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Crisis of the Week: Noble Group Tries to Melt Iceberg Attack

By

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The crisis experts this week look at statements issued by Noble Group in its attempt to discredit Iceberg Research, which has issued a [series of reports](#) alleging accounting irregularities at Noble that caused the company's stock

price [to plunge](#). Along with [denying the claims](#), Noble last week [filed a lawsuit](#) in Hong Kong against the company and one of its former employees, who it says it suspects [is behind](#) the Iceberg reports.

Looking at what Noble has said, we asked the experts to judge how effective the company has been in getting out its side of the story, whether it has succeeded in slowing down or stopping the damage, and what next steps the company should take to quell the concerns of shareholders, customers and employees.

Lanny J. Davis, executive vice president, Levick: “The chief executive of Noble Group, Mr. Yusuf Alireza, had the right message to increase transparency to shareholders in response to criticisms from Iceberg Research about alleged overvaluation of its commodity contracts and other alleged accounting irregularities. But better to address the attacks with specific facts about each of the valuations of the contracts that are at issue.

“For example, I confronted a similar attack on the valuations of investments made by a small-business investment company. We invited in the media to call into a telephonic press conference. We even invited the Washington Post to join us behind the scenes as we planned for the presentation to the press. The chairman and CEO went through each and every investment valuation, explaining the methodology and calculations used to establish a ‘fair market’ value for what were still illiquid investment positions.

“I recommend that approach to Noble Group. Then it can attack Iceberg for its choice to remain in the darkness, hiding behind an anonymous post by an off-shore company, thus refusing to stand up to the line and be held accountable. According to The Wall Street Journal, Iceberg admitted to having been in touch with short-sellers, who have already profited by what might be a misinformation campaign.

“In effective crisis management, sequence means everything. Facts first—facts, facts facts—no adjectives, adverbs or characterizations. Then attacks or law suits against the critics can follow. Not the other way around.”

Ira Kalb, assistant professor of clinical marketing, Marshall School of Business, University of Southern California: “While Iceberg’s allegations have sparked a lawsuit and convinced some Noble investors to flee, Noble claims that Iceberg’s reports were instigated by a terminated former employee and others that stand to gain from short-selling Noble’s stock. In their statements, both sides make convincing arguments, but Noble is in a more vulnerable position. It is publicly traded with the burden of allaying investor concerns without revealing too much about its operations, which would put it at a competitive disadvantage relative to privately held competitors.

“In a press release, Noble explains that, ‘...to run your business professionally is not good enough. You need to be able to prove it.’ This statement is good because it does not seem defensive or hard to believe. It makes sense. The problem is that it does not go far enough.

“To allay the concerns of investors, customers and employees, Noble needs to provide independent, credible third-party proof. It should emphasize that its independent public auditor, Ernst & Young, signed off on its 2014 financials on the same day they were released. If anyone has the knowledge, expertise, and credibility to satisfy Noble stakeholders and the public, it is EY.”

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