

## **Corporate Crisis Predictions for 2007**

**Most and Least Likely Crises—  
Bad Products and Fraud Most Likely  
vs. Fire and Terrorism Least Likely**

**Most and Least Prepared—  
Companies Most Prepared for Fire and Law Suits vs.  
Least Prepared for Employee Violence and Terrorism**

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## 1.0 Introduction

Looking forward to 2007, the COMPAS panel of CEOs and business leaders was asked to forecast the probabilities of certain kinds of risks to business and assess the degree to which businesses are prepared for such risks.

Bad products and services top the list with a 40% probability of taking place for the average corporation in Canada. This is followed by the probability of fraud and bad PR. Employee violence and terrorist events are seen as least likely and yet are given probability estimates well above zero.

Companies are seen as highly prepared for fire, an unlikely crisis in their view, as well as three more likely crises, bad products, law suits and fraud. Though businesses are seen as better prepared to deal with fraud than with a majority of other expected crises, they are not seen as especially well prepared for fraud.

When crisis probabilities are compared with crisis preparedness, the data suggest that companies need to invest more in preparing themselves for dealing with bad products, bad PR, and fraud.

These are the principal findings from the weekly business web-survey conducted by COMPAS for the *Financial Post* under sponsorship of BDO Dunwoody LLP.



## 2.0 Crisis Probabilities—Bad Products, Bad PR, and Fraud at the Top

As shown in table 2, panelists see bad products, bad public relations and fraud as the most likely crises facing companies in 2007.

*Table 2: (Q1)One issue in the news has been crisis preparation by business. What is the probability on a 100 point scale of the average public corporation in Canada experiencing a significant crisis in 2007 in each of the following areas... [RANDOMIZE]*

	Mean
Bad product or service	40
Fraud	34
Bad public relations in the media	34
Client law suit	31
Successful business espionage by a competitor	24
Employee violence	19
Natural disaster such as hurricane or lightening	18
Fire	17
Terrorism	12

## 3.0. Crisis Preparedness—CI, Employee Violence, and Terrorism at the Bottom of the List

Among potential crises in 2007, businesses seem best prepared for dealing with fire, law suits, and bad products, as shown in table 3.



Table 3: (Q2) On a 7 point scale where 7 means very well prepared, and 1 the opposite, how prepared is the average public corporation for each of these crises...  
[RANDOMIZE IN SAME ORDER AS ABOVE]

	Mean	7	6	5	4	3	2	1	DNK
Fire	4.8	8	27	30	16	3	10	3	4
Client law suit	4.8	6	28	27	17	15	3	2	3
Bad product or service	4.6	3	20	31	24	14	3	2	3
Fraud	4.2	2	14	27	25	17	9	2	5
Bad public relations in the media	3.9	2	12	24	19	23	11	6	4
Natural disaster such as hurricane or lightening	3.4	1	8	17	16	22	20	12	5
Successful business espionage by a competitor	3.3	0	5	14	24	21	20	11	6
Employee violence	2.8	0	7	7	15	17	34	16	5
Terrorism	2.1	1	2	6	7	8	33	37	7

#### 4.0. Risk Index Scores—Highest Scores for Bad PR, Bad Products, Fraud, and Competitive Espionage

The probabilities of a crisis' occurrence were compared with companies' preparedness for dealing with the same type of crisis so as to produce a risk index score. A high risk index score goes to a type of crisis where the degree of preparedness falls short of the expected probability of occurrence. Highest risk index scores go to bad PR, bad products, fraud, and successful business espionage by a competitor, as shown in table 4.



Table 4.0: Scores on Risk Index (High score is worst score)  
(Mean Probability Divided by Mean Preparedness Score)

	Mean Probability	Mean Preparedness on 7 pt Scale	Score on Risk Index
Bad public relations in the media	34	3.9	8.7
Bad product or service	40	4.6	8.7
Fraud	34	4.2	8.1
Successful business espionage by a competitor	24	3.3	7.3
Employee violence	19	2.8	6.8
Client law suit	31	4.8	6.5
Terrorism	12	2.1	5.7
Natural disaster such as hurricane or lightening	18	3.4	5.3
Fire	17	4.8	3.5

## Methodology

The *National Post*/COMPAS web-survey of CEOs and leaders of small, medium, and large corporations and among executives of the local and national Chambers of Commerce was conducted December 20 - 22, 2006. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of 124 are deemed accurate to within approximately 8.8 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D and Tamara Gottlieb.s

