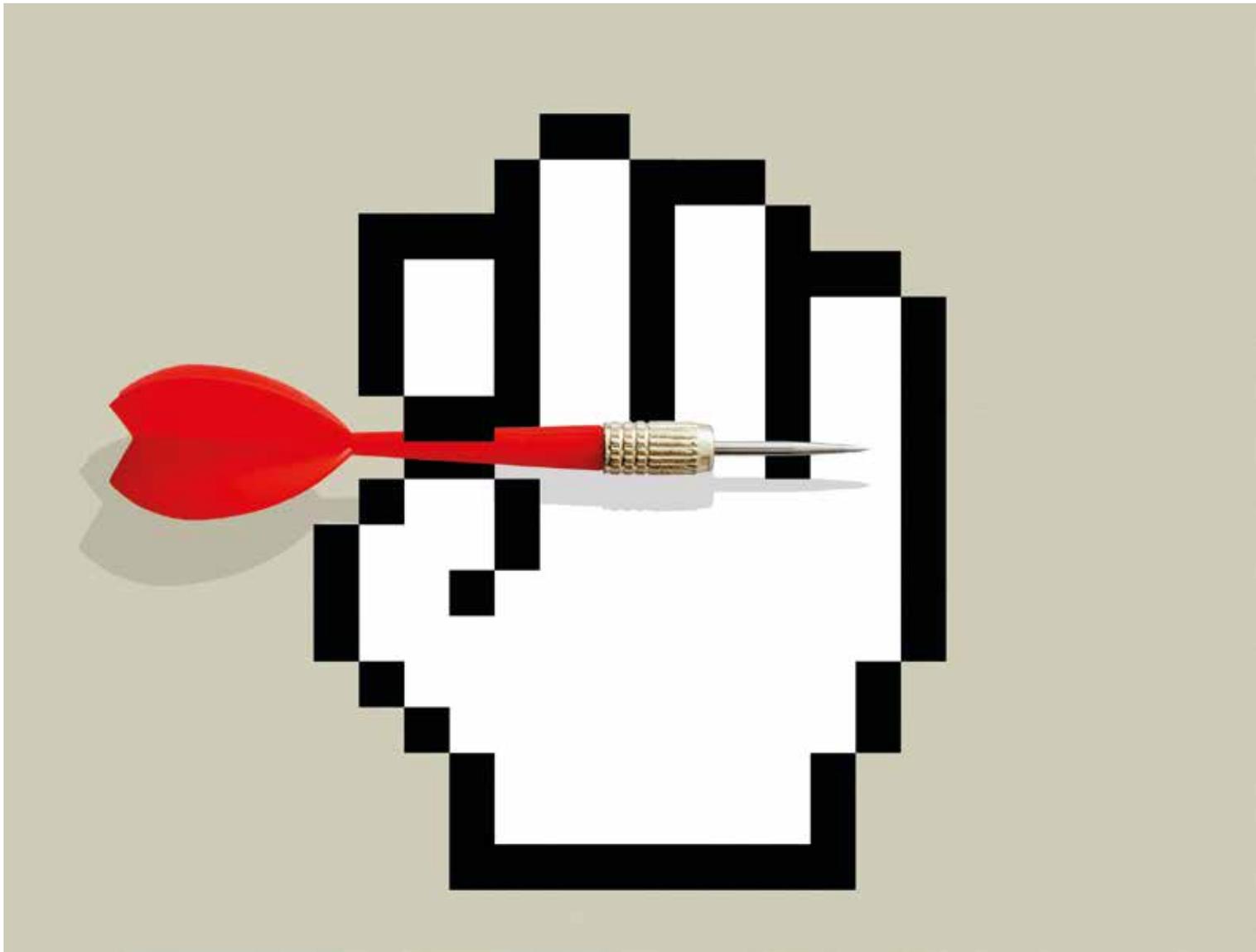
We’d all like to think that cyber attacks and ransomware find victims only among

the most unsuspecting and unprepared. And, we all know that paying a ransom is never recommended as it frequently doesn’t even give you renewed access to your data.

Or do we? In a survey of 316 UK readers of top-tier financial publications conducted by Brunswick Insight, 42 percent said that paying a ransom may sometimes be necessary when the information is absolutely critical to access, or if it would cause deep problems when revealed.

JEREMY RUCH and **WENDEL VERBEEK** are Brunswick Directors, based in London.

SURVEY: BRUNSWICK INSIGHT research conducted between September 21 to 24, 2018 in the UK among 316 readers of top-tier financial publications.



MUCH HAS BEEN MADE ABOUT THE RISE of fake news – false reports that look like genuine news articles – and the threat it poses to elections and democracy in general. Less well understood is the role disinformation can play in damaging the reputations of private corporations and institutions. Ill-timed disinformation attacks – perhaps around an IPO, key investor meeting, merger or product launch – could result in a significant loss of value.

For example, in April 2016, a clickbait site posing as TV news published false reports that Coca-Cola’s bottled water brand Dasani was being recalled because of the presence of a parasite in the water that purportedly caused “several hundred” hospitalizations. As an illustration, standing in for an actual parasite, the hoax story carried a spooky image of a flat and transparent eel larva.

Falsehoods in the marketplace have a long history. What’s different now is the ease with which they can spread. True, opinion is protected by free speech rights, but corporations are not defenseless against intentional distortion, especially when used to enrich another party.

We asked WilmerHale Partner Jason Chipman and Senior Associate Matthew F. Ferraro, who are both visiting fellows at the National Security Institute at George Mason University, for their thoughts and insights into what legal options C-suites may consider when faced with a crisis brought about by disinformation attacks.

What kind of threats do businesses face from fake news?

Fake news is just a new way to refer to an old problem of false reports, misinformation, innuendo

and smears, all of which can threaten corporations in profound ways. We generally group these threats into three categories. First are individuals motivated by animus, ideology or a simple desire to make trouble. They operate largely independently and do not seek remuneration or ransom but merely the satisfaction of damaging corporate brands they dislike. These actors leverage near-anonymous social media, like 4Chan, to find like-minded confederates and utilize specialized, “news article”-producing websites to target brands with relatively slick content.

TARGET of Disinformation

In August 2017 for example, agitators launched a bogus campaign against Starbucks with tweets advertising “Dreamer Day,” that claimed the coffee company’s US stores would give out free Frappuccinos to undocumented immigrants. Advertisements, complete with the company’s logo, signature font and pictures, raced around the web with the hashtag “#borderfreecoffee.” It was all a hoax dreamt up by a rabble-rouser on 4Chan who wanted to inflict pain on what he called a “liberal place.”

The second group covers actors who seek some defined benefit by engineering the release of misleading information. These individuals might aim to accrue advertising dollars by pushing traffic to websites or videos. Think salacious, attention-grabbing clickbait headlines that sound too good to be true – because they are. Similarly, false or misleading stories released at the right moment can drive down stock prices and provide opportunities for stock shorts and other financial windfalls.

In October 2018, for example, shares of both Broadcom and CA Technologies briefly plunged after a memo purporting to be from the US Department of Defense appeared, which said that the Committee on Foreign Investment in the United States (commonly known as CFIUS) would review Broadcom’s \$19 billion acquisition of CA Technolo-

gies. But according to press accounts, the memo was a forgery. Neither the DoD nor CFIUS were reviewing the deal. It is not clear who authored the phony document, but short sellers would have profited handsomely from the dip.

The third group includes state-backed actors. While we have seen no public evidence of them targeting private companies with fake news, it may be only a matter of time. One can easily imagine foreign cyber operations targeting the reputation of American companies with disinformation campaigns that seek to damage their brands and drive business to a foreign country’s national champion.

Going forward, it will be critical for corporations to know how to navigate a world in which deceptive “news” stories propagated by all of these actors can race around the world at the speed of light, threatening reputations and revenue streams.

WilmerHale attorneys **JASON CHIPMAN** and **MATTHEW F. FERRARO** talk fake news attacks and the law with Brunswick’s **PRESTON GOLSON**.

Have there been any digital disinformation cases where bad actors have been found or convicted?

This is a relatively new phenomenon with no obvious examples where purveyors of “fake news” were held liable for false reports. But trafficking in innuendo and libel is an ancient vice and current laws provide significant protection and well-established causes of action that can likely be employed. It is just a matter of applying proven strategies to new contexts. Consider the potential applicability of the following causes of action, among others.

Defamation and Trade Libel. There are many cases where courts have sustained claims for defamation against people who post smears on customer review websites. The same logic would apply to people who manufacture genuine-looking news articles that are just dressed-up libel. False statements denigrating the quality of a company’s goods or services may also give rise to a claim for another tort known variably as trade libel, injurious falsehood or product disparagement. These torts are broader than pure defamation because they are not typically confined to false statements that damage a company’s reputation.

Economic and Equitable Torts. State laws protect against malicious and dishonest interference in another party’s future business relationships, which is essentially what fake news targeted at corporations

does. For example, the “Dreamer Day” hoax was intended to harm Starbucks’ business with third-party patrons of their stores. Similarly claims for deceptive trade practices and unjust enrichment could also likely be made against unscrupulous short sellers who rely on fake news to drive down stock prices.

Intellectual Property Law. Federal trademark infringement laws could provide a cause of action against anyone who posts a fake news item which incorporates a company logo to make an “article” or post look genuine, because the poster would be using a trademark in a manner that would be likely to cause confusion among consumers.

The purveyors of disinformation are often overseas. Does international law offer any recourse for businesses?

This is a global problem, and that poses a hurdle to successful suits in US courts, but it can be surmounted, depending on the facts of the case. Furthermore, many countries have protections similar to those found in US law.

When is suing or seeking law enforcement action useful to counteract disinformation?

This is an important question that each client must answer for itself. It’s important to consider remedies short of litigation, as well. For example, engaging with web-hosting platforms may reveal potential remedies to limit the damage from false stories. Where litigation is being considered, key issues to evaluate include:

- 1. Jurisdiction.** Does the hoaxer reside in the US or have sufficient contacts with the country to establish jurisdiction?
- 2. Ability to pay.** Is the defendant judgment proof? Do they have any funds to pay a civil award if they are found liable?
- 3. Time and expense.** Litigation can be expensive and slow. A client will need to consider whether the effort is worth it in time and money.

On the other hand, litigation not only can vindicate a corporation’s rights but also deter other malefactors from similar behavior, bring to light valuable information about opponents, or expose wrongdoing to the press and the marketplace. Businesses will want to consider the facts of each situation and confer with outside counsel before making any moves.

Are there other ways corporations or institutions could respond to digital disinformation?

Fake news poses a serious threat to the integrity

of corporate brands and their bottom lines. Like other new phenomena, such as cyber hacking and ransomware, corporations should not wait for the worst to happen before taking proactive steps. We recommend three broad strategies to defend against digital disinformation.

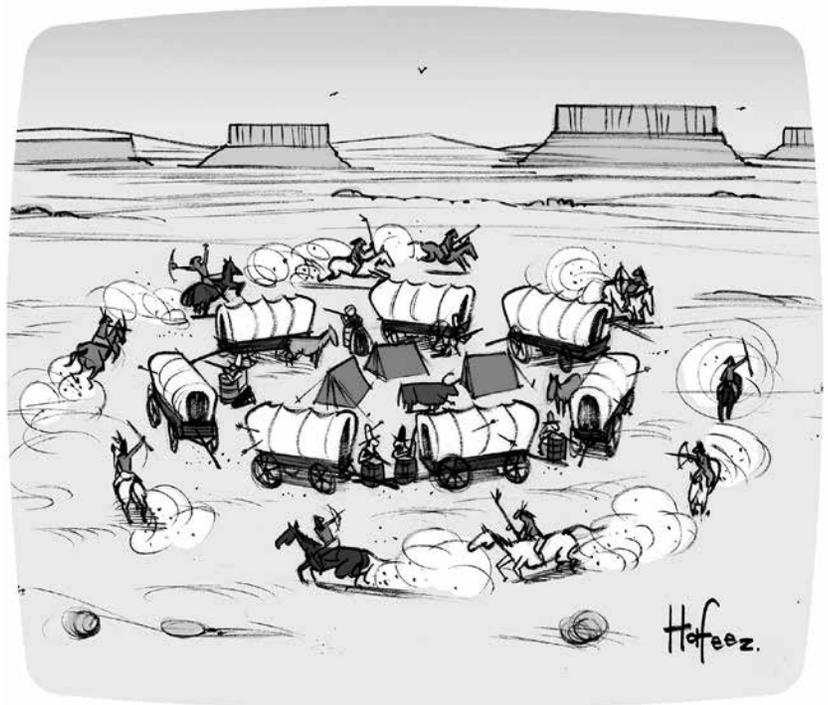
First, prepare. Increasingly, companies prepare for cybersecurity breaches through planning and table-top exercises. In the same vein, now is the time to game-out how a company will handle a fake-news attack. Assign roles to in-house talent who will lead in a crisis. Identify third-party validators who will vouch for the brand. Establish a brand presence on all major social media platforms, from Facebook and Twitter, to Instagram and Snapchat.

Second, proactively engage in the new media environment. Do not be caught flatfooted when an anonymous Twitter troll’s misinformation reaches traditional media outlets. Stay attuned to what is being said about you and your brand. Communicate with your customers, business partners, employees and suppliers. Build trust so they know to whom to turn with questions about what’s true and fake.

Third, speak for yourself. Be prepared to talk directly to customers and the public at large to debunk fakery. In this context, the solution to bad speech is more direct and credible speech. ♦

“DO NOT BE CAUGHT FLATFOOTED WHEN AN ANONYMOUS TWITTER TROLL’S MISINFORMATION REACHES TRADITIONAL MEDIA OUTLETS.”

PRESTON GOLSON is a Brunswick Director based in Washington, DC. He is a former CIA spokesperson.



*“We know the cavalry aren’t coming, but if we announce it on Twitter, they’ll probably **think** the cavalry are coming.”*

ILLUSTRATION: KAAMRAN HAFEEZ

A terror attack is no time to learn how to respond, says Brunswick's **PADDY MCGUINNESS**, former crisis response lead for the UK.

Trust **EARNED**

THE BRITISH PUBLIC ARE USED TO TERRORIST attacks being prevented. So they might have been rattled by the five that got through in 2017. British politicians play up the British stiff upper lip, or “Blitz spirit,” but they are careful not to rely on it absolutely. It was the preparedness of the British system that buoyed public confidence.

The operational response to these attacks was beyond competent; it was inspiring. The government demonstrated an impressive grip on the situations as they happened. When people were mown down by a car on Westminster Bridge, the paramedics’ response was near instantaneous. The armed response to the London Bridge attackers was lightning fast. A senior police officer named Mark Rowley explained events publicly with an authority and tone that reassured. Police social media messaging was fast, economical and of real use to mainstream journalists. Following meetings of the government’s crisis mechanism, COBR, senior ministers spoke to cameras conveying purpose and control. Order was made of what might have been confusion.

This calming effect was replicated for major cyber events but with more difficulty. The public are less familiar and less forgiving with how these play out. Media coverage is often less supportive, as when North Korea’s Wannacry ransomware infected the National Health Service in 2017. In response to this type of crisis, journalists and activists like to “blamestorm.” On a technical subject where lack of expertise is easily revealed, corporate and government leaders who try to explain matters put themselves at risk. We managed this by having the technocrat Heads of the National Cyber Security Centre and National Crime Agency stand in front of the cameras together to explain what was happening and what steps those affected should take. A single Minister, Amber Rudd, briefed on the language and approach needed for cyber incidents, was chosen to speak to cameras.

The Novichok poisonings in Salisbury strained the system in another way. There was a massive operational response, the center of an English market

town occupied by the military vehicles of crews specializing in chemical and biological defense. But there was little to say publicly and the use of chemical weapons understandably provoked fear. It all took a very long time (indeed it is still going on). Looking back now, though, the thoroughness of the police investigation leading to the identity of the Russian attackers, their unmasking by the investigative site Bellingcat and the validation of British announcements by the Organisation for the Prevention of Chemical Weapons all reinforced the public’s sense that the UK’s response system can be trusted.

You don’t want to be learning your crisis-response processes the day of an event. Britain developed its crisis-response mechanism, COBR, following the attack on Israeli athletes at the Munich Olympics in 1972. The British process was refined during years



Police in forensic gear search in Parliament Square in 2017, the day after a knife-wielding assailant plowed through pedestrians on nearby Westminster Bridge and stabbed a police officer. More than 40 people were injured and four died, including the attacker, who was shot dead by police.

of attacks by the IRA and Middle Eastern violence. Prior thought about what to do and say – and indeed who might say it – pays huge dividends. This is even truer when the subject is technical, as during a cyber attack or (God forbid) chemical event.

Especially important is to prepare as a team. As the crisis-response lead in the UK from 2014 to 2018, I always felt most wary when I had a new set of ministers who hadn’t worked an event together. One didn’t know how the decision-making chemistry would work or how differences of approach would play out or, indeed, how raw politics would feature. Best to explore those questions and build a compact approach before crisis strikes. You won’t be forgiven if you get it wrong – or given another chance to get it right. ♦

PADDY MCGUINNESS is a Senior Adviser for Brunswick based in London. He served as the UK Deputy National Security Adviser for Intelligence, Security and Resilience.

It is 8 a.m. on a Tuesday morning and the Director of the White House Military Office is on the phone telling me about a situation that is urgently unfolding overseas...

THUS BEGINS ANOTHER DAY RUNNING THE White House Situation Room – the President’s 24/7 operations and information center. From my tiny office, I can see the deputy secretaries of the departments of State and Defense arriving for a meeting. As they secure their mobile devices and head to the large conference room, I hear a buzz building on the watchfloor – something bad has happened. I step out of my office to overhear the chatter – a bombing in a foreign country – as the duty officers are reaching out to other federal operations centers to learn what is known.

Before the team can send an email notification about the bombing, the National Security Advisor calls for an update (based on a CNN report). The President’s assistant calls with an urgent request to connect the President to a foreign leader on an economic issue.

It isn’t even 8:15.

The Situation Room – actually a suite of small rooms taking up over 5,000 square feet of space in the White House – was established in 1961 after the Bay of Pigs to provide the President with timely and unbiased information. It is an information watch and warning center for the White House leadership and the National Security Council staff. Situation Room staff provide the first official alerts about events breaking worldwide. We are the hub for crisis management. The staff – mostly military and intelligence officers with backgrounds in collection, analysis, communications and technology – spend one to three years assigned to the Situation Room from other federal departments and agencies.

Leading the White House Situation Room provided a front seat to crisis leadership and the ways in which we prepare for and respond to crises, including the operational, such as standard operating procedures and training programs, and the interpersonal, focusing on relationships and leadership. Lessons from the Situation Room demonstrate the importance of these foundations.

LESSON 1: No two crises are the same. An active shooter at a federal facility in Kentucky versus a terrorist attack unfolding across Paris. These events have commonalities – unfolding in real time, casualties, Americans affected – but their differences are important. Different partners (homeland security organizations versus intelligence or diplomatic

SITROOM'S HOT SEAT

agencies), stakeholders (domestic response versus international engagement), even time zones (important when planning calls to a governor versus calls to a foreign leader).

Anticipating crises and having plans for how you respond are essential to successfully leading through a crisis. Plans help standardize responses and reduce pressures that arise by identifying initial steps to take. Since no two situations are the same, it is key that organizations keep thinking and innovating. During a crisis, questions of “who needs to know?” “what would I need to know to make a decision/respond?” or “what are we not thinking of?” keep the organization engaged in the crisis to ensure effective information gathering and facilitate an appropriate response.

LESSON 2: Train and exercise. Who briefs the President as a crisis unfolds? The military aide (milaide)? The National Security Advisor? What if the President wants to make a call – who sets the call up? In both real scenarios and in crisis exercises, these were often the tripwires for confusion: the milaide follows up on the President’s request by reaching out to the White House Communications Agency to set up a call to a foreign head of state without realizing that the National Security Advisor has tasked the Situation Room with the same call.

Training and exercises help socialize plans, generate creative thinking through worst-case scenarios, and build trust and communications within and across teams. Training and exercises are most valuable when you test communications and integration across relevant parts of an organization. In a hierarchical setting, it’s far too easy to simply relay information straight up without context. By setting up plans that avoid such stove piping, leadership can, in the moment, more clearly understand roles and responsibilities, and identify efforts that are duplicated and those that are left unattended. Training and exercises also provide feedback for plans, making



CRISIS LESSONS
from Brunswick’s
MAREN BROOKS,
former Director of
the White House
Situation Room.



sure they reflect current organizational structures, functions and responsibilities.

LESSON 3: First reports are indicators, but not the whole story. In the Situation Room, we first learned of a shooting at a federal facility in New York from social media. But a social media account would never be the source of a report we would share with the President. Our job was to use that tip to begin to build the full story – answering questions about who, what, how many, why – questions that could take hours or even days to answer.

When a crisis is unfolding, everyone wants to have all the information before briefing leadership or, if you are leadership, before acting. In today's world, where the media cycle is down to minutes and social media can share messages around the world instantly, there is often not time to ensure that the informa-

"IN A CRISIS, INFORMATION IS CONSTANTLY EVOLVING EVEN AS A RESPONSE IS NEEDED AND ACTIONS NEED TO BE TAKEN."

tion is accurate and complete. In a crisis, information is constantly evolving even as a response is needed and actions have to be taken.

However, you must act. In acting, you can demonstrate leadership, fostering trust and transparency. For us in the Situation Room, this meant working with partners (both internal and interagency) to gather information and let people know we were tracking a situation. It also meant clearly caveating initial reporting (for example, "initial press reports indicate that...") to help decision makers understand where we were in the story.

There is a related lesson about managing the flow of information in a crisis. In the same way that too many cooks spoil the broth, too many information sources create confusion and can breed circular reporting. A best practice during a crisis is to have a focal point (person or organization) to gather, deconflict and synthesize information as it comes in.

LESSON 4: There is no such thing as a dumb question. It is essential to ensure leaders and decision makers understand the nature and details of the crisis individually, but also that they share an understanding of the situation. Asking questions helps draw out information and points of confusion, misunderstanding or disagreement. For the Situation Room, questions can be tactical, like understanding precisely where an overseas terrorist attack or domestic incident happened. Or questions can be strategic, such as "does this make sense?" – does it make sense that a tribal group engaged in a civil war would conduct an attack against a foreign nation-state? Such details can help drive follow-up, clarify the narrative and sharpen a focus on facts.

LESSON 5: You are never more important than the job at hand. This is really about leadership, especially leadership in a crisis. Teams need to know they can rely on their leadership for top cover but also to do whatever needs to be done. Sometimes that is briefing the President; sometimes it is cleaning up coffee stains in a conference room, answering a phone or getting the Vice President coffee. Leaders who can demonstrate their willingness to do whatever needs to be done will not only build goodwill with their teams, they will build teams who will follow them into battle. ♦

MAREN BROOKS is a national security and counterterrorism expert and a Director in Brunswick's Washington, DC office. She has served in senior positions in the White House, National Counterterrorism Center and the Department of State.

UNHOOKED

IN THE FILM VERSION OF CASINO ROYALE, DANIEL Craig's James Bond takes home a stunning £66 million (including an Aston Martin) after winning at cards – leading some to suggest he should switch his favored game from roulette to poker. In the words of his creator Ian Fleming, “Bond has always been a gambler.”

But the picture of gambling in culture is not always so glamorous. In *The Gambler*, notorious gambling addict Fyodor Dostoyevsky has his main character paint a bleak and troubling picture: “At that point I ought to have gone away, but a strange sensation rose up in me, a sort of defiance of fate, a desire to challenge it, to put out my tongue at it. I laid down the largest stake allowed – four thousand gulden – and lost it. Then, getting hot, I pulled out all I had left, staked it on the same number, and lost again, after which I walked away from the table as though I were stunned. I could not even grasp what had happened to me.”

What is the place for gambling in people's lives and in society? This question is more important than ever, as gambling becomes more accessible online, big markets like the US open up to regulated gambling, and politicians and regulators look to crack down on the harm that gambling can cause.

Many who find the industry challenging see a fairly simple solution: stop selling the products. But many people *do* want to gamble and enjoy it responsibly. The opportunity is for the major players in the industry to understand where the real challenges lie and consider how they can respond.

William Hill sees its future dependent on healthy, safe, gambling. The company of 16,000 employees, with international operations in betting shops, sports books and online gambling, has set out a long-term ambition to ensure that nobody is harmed by gambling.

When it launched its new sustainability strategy earlier this year, CEO Philip Bowcock made the

PHILIP BOWCOCK, CEO of UK bookmaker William Hill, discusses the firm's strategy to combat gambling-related harm and addiction. Brunswick's **ALASTAIR MORTON** and **MEGHAN SHEEHAN** report.

company's point of view clear: “Gambling is meant to be a leisure activity, not a source of human misery.” Brunswick recently spoke with Mr. Bowcock about gambling-related harm and what the company's new strategy intends to deliver for its customers and the societies where it operates. “We can be, and we want to be, part of the solution,” Mr. Bowcock says.

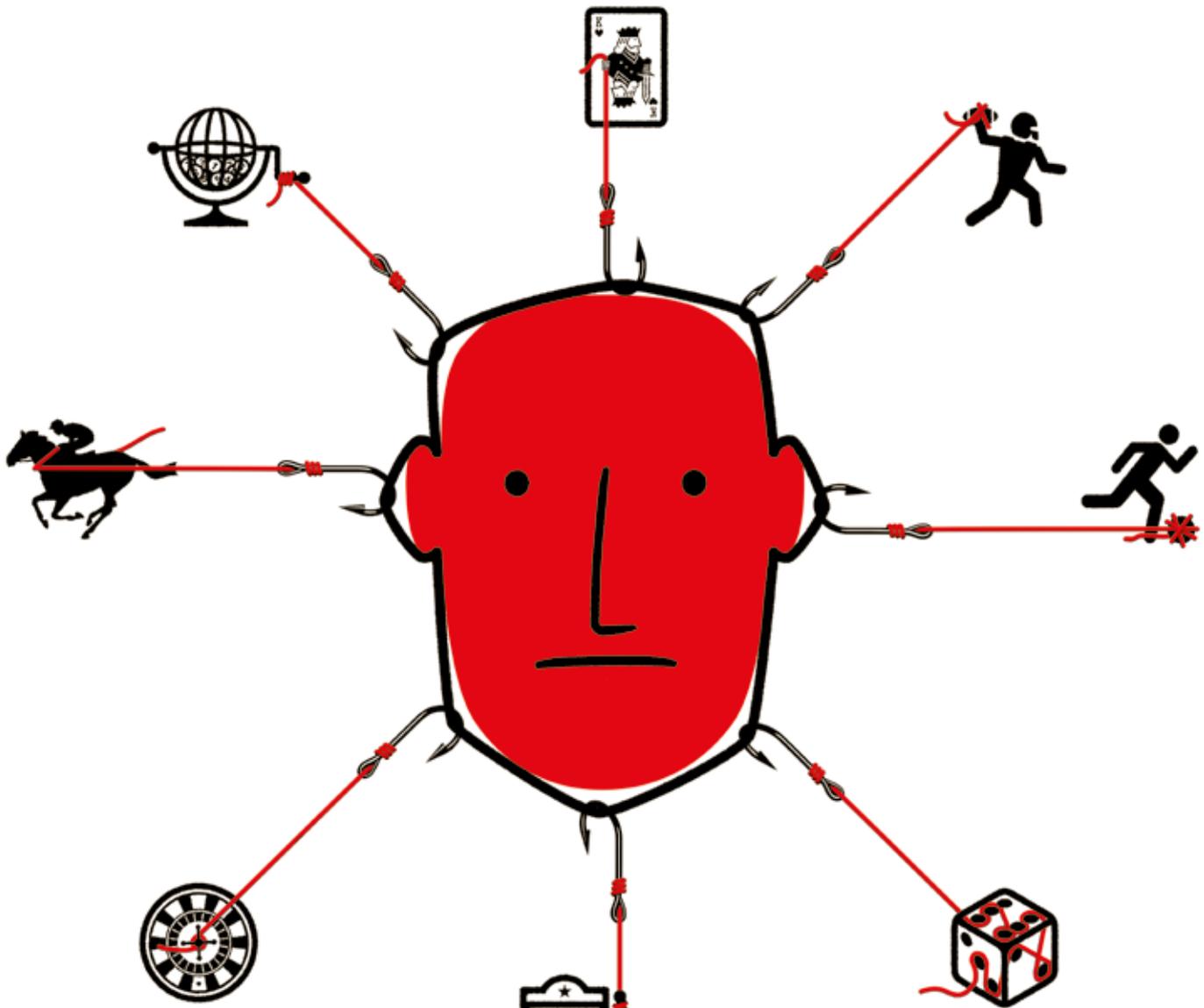
Problem gambling has become a front-page issue in the UK. How do you see the challenge?

People are very concerned about problem gambling, and they're right to be. Look, gambling can be fun. That £1 accumulator that ends up with the family sitting around the television on a Sunday afternoon, wondering if that final fifth win is going to come in – that can be great fun. But when it's 2 o'clock in the morning and someone is playing online casino chasing their losses in a darkened room, that's not fun.

For too long, we have not taken seriously enough the challenge of problem gambling. We've talked about the small proportion of people who are affected by harm or addiction, and we've focused on the responsibility that each of our customers has to keep themselves safe.

We chose to take a fresh look at the challenge and how we respond, and we have to face facts: Too many people are affected. In the UK the number is frequently put at 430,000 people who, at any given moment, have a real problem with gambling. In the US, some have suggested that 6 million people are addicted to gambling. And we know there are many more who are at risk of experiencing harm.

It doesn't start and stop with financial harm. Very often multiple factors compound the vulnerability that people face. Of those people who have experienced problems with gambling, three in five have suffered depression and 61 percent have missed work to gamble. It also has a serious impact on friends and family – in one study, 20 percent of online divorce petitions cited gambling as a cause.



We acknowledge that every type of gambling product has the potential to cause harm to our customers. But we don't want people to experience harm – we want to be a part of helping that to stop. Society expects it. Customers need it. And our colleagues actually want to do something about it as well.

How does your new strategy address all that?

We've been on a journey to improve the protections we have in place, introducing new and improved policies, technology and increased levels of resourcing, but we haven't faced the issues bravely enough. We're driving the new strategy behind an ambition that nobody is harmed by gambling. We know that ambition is almost impossible, but we also know that many – most – people can and do gamble without experiencing harm.

That's why the strategy we've developed focuses on crucial areas through which we can tackle problem gambling and protect those who are at risk of harm. It's clear that we need to look not just at problem gambling but also focus on customers who are at risk – and support them before gambling becomes a



"GAMBLING IS MEANT TO BE A LEISURE ACTIVITY, NOT A SOURCE OF HUMAN MISERY."

problem. That means getting better at capturing and using data to identify those risky behaviors and intervene before it becomes a problem.

Our strategy takes this even more broadly. Anyone can become at risk with their gambling. But today, no one has defined what really good, in-control gambling behavior looks like. So we're going to work hard on how we design our products, how we advertise them and how we interact with customers in ways that help all our customers stay in control.

There are, without a doubt, customers who should not be gambling, full stop. And we need to be there to help them. I'd also like to see us get to a place where any customer is safer with us than they are elsewhere. That means that this strategy is not a compliance exercise but goes right to how we deliver our business.

What is it going to take to achieve such a deep change in the business?

Central to getting this right are our 16,000 colleagues. I'm determined that they understand that their instinct to care for our customers is the right one. One of our corporate values is "give a damn" and I want

all of our colleagues to live up to that by making decisions that are to the long-term benefit of our customers. This is more than a strategy – it’s a culture that we are going to strengthen over the years ahead.

For me, that starts with making sure we all understand the challenge, and what it will take to make a difference. We’ve invited people in who have been through problem gambling – to meet the leadership, to spend time with colleagues and also to help design new training we’re putting in place. And next year we’ll start a rolling six-month program where we’ll send people across the business to work with organizations devoted to helping problem gamblers. That way we can really bring new insight back about what it will take.

We also know that what we’re trying to do here can only be done in partnership. In November 2018, we brought together people who are instrumental in tackling gambling-related harm. That included industry experts like academics and researchers, politicians and regulators, other gambling companies. But we also wanted to bring in wider perspectives: people who’ve had direct experience of gambling-related harm, and their families. Plus a whole range of people with adjacent expertise that extends beyond gambling – behavioral scientists and psychiatrists, tech experts from Google, organizations like the big football clubs in the UK who shape culture and can influence behaviors, and experts in those other areas that gambling can impact like relationships and financial health. This is only a first step in forging those relationships and partnerships, but I can tell you there was real energy in the room, and lots of ideas about how we can do this differently.

We’re setting up an Innovation Fund so that we can pilot new ideas that come through this sort of engagement. Our commitment is to test and learn. We know that there are no silver-bullet solutions. We won’t get everything right, but I want to make sure people at William Hill know they have permission to try new things. As we work, we will share what we learn with everyone else who is working on this challenge.

Initiatives like these are good for society, but do they come at the expense of your shareholders?

This has become a critical issue for our industry, and I firmly believe that a financially successful and sustainable future for William Hill depends on getting our response right. We know that there will be short-term commercial impacts – but our sustainability relies on customers who enjoy gambling and stay gambling with us for the long term. When our policies have proven to be insufficient, that has led to



THE CHALLENGE

The numbers reveal that for many people in the UK, gambling isn’t harmless fun.

There are **430,000** PROBLEM GAMBLERS in the UK, and an additional 2 million are at risk.

Problem gambling takes a toll on personal health and relationships – 20 percent of online divorce petitions cite gambling as a cause. It damages finances and careers. And its toxic effects are felt by friends, families and colleagues: one study estimated that six people are affected by every problem gambler.

THE RESPONSE

William Hill, one of the UK’s largest bookmakers, has made nine separate commitments to realize its goal of “nobody harmed by gambling.” Three focus on immediate action: test mandatory tools such as limits for at-risk gamblers; give better data to customers; and improve training. Other initiatives are focused on longer-term, industry-wide changes.

William Hill makes **130,000** responsible gambling INTERVENTIONS annually.

finances and remediation – for us and indeed other operators. We want to keep our customers safe, to show ourselves to be ahead of regulation, and ultimately leading the way on what’s possible.

This is also about the opportunity we have as a company to differentiate. We have just set out our new strategy through which we hope to double our profits and establish ourselves as a US market leader. The UK is one of the best regulated gambling markets in the world. We want to take what we’re learning in the UK to the other markets around the world where we operate.

To be the trusted company and brand that we want to be, we must show that we’re stepping up to the plate on this issue.

You talk about this being a long journey. Is that just kicking the can down the road?

Some things will happen very quickly in our business. We’ve already implemented much more stringent rules on our customers proving their source of funds, for example, and we’re working to improve the algorithms we use to spot signs of risky behaviors.

But the long-term ambition serves a really important purpose. There is no single issue to solve and no quick fix for doing it. We want to drive real change in our business – there will always be new fronts to tackle, and the ambition is meant to give us a long-term place to aim.

Also, the ambition deliberately goes beyond what we can achieve alone as a business. The products we offer touch two-thirds of the UK market, which gives us an incredible opportunity to act alone. But there are elements of this where we will need to act with others in partnership. We want to bring others with us on this, and I think having the public ambition is a part of that. And even beyond that we have a public profile that we can use to shine a light on the issue and be a voice for what needs to change.

This isn’t going to be a smooth ride. There will be bumps along the road. We will be criticized and some of that criticism will be fair. But my father always said to me that once you acknowledge a problem, you start to do something about it – and that is more than half the battle, because you are actually on that journey. We believe that it’s only by setting out with a bold ambition that we’ll start to see that change we want, and to have a positive impact on people’s lives. ♦

ALASTAIR MORTON, a Partner, and MEGHAN SHEEHAN, a Director, are members of Brunswick’s Business & Society group, helping businesses demonstrate social value alongside financial value. Both are based in London.

TIN EARS and TOP HATS

THE MPS' EXPENSES SCANDAL OF 2009 ROCKED British politics like no other story. Nearly 10 years on, it still sends a chill down the corridors of Westminster. Some even draw a direct line from its corrosive effect on public confidence in political institutions to the Brexit vote of 2016.

Some MPs went to jail as a result. The Speaker of the House of Commons, the late Michael Martin, was forced to resign – the first Speaker to be effectively forced from office since 1695. Former Prime Minister Gordon Brown puts part of the blame for his defeat in the 2010 General Election on the scandal. It was, in short, a big deal.

The timing could not have been worse. Just as the financial crisis of 2008 had begun to bite and people were beginning to feel the pain, stories about parliamentarians making dodgy expense claims against the public purse began to swirl around Westminster.

As pressure mounted, the authorities announced that five years' worth of MPs' expenses claims would be prepared for public scrutiny. This turned out to be a complete joke. The claims were redacted – that is effectively blacked out – and so rendered virtually meaningless. Privacy and security reasons were proffered in defense of the cover-up.

Admirably, not all thought the redactions were in the public interest. So, in a watershed moment for British politics, a disk containing the unredacted expense claims of every MP found its way to the offices of The Daily Telegraph, where I was working as Political Editor. We thought we would encounter examples of boozy, expensive lunches being claimed for by parliamentarians who like a decent claret.

The missteps of the 2009 UK expenses scandal cast a long shadow, says Brunswick's

ANDREW PORTER.

What we were not expecting to find was that some MPs using their expenses to fund Downton Abbey-style lifestyles.

Sir Peter Viggers, a wealthy Tory MP for Gosport in Hampshire, in his own handwriting claimed £1,645 for a “pond feature.” Backing up this claim was an invoice for a “floating duck island.” That duck house became the symbol of the expenses scandal.

Every political party was implicated. And it became painfully serious for a couple of Labour MPs – notably Elliot Morley, who went to prison for claiming £16,000 for a mortgage that did not exist. Similarly, his Labour colleague David Chaytor was jailed for false accounting.

But, while Messrs. Morley and Chaytor and their ilk provoked anger, public ridicule tended to be reserved for the toffs – the MPs who thought we should pay for their castles and country piles. Anthony Steen was the MP for the delightful constituency of Totnes in Devon. He felt obliged to claim £90,000 over four years for the upkeep of his country estate – including a woodland expert to inspect his 500 trees, tag his shrubs and assess the need to guard against potentially dangerous rabbits.

Seeking to get on the front foot in a BBC interview, Mr. Steen said, “I think I behaved, if I may say so, impeccably. I have done nothing criminal, that's

the most awful thing. And do you know what it is about? Jealousy. I have got a very, very large house. Some people say it looks like Balmoral, but it's a merchant house of the nineteenth century.

“It's not particularly attractive, it just does me nicely ... and it's got room to actually plant a few trees. As far as I'm concerned as of this day ... I don't know what all the fuss is about. What right does the public have to interfere with my private life? None ... Do you know what this reminds me of? An episode of Coronation Street.”

You do not need to be a communications expert to realize that these words left Mr. Steen as political toast. Attack as the best means of defense was the worst

possible media strategy. Mr. Steen happened to be one of the country's foremost campaigners against the evil trade of human trafficking – proof that even fundamentally decent and intelligent people can do and say incredibly stupid things.



Then-Prime Minister Gordon Brown took the crisis personally and his response missed the mark as a result. Instead of getting ahead of the story, he locked himself away scrutinizing his own expenses to establish his innocence. Mr. Brown should have grasped the wider implications of an utterly legitimate journalistic investigation. Instead, all around he saw conspiracy.

For many, it became a textbook case study in how not to handle a crisis. Instead of realizing that the full truth would out and getting ahead of the story, the instinct was to double down on the cover up and blame journalists. It proved catastrophic – and the political ramifications still resonate a decade on. ♦

ANDREW PORTER, a former Political Editor at The Daily Telegraph, is a Partner in Brunswick's London office.

Tone Deaf DEFENSE

SOME CRISES COME OUT OF THE BLUE – SUDDEN, unexpected, transforming the horizon and leaving everyone struggling with a new reality, such as when an explosion or earthquake tragically interrupts lives and business routines.

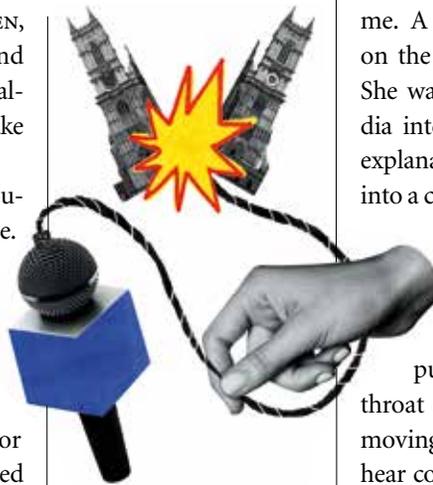
But most crises are not like that. More likely, trouble has bubbled below the surface for some time. Through a mix of inertia, a hope it will go away and the distraction of other priorities, opportunities are lost to deal with problems before they become a crisis.

So it was in 2009, with the scandal over expenses claims by British Members of Parliament. For over a year, parliamentary authorities had resisted efforts by campaigners to force full disclosure of the claims. If the parties had anticipated the inevitable publication, and worked together on how to rebuild public trust afterward, they might well have avoided some of the damage that they eventually suffered.

From my position at 10 Downing Street, I had a front row seat on the crisis' handling and mishandling. I came away with three broad lessons.

A sounding board is crucial. As the crisis broke, it quickly became clear that the politicians involved found it hard to think objectively about the storm engulfing them. The MPs, including senior Cabinet ministers, felt as though they were being hounded unfairly. After all, they had only been following the rules, hadn't they? Most had their individual arrangements confirmed through the Commons Fees Office. MPs' salaries had been flat in recent years and increases in expenses had been seen as an unofficial alternative.

The sense of injustice was real and sincerely felt. Perhaps it was even justified. It was also irrelevant. Everyone else, including those of us advising the politicians, thought that something had gone badly wrong. Before we could bring about change, the



Missed opportunities opened the door to more damage, says Brunswick's **STUART HUDSON.**

STUART HUDSON is a Brunswick Partner in London and a former Special Adviser to the UK Prime Minister.

elected politicians on both sides of the aisle had to change their mindset.

You need to show you "get it." I remember the moment that the depth of public anger first hit me. A senior Minister was preparing to appear on the BBC's flagship "Question Time" program. She was a real pro, confident and reliable in media interviews. Yet her attempt to give a rational explanation for what had happened quickly turned into a car crash. The audience jeered and booed and shouted out their objections. For the first week of the scandal, it was impossible to communicate any message publicly until we had shown that we "got" the level of public anger. This could not simply be a bit of throat clearing at the start of the interview before moving into a justification. The public needed to hear contrition. Then they needed to hear it again. Only once we had successfully conveyed that with sincerity were we given any right to be heard on proposed solutions.

The crisis is not the only thing happening. The country was in the midst of a recession and the immediate aftermath of the global financial crisis. Labour was deeply unpopular. There was dissatisfaction over Mr. Brown's leadership. The Cabinet was divided on economic policy. The wider party was split over issues such as the proposals to bring private capital into the state-owned Royal Mail.

This context had two specific impacts. First, given these other demands, the expenses scandal could never take up more than a small proportion of the Prime Minister's time.

Second, the government's options were politically constrained. Any appropriate course of action also needed sufficient parliamentary and cross-party support to be sustainable.

This applies to any crisis: Proposed solutions should not simply be an unrealistic ideal. They can be ambitious – but they must also be practical and deliverable. ♦

It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way.

WITH THOSE OPENING LINES FROM CHARLES Dickens' *A Tale of Two Cities*, Tito Mboweni, who had just returned to the South African Cabinet as the fifth Finance Minister in under three years, opened his first budget speech in Parliament on October 24 2018. Echoing the "new dawn" promise of his boss, President Cyril Ramaphosa, Mr. Mboweni pulled no punches.

"For ordinary South Africans, it has become a difficult time," he said. "Administered prices, such as electricity and fuel, have risen. Unemployment is unacceptably high. Poor services and corruption have hit the poor the hardest. Under the leadership of our President, and much like the central character in *A Tale of Two Cities*, we have, as a country, chosen the difficult path of redemption," said Mr. Mboweni.

President Ramaphosa's narrow victory in the African National Congress' elective conference in December 2017 and his subsequent appointment as President in February was greeted with relief by business and the general public. But "Ramaphoria" quickly faded as the enormity of the task before him became apparent: repairing the moral and fiscal damage wreaked by a decade of policy uncertainty, corruption and scandal under former President Jacob Zuma. The country fell into a months-long recession in 2018, progress in meeting urgent societal needs remained slow and businesses worried about further credit rating downgrades and a shift to populist policies.

The new president immediately set about kickstarting investment, setting a target of raising \$100 billion in five years, with an eye to inclusive growth, vital for social stability and to give hope to young unemployed citizens. Other actions include rebuilding critical state institutions, cleaning out corruption and shoring up political power in the run-up to the 2019 elections.

Meanwhile brave whistleblowers, civil servants, researchers, jurists and journalists have continued

A SHOT AT REDEMPTION

A decade of corruption has left South Africa reeling. Its new leadership faces a massive task to restore trust and hope, says Brunswick's MARINA BIDOLI.

to uncover details of an unprecedented embezzlement of state funds, with reports of eye-wateringly corrupt tenders and systematic political interference at critical institutions. Judicial inquiries and accounts of what's become known as "state capture" have gripped the nation. A Dickensian cast of villains continues to grow.

Once-respected businesses, including top tier multinational companies, auditing firms and consultancies, have been dragged into the quagmire with serious collateral damage to reputations. Media too has suffered. Even as tenacious journalists continue to uncover corruption, some of their peers appear to have been played, while others may have been complicit through biased reporting.

South Africans are crying out for justice. Suspicions are high and public trust is low; social licenses for politicians and business leaders are being challenged.

Rebuilding the nation will take strong moral leadership and a common vision of accountability, truthful, timely communications and willingness to do the right thing. For businesses caught up in the mess, their real test will be in demonstrating wider social value.

South Africa has previously proven resilient as a democracy that envisioned a better future for all. President Ramaphosa, in an op-ed in the *Financial Times* and in later speeches, reminded the world of the many in the early 1990s who were skeptical as South Africans across the political spectrum negotiated an end to apartheid, and pulled the nation from the brink of civil war toward a peaceful transition.

Now, through active leadership and genuine partnerships with the private sector, he hopes to translate political freedom into economic well-being. A new page has turned. It's up to all South Africans to write the final chapter. ♦

MARINA BIDOLI is a Partner and Head of Brunswick's Johannesburg Office. A former journalist, she previously led Group Communication at energy corporation Sasol.



ITALY'S MARCH ELECTION SAW TWO POPULIST parties swept into power and the political center falling out of favor. Just prior to that vote, Luciano Fontana, Editor in Chief of the *Corriere della Sera*, one of Italy's oldest newspapers, outlined the ongoing collapse of the nation's democratic ideals in his book *Un paese senza leader* (*A Country Without Leaders*).

Reforms in the wake of corruption scandals in the 1990s created the so-called "Second Republic," which aimed for a European-style of representation and majority rule. Under this system, Mr. Fontana notes, governments should last the duration of a legislature – five years. Instead, leadership has become a revolving door spinning faster and faster, often arriving and departing in the space of months.

"The mythology of the Second Republic has completely failed in these 25 years," says Mr. Fontana. "Fragile parties are in continuous transformation; leaders have emerged only to founder quickly – as many as 10 have come and gone on the center left in this period. Election laws have not worked."

The March vote reflected the frustration, Mr. Fontana says. "We saw a very great desire to return to the old system of proportional representation and the clear rise of new forces – 'nationalists' or 'populists.'"

The new government saw an early test of its policies when its first budget, with expanded debt to pay in part for entitlement programs, was rejected by the EU, setting off an international political stalemate.

In our interview with Mr. Fontana, who has been with the *Corriere della Sera* since 1997 and Editor in Chief since 2015, he is clear-eyed but insists he has not lost hope, despite the chaos.

"I firmly believe in the robustness of the Italian economy and the quality of the entrepreneurial fabric of the country," he says. "Every day, we hear positive stories of leadership in manufacturing, pharmaceuticals and in the most innovative sectors – in spite of a crisis of political leadership that has been dragging on for years. The entire political class must accept responsibility, and establish a clear call for respect of institutional roles and the principles of democracy."

Is Italy's political chaos part of a global crisis?

Some features are similar to what is happening in many countries of the world – with the US, with Brexit, with movements in Central and Northern Europe, and with the rise of Marine Le Pen's party. The common denominators are globalization and immigration. Matteo Salvini, the current Deputy Prime Minister and Interior Minister, says the idea of a nationalism and identity party came to him from

watching other nations in the European Parliament. Territory versus globalization and identity versus openness – these became the key words of his new politics, radically transforming his party.

Peculiar to Italy, we have a crisis in politics and a ruling class that has been ineffective over 25 years. The fragile governments that have succeeded each other are the clearest proof. That lack of leadership left us vulnerable to the social pressures of migratory waves, which exacerbated the problem.

We are also an exception because we have two significant populist and nationalist parties – the League and the Five Star Movement. Usually, there is only one – and perhaps not as significant, as in Germany.

THE COURAGE OF Responsibility

In your book, you talk about the "courage of responsibility." What does that mean?

The "courage of responsibility" is a rejection of the kind of politics that is perpetually in electoral campaign mode. Social media amplifies that: simple words, direct and often vulgar, instant promises as if the solutions were always so easy. Then the next promise and the next battle and the next campaign without ever verifying the factual basis. Facts, compatibility, the relationship between promises and results, all that disappears, along with the noble art of finding the best compromise to achieve a result.

So the "courage of responsibility" means speaking the truth, and not just capturing the consensus; knowing how to say the right things, even hard things. Knowing what is possible, when an exceptional effort must really be demanded of the country. Having an enormous public debt, for instance – you can rage against Europe's demands for our budget, but that debt is not only a problem for Europe, it is a problem for ourselves, for our economy.

If the budget proposed to Europe had been made up more of tax reductions to spur innovation and growth – improving productivity and technological modernization – probably our overspending would be seen as an effort to improve the country. Instead, more welfare, aimed more at the next electoral cam-

Author and Editor in Chief of the venerable *Corriere della Sera* **LUCIANO FONTANA** tells Brunswick's **ALESSANDRO IOZZIA** and **CESARE CALABRESE** how Italy can escape the chaos of its political "perfect storm."



paign than governing the country, was the opposite of the courage of responsibility.

Do you see Italy having a direct impact on the European elections next May?

Certainly. Salvini is becoming the leading European figure of the parties that pursue nationalism. Both Salvini and Luigi Di Maio [leader of the Five-Star Movement] will use the budget dispute with Europe in their campaigns. None of the current discussions are aimed at finding a solution, but only at constructing a narrative to identify the “perfect enemy” – in this case, the European technocrats.

We saw this with the Morandi Bridge collapse in Genoa in August [where 43 people died]. Società Autostrade (the concession holder of the stretch of road involved in the incident) was held up as the “perfect monster.” No one will reconstruct the bridge any time soon, but that’s been completely overlooked. The important thing has been to use the tragedy as a banner that can be waved in the electoral campaign.

To be fair, the European Commission is conducting an electoral campaign in the contrary direction, showing that if a country chooses populist and nationalist parties, its citizens will face serious consequences. I see an excess of zeal. Both Europe and Italy desperately need dialogue and compromise. It is not in anyone’s interest for the situation to escalate.

Do you see a way out of Italy’s political morass?

The two majority parties, both of which are populist and nationalist, will sooner or later be reabsorbed. Arguments are being aired in favor of an open,

Luciano Fontana, Editor in Chief of Italy’s Corriere della Sera, shakes hands with a shirt-sleeved Matteo Salvini, leader of the populist political party the League, at the newspaper’s offices in Milan. Mr. Salvini had donated blood earlier that morning, accompanied by a photographer, and stopped by the Corriere della Sera offices afterward. The League came to power in Italy in March of last year. Mr. Salvini is the current Deputy Prime Minister and Interior Minister.

ALESSANDRO IOZZIA is a Partner and Head of Brunswick’s Milan office.
CESARE CALABRESE is an Executive in Milan.

global, liberal world, attentive to expertise. There is a need for simple and clear language, a plausible program and a story that is not entirely backward looking. A leader is required who knows how to forge the future and is the incarnation of the idea of expertise and education – and that leader cannot be either Berlusconi or the old Democratic Party.

Someone new must emerge?

Yes. In this climate, a capable leader with a well-defined program and a winning idea can emerge quickly. Salvini was a Municipal Councillor in Milan four years ago; the Five Star party’s first test was in the regional elections in 2012. A leader must have a notion of country he can articulate in a very clear, well-defined and simple way – because that’s how politics are conducted now – and have managers around him with the right expertise. Not one man alone, but someone who knows how to mobilize others.

You talk a lot about memory. Are Italians and Europeans forgetting where they come from?

Our memory will gradually return. Italy saw joining the euro as a national mission. We were proud to have been an early supporter. We understood the advantage of being part of a market of what was then 500 million people. We appreciated the opening of the borders, the single currency, the option for students to go anywhere, the freedom of movement of people and goods. These things are an enormous advantage for a country like ours, which does not have raw materials and that thrives on its openness.

What is the role of journalism now?

Quality journalism is a safety net. It helps us understand and digest the issues of the day. Our job at the Corriere della Sera is not to excite or to be branded by our prejudices, but to be informed and open to the world. Like major international newspapers like The New York Times, we’ve established a paywall. This was a watershed year: both the political uncertainty and the debate about fake news helped convince people to pay something to have quality information. We have gained more than 100,000 digital subscriptions this year, better than expected. We have begun to hire new journalists. For the first time in many years, we are able to look to the future rather than wondering how to survive.

Politicians’ attacks have been a good thing?

Where there is confusion, more information is sold, because those who feel lost need a compass. When things are normal, newspapers do badly. ♦

WHILE STILL A STUDENT IN STANFORD'S MBA program, Zia Chishti built his first business: Align Technology, best known for making Invisalign corrective braces. When Mr. Chishti took the company public in 2001, he became one of the youngest CEOs of a publicly traded US company. Its current market capitalization exceeds \$25 billion.

Mr. Chishti followed that by starting The Resource Group (TRG), a private equity fund he still chairs, with assets estimated at \$2 billion.

Today, Mr. Chishti is working on his third venture, Afiniti, a company that uses sophisticated algorithms to transform how companies pair customers with employees in real time. Afiniti closed a \$130 million round of funding that valued the company at \$1.6 billion.

As remarkable as being the architect of three billion-dollar businesses is Mr. Chishti's age: he's

set to celebrate his 47th birthday later this year.

Born in the US, Mr. Chishti was raised in Pakistan, his mother's home country. He returned to the US to attend college, where he has remained since. However, Pakistan has been an integral component for each of Mr. Chishti's businesses: It's where Align Technology manufactured its products, TRG operated a call center, and a majority of Afiniti's employees are based.

Over tea at the Four Seasons Hotel in Manhattan, Mr. Chishti spoke with Brunswick's Will Rasmussen about building companies and algorithms, and the opportunities for doing business in Pakistan.

Mr. Chishti was in New York to host Pakistan's Foreign Minister, Shah Mehmood Qureshi, at Afiniti's office on the top floor of the iconic Chrysler Building.



tells Brunswick's
WILL RASMUSSEN and
EDWARD STEPHENS why
Pakistan is an underrated
and overlooked
investment opportunity.



In 2001, you were on People’s “50 most eligible bachelors” list, alongside celebrities like Matt Damon and Ben Affleck. And I think a lot of people wonder: What happens the day after something like that goes to print?

Oh, gosh. [Laughs]

Can I make a couple points? First, I wasn’t a participant in the creation or publication of that. They had a Silicon Valley quota – so they had to have somebody. And they surreptitiously managed to get quotes from people who worked at my company and spun it into that story. The photograph that you see there is from one of our publicity files. I’m slightly embarrassed that it exists. So it wasn’t my doing.

Nothing really changed other than occasionally people going, “Hey, did you know that when you Google your name ...?”

So no, my dating life has improved not at all. My net worth has not changed as a result. I can’t speak to any noticeable difference.

You often act as an unofficial ambassador for Pakistan, especially for US audiences. How do you handle that responsibility?

It’s kind of you to classify me that way, but there are a lot more successful Pakistanis in the US who play that role. But I do describe Pakistan in all its glory because our business has a significant component there – of the 1,000 people at Afiniti, 650 are in Karachi or Lahore. It’s a legitimate topic of discourse in pretty much any meeting that’s designed to understand what we do, how we do it. I try to describe the local economy, the culture, the friendliness toward business, our success there over time.

What’s a common misconception?

The relative levels of risk. You say to somebody, “Hey, do you want to go to Pakistan?” and in the US, most people go, “My God, I’m going to get killed in the streets.” They think there’s some kind of war afoot.

That’s diametrically opposed to the reality. The homicide rate in Pakistan is about four per 100,000 people; in St. Louis, Missouri, the rate is 30 per 100,000. The relative risk is vastly greater in any major US metropolitan area than Karachi or Lahore or Islamabad.

In terms of economic growth, I think the first image people have is it’s an incredibly poor country. And again, it’s just not the case. Pakistan is actually a middle-income country. The PPP GDP per capita is around \$6,000. It’s got infrastructure, air-

THE HOMICIDE
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ports, roads. It’s growing at around 5 to 6 percent annually – putting it among the top ten economies worldwide.

And I’ve been trying to correct this impression largely for selfish reasons. Because if we hire people or look to raise capital, these false snippets tend to pervade the discourse.

Are facts and firsthand stories enough to counteract that kind of entrenched narrative?

They say you can’t make friends by being factual. There’s an emotional component to all this that’s hard to disentangle. And a lot of that is built up by listening to politicians, or watching shows like “Homeland.”

One thing that works is actually taking people there. We organized a ski trip a couple years ago. And everybody who went there came back essentially with the same impression: “I had no idea Pakistan was like this.”

Even as I sit here talking to you, it might seem interesting, but there’s probably a kernel of doubt: “Maybe he is just taking an optimistic view.” Or “he’s half Pakistani, so he’s got some other motive.” Going there is important.

Afiniti “pairs people in an enterprise context.”

How, exactly?

When people hear that line about pairing, they often say, “That sounds like Tinder or Match.com,” and that’s actually good insight. Except that our application of that matching process exists in the enterprise domain, and solving a different problem. If you’re on Tinder, you can swipe ... which way is it? Is right good? [Laughs]

I think so.

Whatever is the good way to swipe, you can swipe that way 100 times on those apps and have 100 potential matches. In the enterprise context, you have five calls and five agents – you can’t assign one to more than one.

This one-to-one matching has multiple incarnations for an enterprise, by the way. The way people are most familiar with is how we optimize calls. But if you think about it, there are so many other ways that an enterprise interacts with its customers. You can have a human sales force, for example, who are assigned based on geography: west of the Mississippi, east of the Mississippi. Or seniority, “I’m the CEO, I talk to the CEO, my counterpart. You’re the junior sales guy, you talk to procurement.” That’s a good start. But aren’t we missing a critical compo-



ment of that? What if we examine the behavior of the sales person, examine the behavior of the customer, and then pair also based on that?

Or say you call a cable company because you have a technical issue. They then have to send a truck to your home. Which truck do they send? Normally it's the shortest possible geographic route. But if you could analyze the behavior of the truck technician and analyze the behavior of the individual that you're going to see, couldn't you pair better? So you send a truck that's slightly further away, but hit upon interpersonal pairings that are more efficient.

Was Afiniti inspired by a poor experience you had on a call?

No. My PE firm [TRG] owned a call-center outsourcer. These are hard businesses to run. They're very close to marginal costs, highly commoditized. So we sat down and said, "How can we optimize this business so that we actually make some money on it?" We examined how you win clients, how you serve clients, how you train and hire agents, how you compensate. We concluded that there were some optimizations to be had. But the most obvious one was how calls flowed. Because nobody had challenged the orthodoxy for 40 years.

For 40 years calls flowed in the order received. If you were the first person who called, you got the first available agent. And I said, "That just can't be right. There's gotta be more information that we can bring to bear that can improve that outcome."

In 2017, Zia Chishti and his Afiniti colleagues led a heli-skiing trip in Pakistan – a country The Economist once called "the world's most dangerous place." The trip was meant to show business partners that the country was far safer than many believe.

It took us four years before we had an algorithm that worked at all. And I remember exactly the moment we cracked it. I was going up a set of stairs – actually here in Manhattan – to see a friend. And I was mid-way up the staircase, thinking about this problem. And I was like, "Oh, I know what I need to do."

That makes me feel badly about what I think about when I'm climbing a set of stairs. Did you see your friend? Or leave to write code?

I got to my friend's place and picked up the phone and called our chief scientist. He said, "that'll never work." But I told him, "Just try it. Try it." The intuition was around perfect squares. I won't spend too much time, but I'm a math geek so I'm going to have to throw in my two cents.

If you think about behaviors, your intuition may be to pair like with like – if I have an outgoing personality, pair me with an outgoing personality. That's not actually correct. But if you can characterize behaviors in a certain way, then you can fit them together where larger impact behaviors are paired, as are the smaller impact behaviors. The closer you can align those, the bigger result you get.

Now, the best use of the circumference of a four-sided object is a square – that grants you the greatest possible area. If you have a two-by-two square, that's an area of four; whereas if you have a three by one rectangle, that's an area of three. So the closer you can get to a perfect square is the

closest you can get to optimizing for area. And I realized, what if we could classify behaviors for two people in a way such that you can line them up in a perfect square?

What’s your response to leaders who say, “We’ve heard how AI is going to transform our business. It hasn’t. Why are you any different?”

I’m in that camp myself. We’re big AI skeptics at Afiniti. We think it’s all kind of a bubble and a mania. It just doesn’t do anywhere close to the things that people think it does. It’s just a bunch of algorithms used to find some patterns. And it’s clearly blown way out of proportion. Another in that vein, by the way: blockchain. This is unfortunately part of a generalized hype engine that Silicon Valley pumps out.

But what I tell leaders is that we’re not “AI.” I walk them through how we’ll measurably add millions – or depending on their size, billions – of dollars in revenue. And how we’ll do it in a way that leaves their customers and employees happier.

People tend to have such an implicit, immediate negative reaction to algorithms shaping human behavior. How do you overcome that?

I think time is in our favor. I recall a conversation I had seven or eight years ago with a large credit card company. We walked a leader through our pitch and, with this dripping look of disdain, he said something to the effect of, “We would never vary

“IF YOU THINK ABOUT BEHAVIORS, YOUR INTUITION MAY BE TO PAIR LIKE WITH LIKE – IF I HAVE AN OUTGOING PERSONALITY, PAIR ME WITH AN OUTGOING PERSONALITY. THAT’S NOT ACTUALLY CORRECT.”

WILL RASMUSSEN is a Director specializing in cybersecurity and cross-border issues.

EDWARD STEPHENS is Deputy Editor of the Brunswick Review. Both are based in New York.

how we interact with our customers. They’re all valuable and important to us.”

And he kind of smirked and basically told us to get out of his office.

I tried to re-purpose that. I said, “We’re making the experience for everybody better.” But he couldn’t get over the hang-up that treating people differently was inherently wrong.

Fast forward six years and I’m meeting the same executive. And he said, “We’re really into customizing the customer experience and micro-targeting these days. We understand that you guys can help us in this journey.” [Laughs] I try not to let the irony of those two statements rile me too much.

There’s growing recognition that the information you have about people leads to better outcomes for those people. And if you manage your technology well and thoughtfully, everybody can be better off. This is a parade of optimal outcomes.

That is the dominant narrative now, or at least getting to be the dominant one. We’re headed in the right direction.

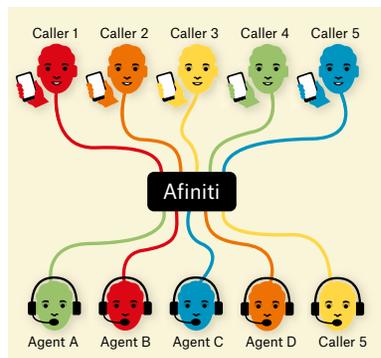
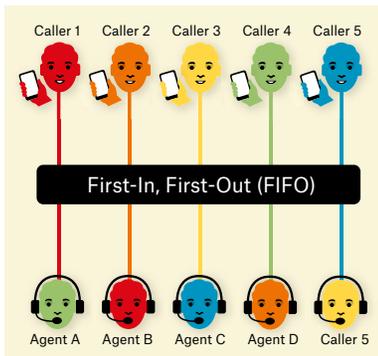
That’s quite a change - from “treating people differently” to “customizing customer experience.” Exactly. “Micro-targeting.” [Laughs] The difference between 2010 and 2018.

What’s next? Billion-dollar business No. 4?

This is my last real run at business. I’d like to turn to something more philanthropic. I’ve always been interested in education. And I’ve been wanting to build a peculiar kind of school for a long time.

HOW AFINITI WORKS

THE TRADITIONAL APPROACH to pairing agents at a call center with customers is first-in, first-out (FIFO): The next person in line gets directed to the next available customer service representative. It’s the same as boarding a plane or buying a movie ticket. The sole factor that determines when a person is helped, and who they are helped by, is the caller’s place in line.



AFINITI CHANGES THAT APPROACH and instead “discovers and predicts patterns of interpersonal behavior” to pair customers with agents. It’s not your place in line that determines a pairing, but the behavioral patterns of both you and the agent. Afiniti does this by examining past data and any commercially available information. It weights these factors in real time and makes a recommendation.

Peculiar how?

In countries like Pakistan, it’s insufficient to have a school that’s free. Government schools are free, but there still remarkably low levels of literacy. The reason is that a lot of Pakistanis rely on subsistence farming. They can’t feed everybody if they send the kids to school – so they don’t send the kids to school.

The insight is that you could pay the families to send their kids to school. If you look at a country like Pakistan, I’d say that’s a potential target population of ten million kids that we could send. I suspect we’d get a few million applications if we gave out \$1,000/month, which in Pakistan is a serious amount of money.

Out of those applications, I’m confident I could find 20 or 30 absolute stars and give them 15 or 20 years of education. That’s the idea, my “Professor Xavier’s school for the gifted” sort of thing. So that might be what’s next. ♦



A horse-drawn cart passes AIIB headquarters, under construction last year in Beijing.

IN MARCH 2015, THE BRITISH COALITION GOVERNMENT, of which I was part, announced that it would join the Asian Infrastructure Investment Bank, then being established to aid economic growth and quality of life through modernizations that directly impact society. Billions of people stood to benefit from AIIB's plan to invest in sustainable projects, facilitated and directed by a global network of member states. In February 2016, I was the first Vice President to join AIIB as part of President Jin Liqun's senior team charged with turning the vision of the Bank into a reality.

At the time, the decision was controversial in some quarters. The US and Japan decided not to join, and there was some criticism from our American friends. In particular, some of the critics were worried that this new bank would embrace lower standards and therefore would seek to undercut or undermine existing international institutions.

Coming from our closest allies, this criticism was uncomfortable. But now that AIIB has taken its place among the family of international institutions, operating to the highest international standards and with robust good governance, those concerns are slowly retreating. Indeed, the criticism of undermining the rules-based international framework is more fairly leveled today at those who seek to replace multilat-

BANKING ON A BETTER WORLD

eralism with bilateral deal-making. By contrast, the creation of AIIB has proven to be a good example of how the creation of new institutions, done properly and with a clear purpose, can provide an evolution of global governance, not a challenge to it.

It took a little over two years from the original idea being put forward by President Xi Jinping in the autumn of 2013 to the coming into force of the treaty that was negotiated and agreed by the 57 countries that eventually founded the Bank. This was an excellent open and consultative process – with some great lessons for the future.

The governance structure conforms to international best practice – ensuring the institution is open, non-political, professionally run with high standards of integrity, and with all members having

New challenges need new institutional approaches, says **SIR DANNY ALEXANDER**, Vice President of the Asian Infrastructure Investment Bank.

the opportunity to contribute to the development of the Bank. Membership has grown significantly. From 57 founding countries in 2016, we now have 87 approved members today, making AIIB the second largest multilateral development bank. The new members, including Canada and countries from Latin America and East Africa, have made the Bank a genuinely global institution.

A little over two years after its operations started, AIIB is a financially strong and well-managed institution that is taking a modern approach to risk management frameworks, as reflected by the triple-A credit ratings we maintain from the three main international rating agencies. We are growing quickly and are constantly on the hunt for highly experienced people who demonstrate strong integrity in everything they do and can help us to live by our core values of lean, clean and green as we build our capacity. Those who have joined AIIB over the last three years are privileged to be a part of this journey, and we are looking forward to welcoming many more people to our team over the next 12 months.

The Bank has now invested in projects in 13 countries, with India the largest borrower so far. As of December 1 2018, our Board of Directors has approved up to \$6.4 billion for 32 projects. From power projects in Bangladesh to countering air pollution in Beijing, from solar power in Egypt to the Bangalore metro, AIIB is financing projects that are raising living standards and promoting environmental sustainability across Asia and beyond. Of course, the scale of operations and the Bank's capacity to innovate will continue to grow from year to year.

AIIB is a separate entity and different from the well-known Belt and Road Initiative (BRI), although there are many projects that link the two. We follow the policies, strategies and standards agreed by all our members and invest in projects on their own merits if they align with our thematic priorities: sustainable infrastructure, cross-border connectivity and private capital mobilization. There is strong common ground between AIIB's remit to invest in infrastructure and the objective of the BRI that promotes connectivity, as well as an opportunity to share our experience and processes with others who are involved.

We have clear conditions that each project must follow – especially financial and economic soundness, strong environmental and social safeguards, open procurement and of course strict anti-corruption rules. High standards for implementation help our members to have confidence in AIIB projects. Publicly understood standards also help to protect



"AIIB IS FINANCING PROJECTS THAT ARE RAISING LIVING STANDARDS AND PROMOTING ENVIRONMENTAL SUSTAINABILITY ACROSS ASIA AND BEYOND."

SIR DANNY ALEXANDER
Vice President, AIIB

the reputation and brand of the Bank, by reducing the risk of bad projects or white elephants and diminishing the likelihood of unexpected environmental or social problems. They also make it easy for us to work with other international organizations that operate to similarly high standards. We're co-financing many projects with the World Bank, the Asian Development Bank and other international financial institutions. Far from being in competition, cooperation is the watchword.

Multilateral, rules-based infrastructure cannot remain ossified, but must continue to evolve to reflect changes in the world. New and anticipated challenges, including climate change and rapid urbanization, need new approaches. Those who are worried about how such challenges could undermine systemic integrity should take comfort from the experience of AIIB. In this case, a new institution, under Asian leadership, is setting and maintaining high standards while also driving innovation and collaboration.

Looking back to the discussions we had in the UK in 2015, that is exactly what we hoped for. Of course, while we are on the right road, there is a great deal more work to be done to develop AIIB as an institution that meets the needs and expectations of all its members. I was honored to have recently been re-appointed by our Board for a second term – and look forward to contributing to that goal. ♦

SIR DANNY ALEXANDER is a former UK Chief Secretary to the Treasury under Prime Minister David Cameron. He is currently Vice President and Corporate Secretary for AIIB.





tions. But what is the right move, exactly? Stay silent on a contentious topic, or take a stand and risk alienating those on the other side?

For José Luis Bonet, now serving his second term as President of the Spanish Chamber of Commerce, the answer is clear: Businesses should have a point of view and communicate it respectfully. It's not simply about being relevant, but about fulfilling a responsibility. "Employers, as social leaders, have an obligation to speak to their employees, customers and clients about the consequences that political decisions can have for a company's future," said Mr. Bonet.

A Catalan himself, Mr. Bonet's views on leadership and the business climate are informed by almost five decades of teaching at the University of Barcelona as well as more than 50 years at the family company, the cava producer Freixenet, where he still serves as Co-President. Mr. Bonet recently sat down with Brunswick to discuss the effect the secession crisis has had on the Spanish economy, and the role that companies have to play in responding to the crisis.

How has the crisis around the question of Catalonia's secession affected Spain's standing in the global business community?

The independence process hasn't affected Spain's global economic position. And the proof of that is simple: Spain's economy has continued to perform better than the European average and the analysts

IN OCTOBER 2017, A CONTENTIOUS — AND ILLEGAL — referendum was set to take place in Catalonia, a region in the northeast corner of Spain. The issue before the region's voters was independence — whether Catalonia, which is responsible for almost 20 percent of Spain's economic output, would remain part of the country or form its own. The referendum had been deemed unconstitutional by the Spanish courts, yet the Catalan regional government announced it still intended to hold one.

In the weeks leading up to a vote that wasn't supposed to take place, both "leave" and "remain" proponents held heated protests. Media coverage showed a region, and a country, starkly divided. The subsequent vote was declared void by the central government in Madrid.

More than a year later, Catalonia remains divided, yet part of Spain.

The region's political uncertainty and unrest remains a delicate issue for businesses there. The question of secession is central to the lives of their employees and customers, and it obviously has the potential to affect almost every aspect of their opera-

José Luis Bonet

The President of the Spanish Chamber of Commerce discusses business's role in responding to the Catalan secession crisis. Brunswick's **RURIK INGRAM** and **BRENDAN RILEY** report.

believe that it will continue to do so in 2019.

There is no doubt that the independence process has had a detrimental impact on Catalan economic growth. Absent this crisis, growth in Catalan business would have been more vigorous — and would have helped the country as a whole.

Were any sectors particularly affected by the secession crisis?

Certainly. I've spent my life working in the wine industry, and I have witnessed firsthand the negative impact on the wine sector. Other sectors, such as tourism and the retail industry, have also been affected and shown lower growth rates.

Beyond that, I do think that Catalonia has lost some major opportunities as a result of the crisis, such as the decision by the European Medicines Agency not to have their headquarters in Barcelona.

Of greater concern is the fact that the political crisis in Spain really hurt the country's ability to capitalize on global business opportunities. The Spanish securities market regulator recently pointed out that Spain has failed to attract financial firms that are leaving the United Kingdom due to Brexit.

How did the Spanish business community respond to the Catalan crisis? Was it effective?

I think the strongest, most effective response was in the form of action on the part of Catalan businesses. The fears of the independence process led more than 4,500 Catalan companies to move their headquarters outside of Catalonia. I think this strong reaction was derived mainly from the fact that Catalonia would have immediately exited the European Union if a true and legal declaration of independence was made. Large financial institutions and other major Catalan firms announcing the relocation of their headquarters was the first strong signal received by Catalan society that the process could be very costly.

As a Catalan, do you feel this crisis has irredeemably split Catalan society?

We must work to recover harmony – it's as simple as that. When the laws and the Constitution of Spain are fully respected once again, and as it becomes increasingly evident that the independence process is not going to advance further, I think this recovery will quicken.

That said, we must work to overcome the division that has occurred in Catalan society.

Do you believe business should take positions on significant political issues or become involved in political crises?

I believe in – and have always defended – the idea that we all have the right to express our opinion as long as it is done in a respectful manner. And while I have always said what I think, I do understand and respect that other business people prefer to keep a lower profile in public.

But it is vital for companies and the business community to communicate openly about political issues and have a point of view when political crises arise. I have always believed that businesses must not only serve themselves; they must serve society as a whole.

What's the Spanish Chamber of Commerce's role in promoting Spain as a business destination?

The Spanish Chamber of Commerce works to strengthen the competitiveness of the Spanish

economy; this competitiveness is fundamental to attracting foreign investment. We also work to achieve an improved level of worker training; contribute to the digital transformation of our country's productive fabric so that we can be prepared to operate effectively in the ongoing fourth industrial revolution; and continue supporting the process of internationalization of our economy by working to raise the profile of Spanish companies across the globe.

We are developing a model for Dual Vocational Training that will train young Spaniards in the skills and abilities that companies demand. We are also working on a Digitalization Plan to help small and medium-sized businesses carry out the digital transformation that the global economy requires. And we are also implementing an Internationalization Plan to help small and medium-sized Spanish businesses better compete in foreign markets.

How do you see the current state of the Spanish economy? What industries are thriving?

As encouraged as I am by the Spanish economy's continued robust growth, we are also beginning to see signs of weakness. We're seeing a certain stagnation in the tourism sector – from record levels – due to the recovery of competing tourist destinations such as Tunisia, Turkey and Egypt. Moreover, the Trump Administration's protectionist policies and the response of the world's major trading powers in the form of new tariffs don't help. Together these cause a certain constriction on international trade.

With these factors coming together, the Spanish Chamber of Commerce has slightly revised downward its forecasts for this year and next. We expect the economy to grow 2.5 percent this year and 2.2 percent next, from the 3 percent average growth rates recorded in the last three years.

Why do you think investors should look to Spain for opportunities?

Spain is a country capable of achieving great things when we work together. The Transition to Democracy, which is now 40 years old, is an excellent example of the goals we can achieve. The leap that Spain has made in these four decades in terms of modernity, progress and well-being has been spectacular. The development of our infrastructure, the opening of our economy, the training of workers, the existence of a favorable institutional environment for business and the quality of life are factors that contribute to making Spain a country of opportunities for foreign investors. ♦

"IT IS VITAL FOR COMPANIES AND THE BUSINESS COMMUNITY TO COMMUNICATE OPENLY ABOUT POLITICAL ISSUES AND HAVE A POINT OF VIEW WHEN POLITICAL CRISES ARISE."

RURIK INGRAM is Brunswick's Managing Partner for Europe, and based in London.

BRENDAN RILEY is a Director based in New York. Both specialize in work in Spain and across Latin America.

A CRISIS IS A LIVING, NEARLY IMPONDERABLE dynamic, fluid in its unfolding – scientists term this a complex system. Simple, small interventions can yield unpredictable results.

Yet the handling of crises tends to be the opposite: linear, static, rigid. As networks of organization and communication grow ever more complex, the complex nature of crises can only increase. Traditional, reductionist responses can worsen the damage.

Flaws in the linear approach become obvious only in retrospect: The problem wasn't taken seriously enough; a plan to manage it wasn't rigorous enough or was put in place too late; data is faulty or outdated; the digital sphere is not sufficiently considered; scripts created by overly specific scenario planning prove woefully inadequate; the task of handling it is given to the wrong people or to no one; too few stakeholders were considered; departments have separate, uncoordinated emergency plans; information flow is not regulated; compliance is not considered, and so on. Given these potential pitfalls, it's no wonder small incidents lead to full-fledged crises. Particularly in the first moments, mistakes made often cannot be reversed.

The key to a complex challenge is a complex response. This means setting up a self-organizing and agile team, pre-nominated and well-prepared to deal with the risks, given the structure of the organization and its needs in the face of the unknown. The team should have contemporary tools at their disposal and clear, simple rules, protocols and authorizations.

Policies regarding the quality of information have to be rigorous. Bad data results in wasted time and damaged reputations. Overall however, managing a crisis is not typically about achieving perfection, but about finding, as quickly as possible, the least bad compromise in harmony with long-term goals.

As in a complex system, the personal strengths of team members are as relevant as technical expertise or specific job functions. Real teamwork and open interaction toward common higher goals are necessary and become easier when individual abilities are prized and freely put to use, without fences around pre-determined positions and scenarios.

The team is a circle of confidentiality as it gathers and analyzes information, involves appropriate specialists, categorizes the incident, informs the top decision makers, gets approvals and takes action. Board members are not part of the team, but informed or engaged as it becomes appropriate.

Organizations are often severely penalized after a crisis. A more positive perception along the way can help reduce that burden. Management and commu-



The Hornet's Nest

A complex crisis calls for a complex response, says Brunswick's **RONALD SCHRANZ**.

nications need to be completely integrated to best relate to stakeholders. Moral and ethical questions need to be answered adequately. There are situations like cyber attacks or raids for which one needs guidelines, but generally the mindset for the team is “whatever comes our way” with a focus on emergency and protection measures, stop loss, damage control, compliance, liability and stakeholders.

Goodwill built in advance, in fact, can make an enormous difference to an organization's success in handling a crisis. Complexity comes to bear here too.

Think of the variety of skeptical, well-informed and even activist stakeholders your organization serves. Think of the problematic media landscape. Whatever the message you deliver to one group, the others will zero in on what it means for them.

The single most decisive factor in that moment will be the quality of the relationships that you have built with them over time. In a turbulent world, the one thing that can be controlled is the continuous attitude and behavior shown to stakeholders. Any deficits here will be costly in a crisis. Organizations that do well by their stakeholders are highly robust and resilient. When things go wrong, it will be seen as a one-off lapse, rather than a systemic problem.

“Coming out of a crisis stronger” is a cliché, but can also be reality. Two things will help: a crisis management system that allows for controlling the controllable in the real time of an unfolding crisis; and a history of fair, respectful treatment of stakeholders.

Beyond these, nothing else matters as much. ♦

RONALD SCHRANZ is a Partner and Head of Brunswick's Austria and CEE office in Vienna, with 30 years' crisis management experience. His Crisis Management System is expected to soon be approved to serve as a standard for certification by inspection institutes.

BHP BILLITON'S GOVERNANCE PRACTICES have evolved to reflect its global footprint and institutional shareholder base. But perhaps what most differentiates the company's leadership is its longstanding commitment to governance at the very highest level, a commitment that resonates throughout BHP, which is one of the world's largest natural resource companies. The Board and management proactively discuss emerging risks across the business – with investors in particular – to assess possible impact on the strategic direction of the business.

This approach was tested in a dramatic way in 2012 when the company, one of the world's largest coal producers, was swept up along with others in the global climate change campaign to reduce fossil fuel usage.

As part of the Group Management Committee of BHP Billiton, where she served as President of Governance and Group Company Secretary, Jane McAloon, now a Senior Adviser at Brunswick, spent eight years advising BHP's Chairman and Board on strategic and reputational matters including governance and the implications of climate change. Pru Bennett, the current head of BlackRock's Investment Stewardship team for the Asia Pacific region, is one of Asia's leading voices on governance and was responsible for engagement and proxy voting activities in relation to investments in BHP, including engaging with them on matters relating to board governance and climate change.

In the following conversation, Brunswick Partner Tim Payne and Director Jo Donne talk with Ms. Bennett and Ms. McAloon about their respective views on the experience. They describe how BHP's response turned a boardroom challenge into a catalyst for a more positive relationship with stakeholders.

Pru, can you describe how BlackRock expects the companies in which it invests to approach corporate governance?

BlackRock is very supportive of an approach that allows shareholders to raise issues regarding corporate governance directly with the Chairman. That was our experience with BHP. We have been able to have a constructive conversation with the Chairman about material corporate governance matters, such as executive compensation, board succession planning and the required skill set for independent directors. BHP uses the feedback from institutional investors to continually improve its corporate governance disclosures. That ensures the Board is aware

of how institutional investors perceive their company. By contrast, in Asia we rarely get access to company chairmen. That's getting better, but too often our engagements on corporate governance issues are with senior investor relations executives and we cannot be sure our concerns are raised at board level.

Asian boards generally see corporate governance as a compliance issue and not as a strategic issue. But corporate governance is not about "box ticking." Having a competent and engaged Board with an appropriate set of skills and experience contributes to long-term sustainable performance.

Jane, BHP had a proactive approach to governance already. What happened in 2012?

Yes, that is absolutely right. A company can never be immune from challenges. For several years BHP had been publishing a comprehensive Sustainabil-

TEST OF METTLE

ity Report that outlined the company's approach to climate change and its commitments to action. BHP was considered to be ahead of many other companies involved in fossil fuel production. But in 2012, calls for action took on new momentum. A worldwide movement for more concerted action called on institutional investors to divest holdings in companies involved in thermal coal production.

The UN's Intergovernmental Panel on Climate Change had released its latest assessment. An Australian NGO backed by Rockefeller Foundation funding created a legal campaign against coal mining. This created an environment where companies like BHP needed to justify how investments in long-term coal assets were a responsible use of investor capital. Global pension funds and sovereign wealth funds began to seriously question the strategic risk to their investments. There was genuine concern about potentially

JANE McALOON, formerly an executive of mining company BHP Billiton, and **PRU BENNETT** of BlackRock describe how a boardroom challenge on climate change became an opportunity to build trust with investors. Brunswick's **TIM PAYNE** and **JO DONNE** report.



catastrophic value destruction to their portfolios. BHP had been thinking about these issues and was open to investor concerns about whether their investments in companies could be “stranded.” The chairman and management team proactively led the engagement with global investors.

Several investors believed that if they could influence BHP to take further action, it would set a baseline for other natural resources companies. As part of that push, an Australian climate change activist was nominated for election to the BHP Board. We were attracting investor attention as a natural resources company that could and should drive change for an issue that was much bigger than us.

Pru, why was BHP a target?

Simply because of its size and global operations, BHP has a high exposure to what was being termed as “stranded assets.” We were looking to encourage greater disclosure on how boards were managing the issue, in particular future capital expenditures. BHP was one of the companies that was more receptive to shareholder concerns than many others. This is reflected in the continual improvements in disclosure of policies, but more importantly, in actions by

“BHP WAS ONE OF THE COMPANIES THAT WAS MORE RECEPTIVE TO SHAREHOLDER CONCERNS THAN MANY OTHERS.”

PRU BENNETT
BlackRock

the company. When it came to issues such as climate change BHP was not focused only on what was required to be disclosed but wanted to meet the expectations of investors.

There is no doubt the corporate community was slow to respond to growing shareholder concerns on climate change. BHP at the time was one of the few companies to make the chairman available for discussions on the issue.

Jane, can you talk about some of the challenges in responding to an issue as complex as this?

Responding to a global issue with fast-paced and growing momentum was difficult. We could not predict where the campaign on climate change would go, nor the impact on the company. BHP is driven by its values, its charter and its purpose and we knew this would be our base from which to navigate. And that is what we did. We put our best foot forward about who BHP was, what we stood for, the implications of the global dependence on the resources we produce, and why we could be trusted to run a sustainable coal business.

It wasn't easy. The company, under the leadership of newly appointed CEO Andrew Mackenzie, em-

ILLUSTRATION: DAVID PLUNKERT

barked on comprehensive strategic modeling of the impacts of climate change on its portfolio of business. That work in its early stages was shared with investors and governance advisers. It enhanced deeper understanding and awareness in BHP of actions necessary to manage climate change and changed asset planning and management.

Of course, the issue of climate change wasn't going to be "solved" but the joint approach of board and management succeeded in terms of showing how the company was responding on a long-term basis. The impacts and opportunities of climate change were embedded as part of mainstream strategy within BHP. The nomination of the climate change activist to the BHP Board (in 2013 and again in 2014) was not successful. Investors chose to support the Board and greater integration of climate change considerations into the strategic decision making of the company.



Jane, can you tell us about the decision to let your Board and management lead the engagement with investors?

There wasn't really a decision to make. This is the same approach the Chairman has chosen for many years, one that is strongly supported by the CEO and management.

However, the confluence of events that led to investors and governance advisers pressing hard for responses from BHP broadened the investor engagement process. This was done working in parallel with the CEO to ensure the strategic implications were understood throughout the organization.

As it turned out, it was the right approach for the long-term success of BHP. Proactive investor engagement with the highest level of board and executive leadership on significant strategic and reputational matters is the best way to ensure that both the company and investors hear what each other has to say.

In this case, strong engagement and mutual trust with investors helped BHP successfully navigate what had the potential to be very challenging.

"THE COMPANY WAS OPEN TO COMMENT AND CHALLENGE AND OUR ENGAGEMENT WAS CHAIRMAN AND CEO LED. ULTIMATELY, THIS MADE ALL THE DIFFERENCE."

JANE McALOON
Formerly of BHP Billiton

Pru, did you agree with this?

On matters directly relating to the board, our preference is to engage with the Chairman or lead independent director if the Chairman is not independent. In this case, we already had a relationship with the Chairman and it wasn't a case of meeting someone new and deciding whether or not to trust that person. Such an approach creates more efficient and trusting dialogue in cases where there may be a crisis emerging.

We were impressed by the way the company changed its approach to managing climate change risk – not just to show it was responding to shareholder feedback but to take a strategic approach that aligned with the company's long-term strategy. We see other companies taking only a token approach to shareholder feedback on such issues. They fail to see the strategic benefit of managing such risks.

Jane, what lessons did you learn from the crisis?

It reinforced for us the idea that navigating strategic and reputational matters means you have to know who you are and what you stand for – the foundation of the company. BHP's people rely on the company's values and charter to make decisions; this has been the differentiator for successfully navigating change and challenge. In this instance BHP's governance practices stood the company in good stead. It didn't mean there wasn't change internally – there was. But BHP was open to comment and challenge and our engagement was Chairman and CEO led. Ultimately, this made all the difference.

Pru, how much of a difference does this type of active leadership make?

From my perspective, active leadership involves building relationships with not just investors but other key stakeholders. All companies no matter what industry they operate leave a footprint on society and it is incumbent upon boards to understand what that footprint is and ensure that the strategy being implemented by the management team minimizes negative externalities. Boards cannot do this by simply sitting in the board room and receiving information from the management team. BHP certainly demonstrated the benefits of active leadership by listening to shareholders and other stakeholders and embracing climate change risk as a key strategic issue for the longer-term benefit of the company. ♦

This conversation builds on a discussion Pru and Jane held in Bangkok with the Corporate Governance Advisory Committee at CP Group, Thailand's largest private company.

TIM PAYNE is a Brunswick Senior Partner, Head of Asia, based in Hong Kong.

JO DONNE is a Director in Brunswick's Singapore office and formerly a private practice lawyer. Both specialize in advising on reputation management including crisis, litigation and governance matters across Asia.

ONE AFTERNOON LAST MAY I DISCOVERED that people online were poking fun of my hometown, Kansas City. Spurring their ridicule was a photograph of a tourism poster. “Kansas City Welcomes More than 25 Million People Anally,” it said. That misspelling, I feared, would reinforce a bi-coastal perception of my Midwestern home as a backward Cowtown where people don’t know how to spell. It was posted on a Twitter account called You Had One Job, a collector of accidentally funny photographs. Within hours, the posting had more than 1,000 retweets and was gaining momentum on Facebook.

It took me only seconds to discover that the photograph was a fake. Visit KC, a local tourism agency, proved it by posting on Twitter the actual sign, with “annually” correctly spelled. On May 7, the day You Had One Job posted the fake photograph, the Kansas City Star quickly published a story correcting the record. Less than 24 hours after posting the photograph, You Had One Job took it down.

Still, the fake photograph continued making the rounds on social media, amusing readers eager to believe that Kansas Citians can’t spell. Wondering what my hometown should do, I sought the advice of Austin Rathe, a Brunswick digital specialist who previously ran or helped run various political campaigns, including Tim Kaine’s successful run for the US Senate in 2012. Although Austin knew nothing about Kansas City – he’s British – he understood the anguish of seeing one’s little-respected hometown mocked yet again. Austin is from Liverpool, a city well acquainted with snubs (despite having produced John Lennon and Paul McCartney).

When he saw the fake photograph, Austin laughed. “It’s funny,” he said. “It’s quite a good Photoshop job.” Then he proceeded to put me at ease. “If you Google it now, as I just did, the news coverage is all about how it’s fake,” he said. The effect, he added, is that the correct ad has been seen by millions more people than would have seen it at the Kansas City trolley station where it was hung. “Kansas City got the benefit of the joke,” he said.

Any organization can fall victim to a prank. The bad news is that it can be impossible to anticipate. “If Kansas City were doing some risk audit around reputation, this prank would have been impossible to foresee.” The good news is that online pranks can be relatively easy to correct, for organizations prepared to move fast. “Speed is paramount.” As obvious as that sounds, many companies aren’t prepared to act fast. “At a lot of places, social media is outsourced or operated by one part of the company or executed on



An online prankster photoshopped a crude misspelling into this Kansas City tourism poster. The photo quickly went viral. Thanks to a near-instant, coordinated response, the prank actually turned out to Kansas City’s benefit.

JOKE’S on You

KEVIN HELLIKER asks Brunswick digital guru **AUSTIN RATHE** about transforming online pranks to advantage.

KEVIN HELLIKER, Editor in Chief of the Brunswick Review, is a Pulitzer Prize-winning journalist. **AUSTIN RATHE** is a Director in Brunswick’s specialist digital and social media team. Both are based in New York.

a day-to-day basis by relatively junior staff members. Unless you put a social media crisis plan in place, it may not be clear who can put something out on your Twitter feed right now. Who will answer that phone at one in the morning? Who can press the red button and correct it straight away? Do we have the right mechanism, the right process, in place for a quick response? Have we rehearsed it three times?”

What if, in the KC case, the misspelling had been real? “Then you’ve got to think carefully about how to get in on the joke, how to apologize or correct it while saying, ‘Yeah, very funny.’” As an example, he notes that KFC, after running out of chicken in the UK, ran a full-page newspaper ad featuring the chain’s iconic bucket – but with its famous three letters rearranged to say, “FCK.” “They apologized in a way that was funny,” he says.

Months later, the fake KC photo continues popping up on social media. But Austin says not to worry. “It’s making the rounds because it’s funny. But the message that it’s fake is out there, prominently, so no one is taking away the impression that people from Kansas City don’t know how to spell.”

Thank goodness. ♦



PAINTED



Helen Frankenthaler, one of five artists profiled in *Ninth Street Women*, lounges with her artwork circa 1956.

The story of five women who helped create an exploding New York art scene in the 1950s is only now being told. Author **MARY GABRIEL** talks to Brunswick's **FRANK TAGARIELLO** and **CARLTON WILKINSON**.

OVER

IN 1951, A GROUP OF 72 ARTISTS, DRAWN TO the newly minted Abstract Expressionist style and mostly living and working in downtown Manhattan, participated in an exhibition on two floors of a Ninth Street building scheduled to be demolished. Among them were names now considered the pinnacle of the era: Willem de Kooning, Jackson Pollock, Robert Motherwell, Robert Rauschenberg, David Smith.

Among them too were women – some who had helped define the style but whose names have since been largely written out of art history books.

“All of a sudden, all these taxi cabs started pulling up and cars started pulling up,” says Mary Gabriel, the author of *Ninth Street Women*, a critically acclaimed Amazon Best Seller on the important role the women artists played in the New York art scene from 1929 to 1959. “People came out in evening clothes. These artists, used to talking to each other, were suddenly showing their work to people who were dressed up as if they were going out to an opening at The Museum of Modern Art.”

Many of those artists became part of The Museum of Modern Art collection, including Grace Hartigan, one of five women whose careers Ms. Gabriel examines in detail in *Ninth Street Women*.

“It was really the introduction and the birth of this first major American art movement,” Ms. Gabriel says. Having already written an acclaimed book on Karl Marx and his circle, the Pulitzer-nominated author turned to abstract expressionists, finding it a revelation that the important role women had played had been seriously devalued in our own time.

“That period has been written to death and yet here’s a major part of it,” she says. “I like to write about something that you think you know everything about, but when you look at it from a slightly different perspective, you get an entirely different story. That’s the fun for me, to shine the light from a different point of view and the contours that emerge are really fascinating.”

Along with Ms. Hartigan, the author looks at Elaine de Kooning, Lee Krasner, Joan Mitchell and Helen Frankenthaler, artists who represent a much larger group of women involved in the scene. The research and writing took over six years and included direct conversations with many of those who knew and worked with these women.

“I was lucky enough to meet and interview a lot of their friends who were still alive, women and men,” Ms. Gabriel says. “And that was really crucial. A lot of these people were considered sort of secondary or even without value by earlier historians of the move-

ment. And yet these people had incredibly rich anecdotes and memories. And only by combining these supposedly peripheral figures and their stories could I come up with the actual story.”

What inspired you to write *Ninth Street Women*?

Back in 1990, I was assigned the task of interviewing Grace Hartigan for a magazine article. When I met Grace, she began telling me, not about herself necessarily, but about this incredible group of people she worked with in New York in the '40s and '50s.

A lot of them were names I knew: Jackson Pollock, Bill de Kooning, Franz Kline and Larry Rivers. But then she talked about a lot of women, too. It wasn't that she was making a point of talking about women – they were just an integral part of the scene. I had never heard that part of the abstract expressionist story, the very important role that women played in it. But I had a lot of other things to do, so I didn't begin writing the book until 2011. [Ms. Hartigan died in 2008.]

The impact of World War II and the Cold War fueled the abstract school. Was that an attraction for these women in particular?

No, it was for the whole movement. You can't live through all of that as an artist, no matter what kind of artist you are, and not be affected by it. The language used on canvas before the war – you can't use those same techniques after the war. They basically said, we're starting from scratch. The only thing that you can do is approach this blank canvas and paint what's inside you because nothing else is real any more. Everything had been destroyed. One of the people quoted in the book describes it as a rupture in humanity. There's a before 1945-46, and an after. What comes after, whatever art form it is, cannot be the same as what came before.

Was documentation about these women harder to find than for someone like Jackson Pollock?

Definitely, yes. The documentation is there, and there's a ton of it. It just takes a little bit more digging. That was kind of fun. When you tell the story of Willem de Kooning or Jackson Pollock, you have a tendency to use previously published material, interviews in magazines or books about them, or abstract expressionist history. But when you tell the story of Elaine de Kooning or even Lee Krasner, or definitely Grace Hartigan, you have to go to the primary sources. That's the part of the project that I actually enjoy the most, the digging through the libraries to find those gems.



Elaine de Kooning paints on a cylindrical sculpture in her New York studio in 1961. Top, her 1948 painting "Untitled, Number 15." A significant painter herself, she married Willem de Kooning in 1943.

How did you settle on this group of five?

About 10 percent of the artists were well-respected women. This is over a course of about 30 years – 1929 to '59. These five stood out because they were really critical to the movement or because their art was so important. And they gave me the best window into the movement, partly because of their ages. Starting with Lee, who was the oldest of the group, and ending with Helen, who was 20 years Lee's junior, I could tell the history of the movement.

Lee's experience – she struggled as a young adult through the Depression to fend for herself – was completely different from the experience of Grace, Helen and Joan's generations. Joan and Helen had gone to an art college. French art was accessible to them in museums. When Lee and Elaine started, The Museum of Modern Art was just opening.

Each decade had its own personality. The '30s in the Village was all about the intellectuals – not necessarily exclusively about art. It was also about the economic crisis and rising fascism. The artists, men and women, were completely involved in the Spanish Civil War, completely involved in this really, vehement dialogue about greater issues outside the studio.

By the '40s, when the war was on, many of the men were gone. The Village was kind of desolate. That's when Pollock and de Kooning first rose to the surface. They had medical problems and couldn't go off to fight. So the men and the women who were still there formed this really tight community.

By '48 and '49, the American scene was really blossoming. The French artists, including Surrealists, who had been war refugees in New York and had been an inspiration, had all left. The men who had

been fighting were back, and the men and women who had been on the scene since the '30s were in their studios, literally creating a revolution. That's when the huge breakthroughs started happening.

In '49, the artists found actual homes. One was The Club, a loft on Eighth Street that the artists had just for themselves and their closest friends – including writers, composers and poets they loved, intellectuals they could learn from. That was really one vibrant scene. And then, in 1950, the Cedar Bar was discovered. That's where they went to have fun, to blow off steam, act crazy until 4 in the morning. Problems that composers were facing were similar to those that the visual artists were facing and that poets were facing. It was this constant dialogue. People would go off to their studios, come back at night, meet up. The talk didn't stop.

By the '50s, the galleries were proliferating and that began to change the whole scene. By 1955, it was really becoming something else entirely.

In the book, you quote Grace Hartigan saying, "Men have no objection to women as creators. It's only when they're all scrambling for recognition that the trouble begins."

Yes, that was absolutely the case. It wasn't just the women. There were a lot of men who were excluded too. Relatively few collectors were willing to take a chance on this art, and they focused on just a few painters. And so, the scene went from being a population of about 50 artists, let's say, to a focus on a handful. And that changed everything. Then everybody else was competing for scraps.

It's funny, at the same time that there were a few men who the market was focusing on, around post-1955, there were also a few women. Grace, Joan and



Grace Hartigan's 1952 "The Persian Jacket" was bought by MoMA in 1953. Below, Helen Frankenthaler is flanked by Ms. Hartigan, right, and Joan Mitchell at a Frankenthaler opening.

Helen were selling, showing all over the country. In Grace's case, all over the world. They were written up in Life Magazine, Newsweek, Glamour, Mademoiselle, Time, Saturday Review. They were well known to a mass audience. Part of the fascination was that they were women. But that ended before the fascination with the men did.

The reviews of them in the '50s are very respectful, very serious. But then when you read the reviews of them in the early '60s – in Helen's case, she's described as the daughter of a New York State Supreme Court judge and the wife of Robert Motherwell and then parenthetically she's a painter. They describe her "boudoir" colors – it's crazy how she is diminished. And Grace is kind of written out of history because she had the temerity to leave New York.

Traditionally, women aren't considered the primary artists. Women can't be geniuses. In the '40s and the early '50s, supporting each other, this group didn't really ever even consider gender. But after collectors and galleries got involved, that old "gender versus genius" became a formula again and the men were the ones who were embraced and heralded.



PHOTOGRAPHS: BURT GLINN / MAGNUM PHOTOS / MUSEUM OF MODERN ART / SCALA / ART RESOURCE, NY

For women to remain part of history, the scholarship has to be there. Art history courses have to teach them and books have to be written about them and galleries have to show them. When galleries stopped showing these women, critics stopped writing about them, museums stopped collecting them. They just drifted away. That was it. It's a tragedy. The result is that we have a history half told of that period.

Wasn't Grace Hartigan's "The Persian Jacket" the first abstract painting bought by MoMA?

Of the second generation, yes. They had paintings by Pollock and de Kooning by this time. But she was the first of the second generation, male or female.

That story is great. The poet Frank O'Hara, who was her lifelong love, was working at the front desk of MoMA, watching Alfred Barr, the director, and his assistant, Dorothy Miller, trying to get the painting inside. Frank was on the phone with Grace, saying, "They're bringing it in. They're bringing it!" And it wouldn't fit through the door. For a moment, her future hung on a revolving door. [Laughter] Luckily, there was another door into the museum.

Elaine was married to Willem de Kooning and Lee Krasner to Jackson Pollock. Were those marriages a factor in them being overshadowed?

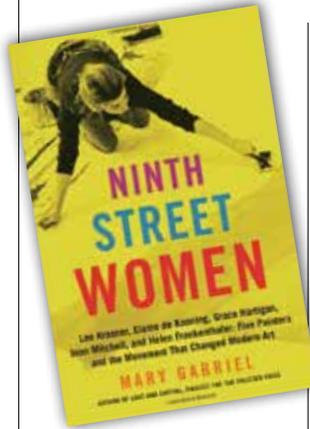
Definitely. At the time, both women were, without exaggerating, as powerful as their husbands. But they've since been overshadowed because of who they were married to.

Also Lee, for a certain period, stepped back because part of her attraction to Pollock was that she thought he was the greatest artist in America. She dedicated herself to helping promote him.

It was the same with Elaine: She really thought Willem was a genius. And she had this natural generosity of spirit and was going to do whatever she could, not just to help him, but to help whomever needed her.

Grace called herself George for a little bit, right?

She did. To her dying day, it really annoyed her because it was misinterpreted by feminists as Grace trying to hide her gender in order to sell paintings. She called herself George because she had joined the Tibor de Nagy gallery and John Myers, who was the director of the gallery, and a lot of his friends were gay. The men called each other by women's names. And so, Grace took George. John Myers, absolutely seeing the delight in everything, said, "Oh, isn't that great? You don't have to change the initials on your monogrammed sheets!"



Mary Gabriel's book details the lives and contributions of five women instrumental in New York's abstract expressionist movement. Below, Lee Krasner in the 1950s, standing in front of one of her paintings.



To think that she was trying to hide behind that name is ridiculous because Grace didn't hide behind anything. Anybody coming to George Hartigan's shows would have met Grace and then some. She was absolutely a huge personality.

In about 1953 or '54, The Museum of Modern Art just finally said, "This is crazy. Just call yourself Grace. Everybody knows that you're Grace." So that's what she did.

Are there still misunderstandings regarding these women's careers?

Definitely. People say they were too tough. They were terrifying in some ways. They were driven artists and not at all the nurturing kind of woman that the 1950s supposedly produced. No one would ever say a man was too tough or, "Jackson Pollock was an S.O.B., why are you gonna write about him?" It's crazy, but that's the double standard.

The other misconception is that they somehow became tough in order to be like the men. These women were exactly who they were at the age of 13, 14, 15, 16. When Joan Mitchell was in high school, she was so outspoken that she courted expulsion continually. She was so foul-mouthed that her friends wrote letters remarking about it. In New York, she thought, "Finally, here among this group of misfits, I can be who I am without having to worry about censure." She was an absolutely dynamic, fascinating, brilliant artist who happened to be a woman. So there are a lot of misconceptions.

Are you seeing the perception of women artists changing now?

With visual art, a couple of things have happened. Women in their 20s and early 30s are having a much easier time getting into galleries. A young painter I spoke with said the question of "am I being excluded because I'm a woman?" isn't even a discussion they would have. So, that is great news although it hasn't actually penetrated the blue-chip galleries yet.

Also, for the generation I wrote about, there's a real resurgence of interest. Some records are being broken at auctions for various artists, including Joan, Helen and Grace.

This all could be a fluke – just this year's flavor. It needs to become part of a greater dialogue. Then maybe this gender divide could be bridged. Maybe women will actually eventually be called genius. ♦

FRANK TAGARIELLO is the Brunswick Review's Creative Director and Designer. **CARLTON WILKINSON** is a Director and Managing Editor. Both are based in New York.

IN THE SPRING OF 2017, ONLY WEEKS AWAY FROM the public re-opening of its large Sculpture Garden, the Walker Art Center in Minneapolis slammed into a cultural conflict of historic proportions. The focal point, newly installed following the \$10 million renovation of the Sculpture Garden, was “Scaffold” by Sam Durant, a two-stories tall gallows evoking historic hangings.

The sculpture combined elements of scaffolds used in the executions of John Brown, Saddam Hussein and, most significantly, a group of 38 Dakota men in Mankato, near Minneapolis, in 1862. The provocative sculpture, already seen by wide audiences in Europe, carried a compassionate message about the horrors of oppression, yet became embroiled in a fast-moving protest that threatened to turn violent.

“We had not reached out to the Native community,” says Annie Gillette Cleveland, who was Chief of Marketing and Strategic Communications for the Walker Art Center at the time. What followed was what she termed “a perfect storm” of media, protests and lightning-fast developments that led ultimately to the work being ceremoniously dismantled and handed over to a group of Dakota leaders.

Ordered by President Abraham Lincoln, the Mankato hangings were the largest mass execution in the history of the US. “It’s a very, very deep open

Taken Down

ANNIE GILLETTE CLEVELAND, former Chief of Strategic Communications for Minneapolis’ Walker Art Center, talks to Brunswick’s **KIM MITCHELL** about a humbling conflict and its lessons for crisis preparedness.

wound for the Dakota community,” Ms. Gillette Cleveland says. “Many of the protesters can link their lineage back to people who were one of the 38.”

In addition, the Native American community already felt under-represented at the center. In the aftermath of “Scaffold,” one Native community leader told The New York Times, “The Walker’s track record of Native artists is pretty much nonexistent.”

As a globally recognized hub of both local culture and internationally acclaimed contemporary artwork, the Walker is watched by museum professionals everywhere. Managing its communications during the crisis, Ms. Gillette Cleveland felt the pressure.

“I think every museum across the world was reading about ‘Scaffold,’” she says. “This was everybody’s nightmare.”

The hanging of 38 Dakota in 1862 remains the largest mass execution in US history. The scene was captured in this illustration published by a French journal in 1863.

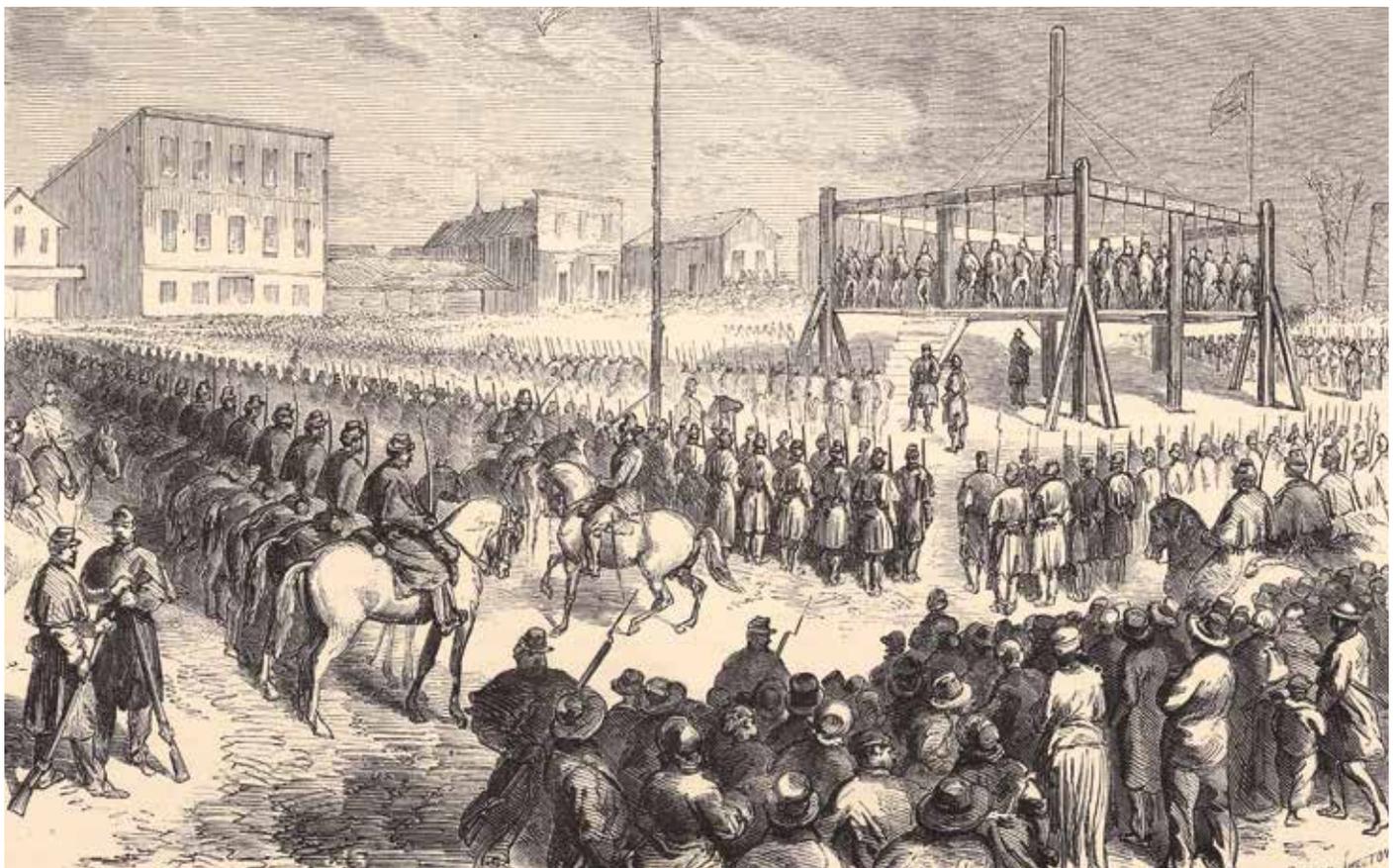


ILLUSTRATION: DEA/BIBLIOTECA AMBROSIANA/CONTRIBUTOR

What led to the dismantling of “Scaffold”?

We were scheduled to re-open the Sculpture Garden in June. The space is on Park Board land, which is also historically Dakota land – a private/public arrangement for this amazing space in the middle of Minneapolis. The garden held 60 sculptures – 18 of them were new. Meanwhile, we were running a museum with one of our biggest exhibitions ever, on Merce Cunningham. So we were very, very busy.

You could see the sculptures through the fencing. Sam Durant’s “Scaffold” was hard to miss. It had a prominent place at one of the Sculpture Garden entrances where school buses would soon park and kids would enter into the Sculpture Garden. It almost looked like a backyard playscape, but it was a gallows, and so, very ominous looking. Many of the staff were concerned about its scale and what it represented.

Our online managing editor – who writes content about the art world, about artists, about the Walker – did an interview with Sam. Before we published it, I found some language that I thought was problematic, so I sent it over to my sister at the Minnesota History Center. She’s done a lot of work with Native communities, specifically the Dakota. She immediately replied, “You don’t have a language problem, Annie. You have a sculpture problem.”

I quickly decided to take this looming issue to Olga Viso, the Executive Director. Soon after, we met with Native art world experts who said, “That sculpture has to come down or you will suffer irreparable consequences.” And that’s where it all started.

What did the artist intend with that work?

He wanted to open up these difficult histories around racial and criminal justice, to show that the US government had sanctioned these killings, allowed mass lynchings of people of color. He wanted it to be a learning space – but he now believes that he really miscalculated how it would be received.

No memorial has ever been built for this mass execution. So for Sam Durant, of California, to come and do it – on Dakota land – seemed to many to be inappropriate and insensitive. There are some sad and daunting statistics for the Native population here in Minnesota. And the staff were mortified that the Walker Art Center would add to what is already a tragic burden in their community. But that was the trajectory that emerged. From the Native perspective, it seemed like a prime example of how the white society does not understand or care about the Dakota people or their history.

One of the things Sam said was, “My work was created with the idea of creating a zone of discomfort for

whites. Your protests have now created a zone of discomfort for me.” He would say it took on a new, deeper meaning that speaks a lot to his original purpose.

Did the protests surprise others at the center?

You can never predict what a crisis is going to be. That’s what makes it a crisis. We were all planning for other scenarios, like we wouldn’t be able to open the gates on time because construction would be behind or maybe somebody could climb on one of the sculptures and fall off and hurt themselves. We were never expecting anything like this.

Seeing the crisis emerging, what did you do?

We asked a Native curator and Native art educator to advise us, and they both categorically said, “It has to come down.” From the standpoint of any curator, that isn’t really a solution. The artist should be free to say what they want, no matter how difficult, and it’s our job to interpret. So, at their suggestion, Olga wrote a letter of apology for not engaging the Native community prior to electing and placing this piece, and sent it to The Circle, a small indigenous newspaper. We knew we were striking the match on a pile of very dry tinder to start the crisis – we did that because it was coming anyway.

What tactics did you use once it hit the media?

A year prior to the opening of the Sculpture Garden, I brought in a crisis management and communications guru. My concern was we wouldn’t know how to handle communications to all of our stakeholders (Board, community, Park Board, members, et cetera) in an orderly, thoughtful manner if a crisis happened.

For a full day, we were trained on communications preparation with the PR team, the Board and entire leadership staff at the Walker – how to recognize when something is going to be a crisis, and what to do once it hits. With hundreds of thousands of people coming into the Garden, something was going to go wrong. It was the best decision I ever made.

Once Olga’s letter was posted on The Circle’s digital news site, we gathered that same trained team and hunkered down for the entire Memorial Day weekend. We basically lived in this one room, with Olga Viso, the Board President, the Vice President and the leadership team, including Operations, Development, Web, Education and Curatorial. Our social media person was on hand at all times. We had to be extremely tight in our communications, internal and external. We had to make sure that press releases, our online publishing, our social media, our email and so forth, were all coordinated.

“I THINK
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On Saturday, there were rumors that the protesters were going to burn it down at 3 p.m. And at 2 p.m., Sam, over the phone from California, agreed to let them have it. Neither Sam nor the Walker wanted anyone to be physically harmed or arrested. We notified the Dakota lead negotiator of Sam's decision and the threat was gone.

So you've got a threat of violence, a lot of moving parts, and you've got to make sure you get all of your messaging right, fast. It was really stressful.

The decision to let the sculpture go stopped the protesters from breaching the fence. But then immediately we had to figure out how to take it down. And that's when the real mediation with the Dakota began. A whole series of agreements took place in private negotiations on a Wednesday morning with cameras and reporters waiting outside the room. Our PR team didn't know what the agreements were going to be coming out of that room, but we had to be ready to share that with the media as live news.

It was a very sobering day for everybody. Sam had flown in. He was on camera with Olga. The Dakota leaders were there – it was incredibly emotional.

Moving the grand opening by a week meant notifying politicians, business leaders and out-of-town artists, and we had to communicate all that to the public. We had to plan for a public ceremonial take-down by the Dakota, which was extremely emotional and a last-minute event. And we were just hounded by the news all the time.

Protests outside the fenced area around the Walker Art Center's outdoor Sculpture Garden resulted in Sam Durant's large piece, "Scaffold," being given by the artist to the representatives of the local Dakota. A Native American construction company was hired to dismantle the artwork and a ceremony accompanied its removal. Mr. Durant handed over artistic rights to the Dakota, who vowed never to exhibit the work again.

KIM MITCHELL is a Partner with Brunswick Arts in New York and former Chief Communications Officer for The Museum of Modern Art in New York.

How effective do you think your actions were?

I don't know if I'm the one to say, because it's grading my own team. The response I've heard from the general public, our stakeholders and my museum peers is that given the situation, we handled our responsiveness and communication exceptionally well.

How was it working with the Dakota at that point?

The Dakota live all over Minnesota, the Dakotas, Montana, Canada. Because of their diaspora, there's no centralized governing body. We had just stuck ourselves in the middle of their history, which is fraught and difficult to understand. But that said, the Board and the leadership team opened the negotiation to include more Dakota leaders. They also selected a Dakota construction company to come take down the sculpture, with a Dakota-led ceremony.

What was the fallout internally?

The staff have had to put up with a lot of emotional turmoil, including Olga Viso's departure in November. They've had to defend the reputation of a place they love and adore. "Scaffold" is still discussed, but it's a very difficult topic for the staff. But fundamental learnings were inevitable. The Walker is a wiser art center because of this painful event.

What are the big communications lessons?

First, get crisis management communication training. That gave me the confidence to bring that group together and think through the question of "what do we do now?" We'd never been through this situation before, but we were more prepared and aligned. We had identified our key stakeholders a year in advance so we knew how and when to communicate to them.

The second thing is, support the leader. The Sculpture Garden renovation is really Olga's legacy. Give her your honest point of view, but support her as the leader. Whether we agreed with the sculpture or not, our team's job was to give her the ability to communicate her vision, her decisions.

Third, take care of the staff. Honest communication to and from staff is incredibly important. With all of the critical news from outside and heightened emotions within the Walker, our Board and leadership team made staff well-being a major priority.

Have others in the museum community contacted you about your experience?

I do get a couple calls here and there, like, "We think we have a crisis coming up and we would love your perspective." I obviously learned a lot through this experience. ♦

DARK FATE

THE GOOD NEWS:

It's highly unlikely that life on Earth will be wiped out by an asteroid such as the one that took out the dinosaurs. The vast majority of such planet killers are being monitored and appear to pose no threat. **THE BAD NEWS:** Tens of millions of smaller asteroids, many capable of taking out a major city, are swarming unseen around our planet all the time, despite our best efforts at detection. • "Space is big. It's dark. It's black," says Danica Remy, founder of Asteroid Day and the President of the B612 Foundation, a nonprofit with a mission to protect the Earth from asteroid impact. Asteroids are composites of a variety of rocks and metals, dominated by carbon, making them characteristically as dark as ash – perfect camouflage in the night sky. "If you don't know where an asteroid is or where it's going, you're not going to be able to find it in your telescope," Ms. Remy says. • And seeing it once would not be enough to understand the threat it may pose, says her colleague, Dr. Ed Lu, a former NASA astronaut who served on both Space Shuttle and the International Space Station missions. Along with fellow astronaut Rusty Schweickart, Dr. Lu in 2002 founded B612 (named after an asteroid in the children's novel, *The Little Prince*). "You have to spot it multiple times," he says. "The probability of something hitting the Earth is a function of how well you know the orbit." **MORE BAD NEWS:** Even if we do spot an incoming disaster, we may have no way to stop it, depending on the amount of time before impact. • In 2013, an asteroid roughly 20 meters wide exploded without warning in the atmosphere above Chelyabinsk, Russia. Though relatively small, the meteor packed roughly 30 times the force of the first atomic bomb. Most of that energy was absorbed in the atmosphere, but enough of it reached the ground to shatter windows, damage thousands of buildings and traumatize the community. Over 1,500 injuries were reported. Damages were estimated at the time to be at least \$33 million. • NASA's current detection efforts are ramping up significantly year by year, says Lindley Johnson, a former US Air Force officer and now NASA's first Planetary Defense Officer. Yet he isn't optimistic about our ability to prevent another Chelyabinsk. • "Our initial goal was to find the 1 kilometer and larger objects," says Mr. Johnson. An object that size could release 11,000 megatons of energy on impact, nearly 1 million times more powerful than the A-bomb – more than enough to wipe out an entire region of the planet and alter the climate. Having set the goal of finding such doomsday rocks 20 years ago, NASA believes it can now track "96 percent to 97 percent," and has begun searching for their smaller brethren. "We're working on this more challenging goal of 140 meters and larger. We believe the population of those is about 25,000, of which we have now found almost 8,400."

Asteroid impacts are inevitable. What's the plan?
Brunswick's **CARLTON WILKINSON** reports.

THE SHADOW
of the spacecraft
Hayabusa2 creeps over
the surface of Ryugu
about 280 million
kilometers from Earth.
In addition to sending
photos and data, the
probe will return home
in 2020 with samples
of this potentially
hazardous asteroid.



A rock 140 meters across could destroy a large city. Impacts of that size occur only once every 10,000 years, roughly, so the odds are good we'll find most of them before the next one strikes.

"Time is on our side," Mr. Johnson says.

The Chelyabinsk meteor, on the other hand, was a fraction of that size and still caused damage and injury. That type impacts the planet on average once a century. Maybe more often. NASA estimates that about 1 million such objects could pose a threat.

"To be honest with you, we could get hit by an object that size without seeing it beforehand," Mr. Johnson says. "With our current dependence on ground-based telescopes, which see the night side, if it came at night I think we would definitely see it beforehand. But the 2013 event is an example of an object that came from the daytime skies, so we had no chance of detecting it."

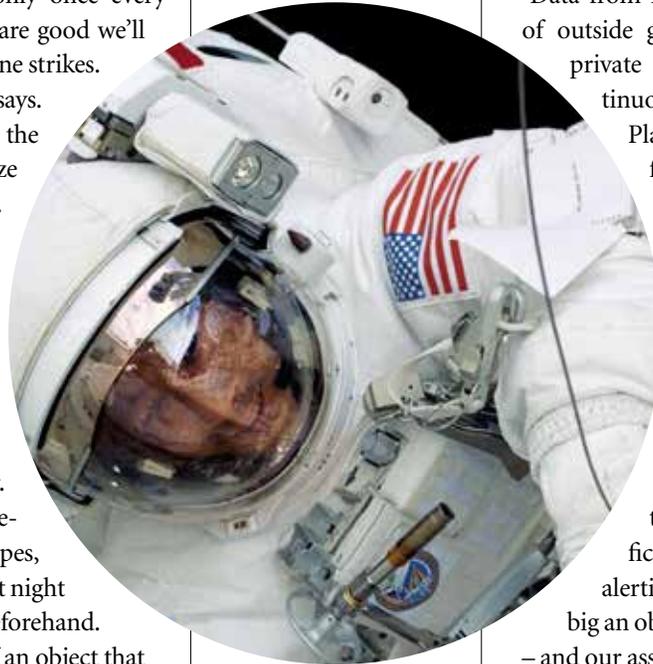
CRISIS PLAN

But what if we did have advance notice? What then? Inertia is a mighty enemy. In the void of space, those heavy rocks are moving very, very fast along the same gravitational grooves they've followed for billions of years. They're hard to stop. Plans for handling such an impending crisis have taken on an added urgency as our ability has increased to identify near-Earth objects, or NEOs.

Now in its 20th year, NASA's NEO Observations Program has gained support under both Obama and Trump (though it is not part of the proposed Space Force). Funding is expected to increase sharply to \$150 million for 2019, up from \$60 million.

An earlier NASA mission, NEOWISE, greatly expanded the current bank of knowledge about asteroids. Right now, NASA and the Japanese Space Agency JAXA have probes visiting asteroids, for the purpose of studying them, collecting samples and returning to Earth. NASA's OSIRIS-Rex mission arrived at asteroid Bennu in December. JAXA's Hayabusa2 landed French-German robots on the asteroid Ryugu in September.

This year, for the first time ever, the White House publicly unveiled a 23-page "Near-Earth Object Preparedness Strategy and Action Plan," which outlines steps NASA plans to take to increase advance detection and preparedness to deal with them. Of necessity, the plan is still heavy on preparedness,



DR. ED LUIS IN ORBIT in this photograph by cosmonaut Yuri I. Malenchenko, taken during a six-hour spacewalk outside the International Space Station in 2000. A former NASA astronaut and the current director of the B612 Asteroid Institute, Dr. Lu is now working on a dynamic map of the solar system that he foresees as a valuable tool for both asteroid detection and space exploration.

"It's important, not just for protecting the Earth, but also for the development of space," he told the Brunswick Review. "Take the big-picture view of where human beings are going over the next 50, 100, or even 200 or 300 years. This map and the tools that allow you to make use of it will be fundamentally important to the development of space, just as maps have been important to the development of any new frontier."

light on action to derail a danger once it's detected.

Data from NASA-funded telescopes, plus those of outside governments, science institutes and private citizens around the world, is continuously fed to the NASA-funded Minor Planet Center and the Planetary Defense Office at NASA headquarters. Sightings of near-Earth objects and impacts are compiled by the Minor Planet Center into reports that land on Mr. Johnson's desk.

"There is a protocol" in the event of an immediate threat, Mr. Johnson says. "We provide the information up through our management to the administrator and to the White House through the Office of Science and Technology Policy, alerting them of a potential impact – how big an object is and how near we are to impact – and our assessment of what the effect might be."

That message spreads not only through a network of US agencies, such as the Federal Emergency Management Agency, or FEMA, but also to any other nations that may be affected, via the State Department and the UN-sanctioned International Asteroid Warning Network, which informs the UN Office of Outer Space Affairs. If the impact were large and headed toward a densely populated area, a mass evacuation might be recommended, with the decision and handling left to that area's government.

Meteor strikes historically have not cooperated with this plan: They arrive unannounced. But on June 2, an astronomer working with the NASA-funded Catalina Sky Survey spotted a two-meter wide object headed for Earth, only the third such advance detection in history, a feat even more remarkable because of this asteroid's puniness. With that data, Jet Propulsion Laboratory scientists were able to predict where it would impact. Eight hours later, the spectacular fireball streaked across the night sky in Botswana, lighting up the rural landscape like a giant flash bulb. No one was hurt.

Eight hours would have been enough time to issue a warning that could have saved lives had the asteroid been larger and targeting a major city – but not long enough for a full evacuation.

Dr. Tim Spahr, the former Director of the Minor Planet Center and a founder of the Catalina Sky Survey, is now CEO of his own private consulting firm NEO Sciences. He says confidently that the bigger the threat, the greater the chance we might see it advance.

“Let’s say instead of two meters, it was 40 meters,” Dr. Spahr says. “We would have discovered it weeks ahead of time, not eight hours. And that’s enough time to go, ‘Hello! People in Botswana! You just need to get 30 kilometers away and you’ll all be fine.’”

But even a few weeks is not nearly enough to mount any kind of deflection or intervention against the asteroid itself. Even if we had something to deflect it with. At the moment, an effective mission would require a warning of about 20 years. “They’re trying to reduce that,” Dr. Spahr adds. “The idea that you could do something on a decadal time scale [10 years instead of 20] is not out of the question.”

In its five numbered goals, the NASA “Strategy and Action Plan” lists “Develop Technologies for NEO Deflection and Disruption Missions” as Goal No. 3. Another way of saying that: Those technologies, as a complete package, are not yet developed. We have the ability to launch missions to asteroids – but those take decades of work prior to launch. Existing machinery, in theory, could be adapted to thwart an impact once we get there – but we haven’t tested it.

Still, sending a defense is feasible, building on technology developed on previous space missions. One idea would be to move the asteroid’s orbit slightly so it doesn’t hit Earth. Various theories for how to do that have been floated.

Among what NASA calls “the most mature in-space concepts”: slamming a device into the asteroid’s surface, known as a “kinetic impactor”; parking a man-made object nearby and letting its gravitational pull tug the asteroid off course, a so-called “gravity tractor” (an idea first proposed by a team that included B612’s Dr. Lu); and last, exploding a hydrogen bomb near the surface, which should slow the asteroid’s momentum, allowing it to miss Earth.

These remain untested. NASA has scheduled a kinetic impactor attempt in 2022, Mr. Johnson says, when a spacecraft will hit the smaller member of a twin asteroid system, Didymos, to slightly alter its path. For the immediate future though, safety plans in the face of threatening asteroids rest on early detection, warning protocols and public awareness.

ASTEROID DAY

The Botswana fireball flashed only briefly in headlines around the world, burning out within hours. Such is the standard trajectory for media reporting on meteors. Only a few years ago, however, coverage was scarcer. A few articles about asteroids appeared in major outlets, including Time Magazine, yet somehow public awareness remained low.

When Ms. Remy joined the B612 Foundation as Chief Operations Officer in 2012, “Nobody was talking about asteroids,” she says. “We would go to donors and say, ‘Would you give us a million dollars? Or \$100,000?’ They’d say, ‘Well, I never hear about asteroids in the press.’ Like, is it really a problem?”

When Chelyabinsk was hit in 2013, most of the injuries sustained were from flying glass. People saw the flash of the explosion but, not realizing what it was, they didn’t know to take cover from the shock wave that would hit moments later. One substitute teacher told students to hide under their desks. She was treated as an international hero because the 44 fourth-graders in her charge were largely unharmed when the windows of her classroom blew out.

In 2014, Ms. Remy set out to create an annual day of awareness, urged on by B612 co-founder and NASA astronaut Rusty Schweickart and others, including astrophysicist and Queen guitarist Brian May, and director Grigoriy Richters, whose film “51 Degrees North” imagined a meteor hitting London.

“The reason we started Asteroid Day – Brian, Grig, Rusty and myself – is that we needed a venue to get the public talking,” she said. The idea was recognized by the UN, and the nation of Luxembourg signed on as a major sponsor. Launched on June 30, 2015 – the anniversary of another famous asteroid impact in Russia, at Tunguska in 1908 – Asteroid Day has helped asteroid research gain considerable attention. In addition, it has become an international vehicle for educators to launch conversations with students and science organizations to generate public interest.

“Asteroid Day was intended to put a spotlight on anybody in the world who was having a conversation about asteroids, teaching or learning about asteroids,” Ms. Remy says.

Building on interest in Chelyabinsk, the annual event has made a difference, she says, pointing to a 2018 report from Pew Charitable Trust that samples Americans’ interest in aspects of space research. “This year, for the first time ever, at the top of the list second only to climate change is monitoring the Earth for asteroids,” Ms. Remy says. “To me, that’s a huge validation of the hard work that we’ve done.”

Mr. Johnson agrees that asteroid awareness overall has increased and that Asteroid Day has played a part. But he adds that that success was aided by exciting results from ongoing scientific missions.

“We say, ‘Every day is Asteroid Day at NASA,’ because we find them every day,” Mr. Johnson says. “The object is to find them before they find us.” ♦

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The last time fatalities were recorded from an asteroid strike? **CHINA, 1490 A.D.** Reports say 10,000 people were killed. Because whole populations are at risk, the odds of dying from a meteor are greater than from a shark attack.

Expected **FATALITIES** averaged per year:

SHARK ATTACKS

3-7

ASTEROIDS

91

TOP 3 CAUSES OF FATAL INJURY RESULTING FROM METEORS:

- 1 Strong wind or shock wave
- 2 Intense heat
- 3 Tsunami

Stats from “Defending Planet Earth: Near-Earth Object Surveys and Mitigation Strategies,” a consensus study report published in 2010 by the US National Academies of Sciences, Engineering and Medicine.

Critical moment

TYPHOON HAIYAN. November 15, 2013



THE NEED FOR AID WAS IMMEDIATE AND MASSIVE after an 8.8-magnitude earthquake hit Chile in 2010, triggering a deadly tsunami. Rushing forth with cash and supplies were governments and nonprofit organizations. Yet the largest portion of the aid – 55.4 percent – came from corporations.

That is the new norm, according to an Academy of Management Journal paper published in October of 2017. Nearly 70 percent of the aid received after the 2011 tsunami in Japan came from corporations, as did 51.7 percent of that received by the Philippines after Typhoon Haiyan in 2013, according to the study, authored by Luis Ballesteros, a George Washington University Professor of Business, along with Michael Useem and Tyler Wry of the University of Pennsylvania's Wharton School of business.

That rise in corporate contributions came amid stagnation in assistance from governments and aid organizations. But the authors go beyond documenting the upward trend in corporate disaster relief. Their peer-reviewed study purports to prove that corporate giving during a disaster provides sig-

A military aircraft passes over a washed-out village in the wake of Typhoon Haiyan, which ripped through the Philippines in 2013. The tropical cyclone was one of the most powerful ever recorded. Thousands were left dead and hundreds of thousands homeless.

nificant social and humanitarian benefits. That may seem obvious. But research has cast doubt on the general societal value of CSR, or Corporate Social Responsibility, suggesting that it often is used “to secure government favors, forestall activism and mollify local communities.”

But the researchers, using data from Swiss Re on the humanitarian and economic toll of particular disasters, conclude that following a disaster, “firms with operations in an affected country have unique capabilities that allow them to sense areas of critical need, seize response opportunities, and reconfigure routines and resources to respond more quickly and effectively than traditional aid providers.”

At a time of political backlash against globalization, the local operations of multinational companies can be a source of invaluable relief when earthquakes or storms slam communities. “The nations benefit greatly from corporate involvement when disaster strikes,” the authors conclude. ♦

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