

BETWEEN THE LINES

December 22, 2021

BIA's Year-End Grab Bag: Alec Baldwin's ABC Interview, Question Formulation for the Pros, and Answering Awkward Questions like a CEO

Introduction

As another year comes to a close, we looked back at the questions, answers and behaviors we observed during 2021. First, we wanted to share our analysis of Alec Baldwin's ABC interview on December 3, in which he addresses the fatal shooting on the set of *Rust*, a film in which he stars and is the producer. We closely examine the interview using our behavioral lens to cut through the noise and headlines surrounding the incident. Next, we once again showcase how BIA's question formulation techniques can help analysts at even the top investment firms ask better questions and elicit better answers from management teams. In a fun holiday twist, we also look at some humorous responses we heard from CEOs in earnings calls this year, and use them as boilerplates for all your awkward questions during holiday gatherings.

Alec Baldwin Is Rusty on Safety Protocol

On December 3, Alec Baldwin sat down with ABC's George Stephanopoulos for his first interview since the fatal shooting on the set of *Rust*, a film Mr. Baldwin produces and stars in. On October 21, cinematographer Halyna Hutchins was killed when she was struck by a live round fired from a gun held by Mr. Baldwin. Mr. Baldwin says that he was giving the interview because he wanted to address a number of misconceptions about what happened right away, noting that he could not wait for a completion of the criminal investigation, which could take several months. Mr. Baldwin is asked a number of questions to help viewers gain insight into what happened and what his role in the incident was. In his responses, BIA sees behavioral indicators that suggest Mr. Baldwin believes safety and security measures were not sufficient on set and that he was lax in his adherence to industry standards.

"Not My Job!"

Mr. Baldwin begins the interview by stressing that he was a "creative" producer. He repeatedly insists that, although he was a producer, he was not involved in hiring any of the *Rust* crew. He explains that in his producer role: "I am a purely creative producer. My authorities as a producer are casting and script, which are actually married to the role of being a lead actor in a film" and that "my consultations or approvals were completely about casting and the script. I don't hire anybody in the crew." Mr. Baldwin's need to repeatedly mention that he was purely involved with actors and the script signals how important this message is for him to get across, which reflects the likelihood that he suspects members of the crew and the other producers are culpable for the incident.

Indeed, Mr. Baldwin is asked if Hannah Gutierrez Reed, head armorer for the film, was capable of the job given that *Rust* is only the second film where she held the position. Mr. Baldwin replies that "I assumed because she was there and she was hired, she was up for the job." This statement falls short of stating whether he believes Ms. Reed was capable of being the armorer on set and continues to distance himself from the decision to hire her and evaluate her performance. So, even though he says that "no," nothing she did raised red flags in his mind, Mr. Baldwin's attempt to absolve himself of any responsibility for her actions suggests that he believes that Ms. Reed is to some degree responsible for the event.

Also, when asked whether production costs were being cut at the expense of safety and security, Mr. Baldwin says, "in my opinion, no," but then shifts gears to say, "I did not observe any safety and security issues at all in the time that I was there." However, the phrase "in my opinion" rather than unequivocally saying "no" suggests that he knows others would disagree with

him and that he is unable or unwilling to commit to his statement. Furthermore, his narrow references that “I” did not observe issues during the time that “I was there” indicate that Mr. Baldwin cannot confidently rule out the possibility that safety measures were, in fact, problematic and compromised due to cost cutting.

Everyday May Not Be a Good Day

When asked what happened the day of the shooting, Mr. Baldwin explains: “that day I did exactly what I did everyday [on the set],” in an effort to convince viewers there was nothing unusual leading up to the shooting. It is notable, however, that while his statement may be true, it does not rule out the possibility that what he did every day on set was not in keeping with the highest standards for safety protocol. Mr. Baldwin claims that he was handed a “cold” gun during the marking rehearsal during which the shooting took place. He insists that “in my years on the sets of film” the term “hot gun” meant that there was a charge in the gun and that “cold gun” meant that there was nothing in the gun, and when an armorer said “cold gun,” that meant “you can relax, the gun is empty.” Yet, when asked to confirm that this is what the term “cold gun” means, Mr. Baldwin backs off, saying, “well cold gun means there’s no charge in there, there could be dummy rounds.” Mr. Baldwin’s statements are somewhat contradictory, suggesting that at the time he was not totally clear on what might be in the gun, even if it was “cold,” and that he was somewhat lax in its handling.

The purpose of a marking rehearsal is to determine the camera angles for filming. Mr. Baldwin explains that he was following Ms. Hutchins’ directions on how to hold the gun so she could view it through her camera, that he cocked the gun so that Ms. Hutchins could find the right camera angle, and that when he let go of the hammer, the gun went off. He insists that he did not pull the trigger. Yet, when asked to confirm this fact, he resorts to a slew of what BIA calls protest statements to convince viewers that he “would never point a gun at anyone and pull the trigger.” His concerted effort to give the impression that he did not pull the trigger, however, suggests that he lacks confidence in this statement. Additionally, he explains that “on day one of my instruction in the business” he was told not to go “click, click, click, click” because it damages the firing pin on the gun. This bit of information to support his assertion that he did not pull the trigger is somewhat out of place, focused, as it is, on gun care rather than gun safety, further suggesting that Mr. Baldwin may have been somewhat careless with his handling of guns on set.

When asked to explain what he meant when he said he did exactly what he had done every day on set, Mr. Baldwin explained that an armorer would come and “sometimes” demonstrate to him and the crew that a gun was empty and then say that the gun was “cold.” When pressed on the word “sometimes,” Mr. Baldwin rephrased, saying that “sometimes they would insist” and that there were other armorers who did not “because I trusted them to do the job.” Mr. Baldwin’s emphasis on the fact that some armorers would “insist” on showing that guns were empty and that others did not because “I trusted them” indicates that Mr. Baldwin tolerated casual adherence to safety protocols and may have even discouraged it to some degree. Also, when responding to this question, it is notable that Mr. Baldwin says that the term “armorer” is “new to me.” As he says this, he covers his mouth with his hand and smiles. These gestures are indications of his heightened anxiety with the topic and reflect psychological discord with what he is saying. The statement itself stands in stark contrast with his self-proclaimed extensive experience with handling guns on movie sets. This is very strong behavioral evidence that Mr. Baldwin is fully aware of what proper safety protocols should be, but that he is attempting to distance himself from any culpability for what happened the day of the shooting.

When Is an Actor Not an Armorer?

Mr. Baldwin is asked to respond to statements from other actors, such as George Clooney, who say that every time they were handed a gun, they checked it themselves. In response, Mr. Baldwin goes on the attack. He says, “there were a lot of people who felt it necessary to contribute some comment to the situation, which really didn’t help the situation at all,” “if your protocol is that you check the gun every time, good for you,” and that during his career “I had a protocol and it never let me down.” These statements are meant to dismiss the validity of the idea that Mr. Baldwin should have checked the gun himself and to cast any criticism as out of line. These statements are also meant to justify his own approach to gun protocol, but when coupled with his attempt to discredit critics in lieu of substantive information to prove his point, they provide strong behavioral evidence that Mr. Baldwin is unable to defend his handling of guns on set.

Indeed, when Mr. Baldwin is asked why he chose not to check his gun on the day of the shooting, he returns to his mantra that what he was taught years ago is that it is not the actor’s job to check the gun, that it is the sole responsibility of the armorer to declare a gun safe. When asked what the actor’s responsibility is, Mr. Baldwin pauses, and says, “I guess that’s a tough question because the actor’s responsibility going this day forward is very different than the day before.” He also says that the “actor’s responsibility is to do what the prop armorer tells him to do” and adds that “I understand there was an accidental discharge of a blank on the set, but we did not have a problem for me until that day.” These statements emphasize Mr. Baldwin’s overarching assertion that the armorer is responsible for gun safety and to distance himself from any accountability for what happened. He ends by saying that “there is only one question to be answered and that is where did the live round come from.”

While this is clearly a critical piece of the puzzle, this statement serves to divert viewers' focus away from him and the safety practices on the set of Rust. Altogether, the behavioral indicators that he exhibits throughout this interview suggest that safety protocols were not properly managed by the armorers, and that Mr. Baldwin himself contributed to a lax attitude on set.

Question Formulation for Top Analysts

Too Many Questions, Not Enough Answers

Question: “Yes, well, tough environment. So you mentioned further pricing actions, Mike. Can you just be a little more specific there? Maybe review what you've done globally in terms of percent of portfolio, magnitude of increases, generally, where you've taken increases. And maybe just some insight in terms of the forward pricing. Are you looking at it more on a product category basis, geographic basis? But just as you think about the forward pricing, any more insight would be helpful.”

- *Dara Warren Mohsenian, Morgan Stanley, KMB 10/25/21*

Result: By asking several questions at once and closing with an open-ended ask for “any more insight,” the analyst leaves the door open for management to go in many different directions. Management takes advantage, beginning their response with, “Yeah. Okay. So, [if you'll] indulge me, Dara, maybe I'll start a little bit philosophically.”

How BIA would ask the question: What further pricing actions might you take moving forward?

Ask and You Shall Receive... Few Details

Question: “Laura, I'm looking -- you said the strength continued into the second quarter in revenues and margins while lapping the spike from last year. Does that -- if you could give a little bit more details on that?”

- *Oliver Wintermantel, Evercore ISI Institutional Equities, Research Division, WSM 5/26/21*

Result: Management is asked to “give a little but more details on that” and they do exactly that, just a little bit. No data is given and they merely state that they are “seeing strength” and “the stores are amazing.”

How BIA would ask the question: You noted that strength continued into the second quarter in revenues and margins, while lapping the spike from last year. By how much did year-over-year revenues grow? How much did margins grow?

Prologues Are for the Pros, We Promise!

Question: “So guys, it strikes me that everybody in transportation right now has a lot of pricing power, and everyone is dealing with tight labor capacity and inflation, but every other transport company is reporting margin improvement and earnings growth. So I guess my question is, why do you think you're seeing a bigger impact than anybody else in transportation? And outside of just adding more capacity and spending more, what sort of meaningful significant changes do you think you need to make or are you contemplating making to start realizing more sustainable improvement in margin, earnings, returns, all that?”

- *Scott H. Group, Wolfe Research, FDX 9/21/21*

Result: With a more pointed question, management goes on the defensive, issuing protests about their strategy and the industry as a whole but failing to answer the specifics of the question. A prologue could be helpful in this scenario to better relate to management and extract more information.

How BIA would ask the question: This has been a challenging time for everyone in the industry and these issues with labor and inflation are felt by everyone. I understand that all transportation companies do not operate the same way -- why might your margins be lagging others in the industry? What specific changes are you considering to close that gap?

Awkward questions over the holidays? Handle them like a CEO!

Tesla CEO, Elon Musk

When asked in an earnings call to do a YouTube interview, Tesla CEO Elon Musk replied, “*Yes. I guess I'll do an interview. I mean, just bear in mind, like if I'm doing interviews, then I can't do actual other work. So it's not -- I only have so much time in the day, so -- but yes, I'll do one. I won't do it annually, but I'll do it once.*”

Fielding Awkward Questions

- Asked to cook Thanksgiving dinner for your whole family? → *I won't do it annually, but I'll do it once.*
- Asked to run a holiday 5K with your in-laws? → *I only have so much time in the day, so -- but yes, I'll do one. I won't do it annually, but I'll do it once.*

Autonation CEO, Michael Jackson

When signing off a call this year, AutoNation CEO Michael Jackson said “*All right. Excellent. I think we've answered every question today. Thank you to all your questions. I'm not going to say over the years. This is it. I'm going to say over the decade. How's that for a statement? I'm very grateful for them. And I wish you all nothing but the best. Thank you for joining today.*”

Fielding Awkward Questions

- Are you single and being grilled by aunts and uncles about your dating life? → *All right. Excellent. I think we've answered every question today. Thank you to all your questions. I'm not going to say over the years. This is it. I'm going to say over the decade. How's that for a statement? I'm very grateful for them. And I wish you all nothing but the best.*
- Have you been a vegetarian for 10 years, but your cousin aggressively asks you why every holiday? → *All right. Excellent. I think we've answered every question today. Thank you to all your questions. I'm not going to say over the years. This is it. I'm going to say over the decade. How's that for a statement? I'm very grateful for them. And I wish you all nothing but the best.*

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