



Utilities — Will Your Crises Kill You or Make You Stronger? ©

February 2019 EEC Subscriber Exclusive

I imagine you've heard the saying, "What doesn't kill you makes you stronger." You often hear that said after an athlete suffers an injury. The saying, attributed to German philosopher Friedrich Nietzsche, contains a bit of hyperbole. Many professional athletes have had their careers prematurely shortened by injuries that don't outright kill them (see [Lindsey Vonn](#) and [Joe Theismann](#)).

Maybe Nietzsche was referring to more prosaic life challenges all of us face, such as sprained ankles, business reversals, car accidents and lost loves.

Anyway, in the corporate realm, scandals and safety problems have hobbled many companies (i.e., [United Airlines](#), [Volkswagen](#), [Wells Fargo](#)) and killed a few ([Drexel Burnham Lambert](#), [Enron](#), [Arthur Andersen](#), [Aquila](#), [WorldCom](#), [Bear Stearns](#), [Lehman Brothers](#)).



Source: Enron

The jury is still out on whether Pacific Gas & Electric (both for the [San Bruno pipeline explosion](#) of 2010 and the [wildfires of 2017 and 2018](#)) as well as Columbia Gas of Massachusetts for its [gas explosions](#) in 2018 in three Massachusetts cities, will be hobbled or killed.



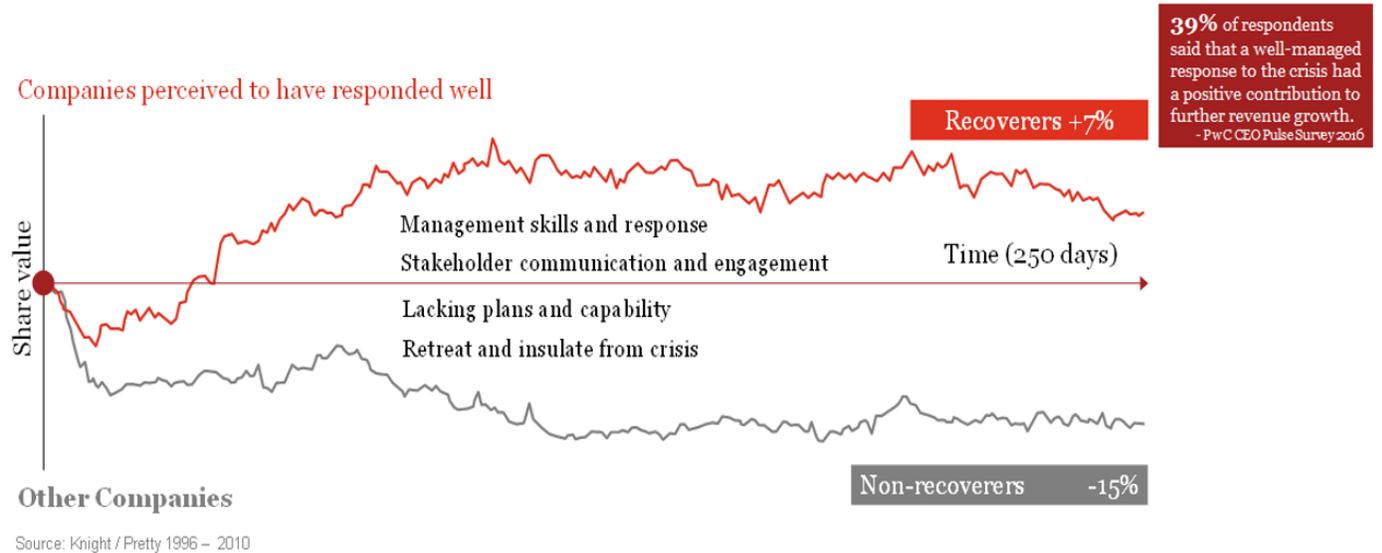
The crises that threatened to engulf PG&E and Columbia Gas of Massachusetts were top of mind when I attended a crisis communications conference last December. There, Kristin Rivera (*left*), the Global Forensics Leader at PwC, discussed how crises could make companies stronger. (The flip side, of course, is that companies that lacked the essential certain ingredients in their [organizational DNA](#) could be destroyed by a crisis.)

Rivera drew on Nassim Nicholas Taleb's book, [Antifragile: Things That Gain From Disorder](#). "Some things benefit from shocks," Rivera told the conference, quoting Taleb. "They thrive and grow when exposed to volatility, randomness, disorder and uncertainty. The resilient resists shocks and stays the same. The antifragile emerges stronger."

Source: John Egan

How much stronger? Quite a bit, actually. She cited research showing companies that responded well to a crisis experienced an average 7% gain in their stock price in the 250 days after their crisis (see chart below). Companies that responded poorly to a crisis, on the other hand, saw their stock price drop by an average of 15% over that same time period.

Share-price metrics may not carry as much impact at utilities that are not publicly traded compared to their shareholder-owned brethren, but both should recognize that stock price is only one way, albeit a powerful one, to measure impact.



“If a company is trying to be resilient, it is aiming too low,” the PwC expert told the conference. Being resilient just gets a company back to zero, the state in which it existed prior to a crisis. Instead, she said long-term success was grounded in being “antifragile.”

Rivera shared some statistics, gathered by PwC, that underscored the degree to which corporate executives and board members were thinking about crises, threats and crisis planning:

- 75% of CEOs expect to be hit by at least one crisis in the next three years
- 66% of CEOs believe their businesses face more threats today than three years ago, and
- 36% of corporate directors plan to spend more time on crisis management and planning

Rivera said there were three categories of actions, all of which were grounded in an organization's culture, that would largely determine whether a crisis would kill it or make it stronger (*see below*). **An organization's culture is powerfully shaped by its leaders as well as its communications.**

Prepare 	Respond 	Emerge Stronger 
<ul style="list-style-type: none"> • Assess • Enhance • Simulate • Train <p><i>“By failing to plan you are planning to fail”</i></p> <p>-Benjamin Franklin</p>	<ul style="list-style-type: none"> • Governance • Integration • Fact finding • Communication <p><i>“You can’t spin your way out of trouble you acted your way into.”</i></p> <p>-Mark Palmer Former Enron Spokesperson</p>	<ul style="list-style-type: none"> • Look around the corner • Resist rationalization • Leverage lessons learned • Remediate <p><i>“Never let a good crisis go to waste”</i></p> <p>-Winston Churchill</p>

Source: Kristin Rivera/PwC

I've written quite a bit about crisis communications in recent months. Like [here](#). And [here](#). And [here](#). But Nassim Nicholas Taleb, author of *Antifragile*, is swimming much farther upstream than the strategies and tactics of crisis communications. He is looking at something deeper and more durable, lessons from the worlds of nature, myth, chance, math and engineering that can be applied to the business world.

Antifragile will not be found in the “Business Management” section of Amazon (or your local bookstore). Instead, Taleb (*right*) is an eclectic mix of essayist, risk manager, engineer, mathematician and philosopher. And, of course, a writer. His books likely would be found near Malcolm Gladwell’s work. Since he’s not a business-school professor or crisis communications consultant, Taleb’s book requires some effort to apply to utilities. But the applications are there.



Credit: Nassim Nicholas Taleb

Providing electricity, natural gas and water to customers is an inherently dangerous business, even if everything goes right (which is not often the case). Rivera’s talk, and Taleb’s book, are powerful reminders of the importance of organizational culture.