



# Dealing with a Crisis

"It takes 20 years to build a reputation and five minutes to ruin it."

-Warren Buffett-

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Daily news flow presents us more and more with information about companies and their crises. While some of the news flow includes companies that may be directly affected through unanticipated events such as product failure, ESG issues, natural disasters, vicious rumors or even the death of a leader, some of the news flow may reflect indirect effects onto companies, for example through strong currency depreciation, high inflation, high unemployment or geopolitical tensions. Challenged with such events, all parties involved require direction, which is why crisis management and communication programs or business continuity plans are a good thing to have in place.

Based on purely personal experience and observation, I would say that companies in need of managing the daily currency volatility have a strategic risk management in place. If you have a C-suite without the necessary currency experience (or personal background knowledge even) you'd have to deal with a rather numb and rigid decision maker in the face of such challenge. Communication to stakeholders would be delayed and at times even misunderstandings may arise. Record high currency depreciation may even cause a dilemma on the other side of the table, to the investors, as they need to have answers on how the company manages such volatility, how it may affect its operations and financial performance and in turn, whether the investor has to reevaluate their investment in the company.

## The Investor Relations Challenge

In such times of uncertainty and concern, we, as investor relations play a central role. Strategic and crisis-oriented communication is key in facing reality, acknowledging the crisis and supplying professional information. When we do this in a timely manner, it may disperse uncertainty, rebuild corporate reputation and restore confidence in the company. Therefore, it is important for us to have instant access to our upper management.

I have come to experience that investor relations becomes highly valuable, if it is a part of the risk management team. With immediate and transparent messages, the effect of uncertainty may be lessened. Managing expectations, effectively communicating and being constantly approachable is key in the engagement with your stakeholders.

As part of my investor relations communication, I started to explain some risk management and business continuity measures as part of my equity story and have found this to be quite a valuable addition to my presentation. During economic or financial crises, we may revert back to retelling the important parts of the equity story and replenish them with management decisions.



## The Human Aspect

While every crisis is different, every reaction to any crises is also different. Affected people in a crisis take in and process the information and act on such information differently. Now, we all know that transparent and proactive communication is key in investor relations and more so in crisis situations. As part of our daily activities, we are generally only involved with the financial community. However, in times of crises, our horizon widens to incorporate a much larger group, namely everyone. And while your intuition tells you to cover up, maintain a strategic distance from confrontation and keep down on any correspondence, your stakeholders are waiting for a statement. This is why knowing about human nature is intrinsic, as extreme situations may arouse acute anxiety and strong emotions, such as fear, anger and aggressiveness. Nothing personal, yet combined with age, sex, ethnicity and personality the perception of the crisis may take different shapes and forms. Thus, considering that our horizon just expanded to a much larger target audience, we also need to know that not all risks are perceived equally. On the one side we are a trust anchor to the expert in the financial community, and on the other side we are the person to rant and rave at, as the retail investor probably just put all the family savings into the company's stock right before it went plummeting down. Because, let's be straight, who calls in when things are glorious, and the company's stock is just rising perfectly? Key in such stressed times is to remain calm, stay logical and rational. It is very common to make defensive statements in such situations; however, I have seen that empathy and honesty will help diffuse fears and agitation and make the audience listen. We are not here to give a mass mental therapy, just a simple open and honest flow of communication.

Conclusively, a crisis will affect all parties involved in different ways. It is essential, though, that we won't have our emotions affect our cognitive capacity. This is where crisis management and communication plans become important tools for investor relations. Such roadmaps will guide through the company's weaknesses with forward thinking measures and proactive action taking. Since the equity story I present already includes some of the company risks and their procedures, the creation of a crisis message with the corporate communications team becomes much more focused. Having trusted relations with the media also helps to get the message distributed much quicker. In the aftermath, I have found it to be fundamental for such plans to serve as guidance on improving corporate culture and have the company regain its success.

