



## Stanford eCorner

### How to Give Bad News to Investors During Difficult Times

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During the economic downturn of 2002, instead of distributing dividends, Joie de Vivre was forced to ask investors to help out the company financially. Rather than approaching investors in a completely solemn manner, Conley explains how approaching his investors with a sense of humor helped in the negotiation and persuasion process.



#### Transcript

In between about '95 and 2001 or 2000, things were going very well in the hotel business and so every quarter we would send out a letter to our investors. We have a lot, we have 150 to 200 investors, there's a lot of them. And we would send a letter telling them how good things were. Sending them financial statements and then sending them a check, saying, here you go here's your investor distribution. By 2001, it was very clear that they were going to maybe stop receiving checks. And by summer of 2002, it was starting to get clear that many of them are going to have to start writing checks. There's something that happens to investors when they have to do what's called a capital call and investors don't usually like capital calls. That's why instead of actually receiving checks as an investor, you have to write checks because the business is in trouble and it can't actually cover its payroll or whatever. Well we had a handful of our hotels that would fit in that category. And so in October of 2002 when I was sending out my normal quarterly letter, and that was at the end of the summer and generally investors sort of think, you know, this is where I'm going to get my paycheck because the summer is the busiest season.

We needed to give them the news that they were not going to get a check and in fact starting going into the winter that many of them are going to have to start writing checks. So we sent them the letter and we sent them a shirt. A T-shirt. So 150 T-shirts went out to people. And the front of the T-shirt is some sort of a, again, it's old T-shirt at this point six years ago, This is the T-shirt on the front actually had a graph of, oh pass this around so you can take a look at it. This is San Francisco 2002 the sky is falling and it shows a revenue line from 1980 up to 2002. And it basically shows a very good strong growth line up to about 1995 when it just skyrocketed. Everything was great '95 to 2000. There was this huge peak here so to speak. And that was the but.com boom.

And there's the dotted line that showed a historical growth curve that just continued from 1995 on where it would've been and it just shows how much over the hood the historical growth probably were. So that's what it showed in 2002, where were. In fact this line went even further down. On the back of the T-shirt, it said, it has this and you can't see it so I'm going to read it to you. It says, Joie de Vivre Hospitality is strong enough to restore this sky because in the front of it the sky is falling. And on the back it has this little man, it looks like a 1950s advertising character and says, I bought a hotel in San Francisco and all I got was this lousy T-shirt. So why do I bring that up? I bring that up because actually in terms of negotiation and persuasion and getting people in the right frame of mind to actually have them do what you want them to do, that's what we needed to do. The classic normal approach to actually giving bad news would be to be very, very sober in giving the bad news. Now let me

tell you the letter that we wrote them. Accompanying this was very sober.

It was like, I told everything that was going on. I told them everything that we were doing also to actually try to turn it around what was very clear at the end of the day that we needed to have a sense of humor and some creativity to get through this difficult time. Ultimately what happened when they got this T-shirt is, oh I was taking a picture about that, what happened was two of the actual investors who got this, one of them sent to this to the Wall Street Journal and Wall street Journal wrote a story about this and the other one sent to San Francisco Business Times and the San Francisco Business Times took that little guy, that little cartoon character and actually printed it in the paper and talked about how during difficult times how to actually give bad news to investors.