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Crisis of the Week: Does SunEdison Have Energy to Handle Crises?

By

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Reuters

The crisis this week involves energy company SunEdison Inc. and how it's handling a number of issues, including a delay in filing its annual report, the termination of a deal to acquire Vivint Solar VSLR -2.08%, investigations by the U.S. Department of Justice and Securities and Exchange Commission related to disclosures to investors and a decision to file for bankruptcy.

The company issued a statement saying an internal investigation found no evidence of material misstatements or evidence of fraud, but did admit it lacked certain accounting controls. The company said it found on instance of *wrongdoing by a non-executive employee related to talks around the dissolution of the deal with Vivint, and said the employee was fired. The company said it would implement improved cash-forecasting systems and provide the board with more transparency over cash flow.*

Looking solely at the company's comments, the experts were asked to evaluate how well it has communicated during this crisis. Is it doing anything well? Where is it failing? What are its next communication moves?

Scott Farrell, president, global corporate communications, Golin: "In many ways, SunEdison's communication is reflective of its current environment. Confronted with two federal investigations, the company is forced to strike a factual tone in its communications and balance a demand for transparency and information with a host of legal and regulatory restrictions.

"Presumably to acknowledge the climate of conversation and mitigate further speculation regarding its fiscal health and management, SunEdison released just enough information to legally acknowledge what it must in a timely and straightforward manner. However, the lack of attribution in most statements to its chief executive or other high-ranking executive leaves the door open to wonder who's accountable for the missteps.

"SunEdison's decision to avoid media comment on separate occasions is a missed opportunity to take control of the narrative. Excluding its entirely appropriate decision to avoid comment on rumors of impending bankruptcy, the company missed opportunities to set the record straight, communicate positive change and demonstrate a leadership team in control. Companies in crisis need to know when and how to pivot from playing defense to playing offense when it comes to the narrative. The sooner the pivot can happen, the sooner speculation is put to bed and stakeholders regain confidence in leadership.

"Going forward, SunEdison must create opportunities for management to speak credibly about the business and not the issues at hand. They should not view restrictions on what they can say as reasons to be silent, but as motivation to identify and share positive stories. People need to see SunEdison not as a company beleaguered by financial and legal problems, but still as a company with exceptional capabilities and achievements in the renewable energy sector."

Jolie Balido, president, Roar Media: "When it comes to corporate communications, SunEdison executives seem to suffer from the 'ostrich syndrome,' mistakenly thinking that digging their heads in the sand and ignoring the media will not have negative consequences. Particularly during a crisis, and particularly for publicly traded companies, effective communication is critical.

"SunEdison has more than financial and operational woes, it has major communications and image issues that need to be addressed. SunEdison has consistently declined to comment, and its chief executive, Ahmad Chatila, has been described in the media as 'an intensely driven executive who shunned media interviews.'

"Like it or not, the media can shape public opinions and influence decisions. In a crisis, one of the worst things companies can do is decline to comment. By not commenting, they relinquish their ability to help shape the story. That gives the impression of hiding and damages trustworthiness and credibility. Crisis communications should begin before the crisis by having positive relationships with reporters and securing ongoing publicity to tell your story.

"Corporate crises are so common that people are not too surprised to hear about the latest one. They are more likely to forgive a company that acknowledges its mistakes and openly explains how it will chart a new future. They are less likely to forgive if they feel they have been deceived or shunned. As SunEdison turns to Chapter 11 reorganization, let's hope it does more than restructure its balance sheet and financial operations, let's hope it restructures its communications and media policy."

Ira Kalb, assistant professor of clinical marketing at the USC Marshall School of Business: "SunEdison witnessed its market capitalization tumble from $10 billion to $120 million. While the CEO communicated an overly positive outlook for the company, senior executives told the board the company misrepresented its financial position and liquidity. This prompted an internal audit and a regulatory filing in which SunEdison said it found 'material weakness in its internal controls over financial reporting.'

"Subsequently, the company made seemingly contradictory statements, further eroding its credibility. To explain why it was late in filing its 2015 financials, SunEdison said the internal audit was not complete. Then it blamed proper financial controls not yet being in place. At the same time, it said its audit has 'not resulted in the identification of any material misstatements or restatements of the company's financial statements.' Taken together, these irregularities triggered investigations from the SEC and Justice Department.

"SunEdison finally admitted cash assumptions were 'overly optimistic' and it lacked sufficient controls. Now that it has filed for Chapter 11 bankruptcy protection, the board needs to put in place a turnaround team with excellent credentials. This team has to develop a plan to settle with the government and allay the fears of investors and capital markets soured on its once high-flying business model. Part of this plan should be to prevent questionable acquisitions and insure iron-clad control over cash."

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