

This is one of a series of occasional papers by The Dilenschneider Group to bring clients and friends a different perspective. We hope you find it of interest.

THE AGE OF APOLOGY

Today, contrition is everywhere. Many people apologize, but most do not do it well. In an era of non-stop misfortunes, *mea culpas* from erring, remorseful companies, institutions, and individuals have become all-too rote, routine, and reflexive. In the process, much of the impact and value of these apologies is lost.

Although forgiveness and second chances remain virtues honored by society, we also live in a skeptical era when accepting responsibility and saying "I'm sorry" is often not enough even though some public figures—in the entertainment, sports, and political arenas, particularly—have been able to recover from personal scandal and resume their careers after expressing appropriate contrition.

But in the larger business and financial universe, where man-made or natural crises can have far-reaching consequences impacting vast numbers, accountability and responsibility are the new mantras. What, then, is to be done to successfully regain credibility, trust, and reputation—especially by CEOs and other corporate leaders—and how is it to be done?

THE FALLOUT

When times are tough, the tough apologize. Or so it would seem.

Fallout from the economic meltdown and Great Recession has moved many chief executives and companies into an “I’m sorry” mode. In the current turbulent global economic climate, no one is immune.

The most recent lineup of wayward companies whose chieftains have had to offer public apologies includes such headline-making firms as Countrywide Financial, Lehman Brothers, Bank of America, Washington Mutual, Citigroup, Merrill Lynch, Goldman Sachs, Bear Stearns, JetBlue, Domino’s, Johnson & Johnson, Mattel, Toyota, Facebook, and BP. And in a rare example of a White House apology, President Obama said of the BP oil spill in the Gulf of Mexico, “In case you’re wondering who’s responsible, I take responsibility.”

Few will argue that the litany of excuses and regrets offered by top management for a company’s errors, mistakes, and misdeeds has too often only exacerbated the problems and frequently created highly visible “villains” on whom the public’s anger can focus.

Why the level of vitriol? On its surface, an apology would seem to represent a positive and admirable gesture able to defuse a difficult situation.

But apologies never stand alone—notably, those by CEOs caught in the glare of public and media scrutiny as they grapple with major crises. They are fraught with legal and financial implications. Personal and corporate reputations are on the line. Employees, investors, and customers are affected. Competitors, lawmakers, regulators and, of course, the Plaintiff Bar may all be hovering, waiting to strike. And those apologies become part of the history of the organization, in media archives that can be readily accessed decades later.

THE CEO—THE KEY FIGURE

When a crisis breaks and before the company responds, a CEO's role as the public face and single most important person in an organization is underscored. There are serious pros and cons as to whether he (or she) should take personal responsibility, and the company's lawyers will always have much to say about this.

Nevertheless, an apology, which is a step beyond merely accepting blame, doesn't stop the calamity or, in many cases, even ease it. A major emergency is so loaded down with extenuating circumstances that an immediate apology doesn't give the CEO just that one shot to make everything right—especially if the crisis is ongoing. Yet, what the CEO says in those early minutes or hours will put an indelible stamp on the event and what follows. He, or she, must be totally forthright and authentic and never arrogant or defensive. Here, tone is as critical as content or any specific actions outlined.

Consider the timeline of responses by BP in the most recent Gulf oil spill, the worst in U.S. history. BP has been laboring to get its apologies and explanations straight with little apparent success. Early on, CEO Tony Hayward was forthcoming, expressing his personal concern and saying that BP would take responsibility for all legitimate claims. Then, unbeknownst to Hayward, BP representatives went out into Gulf communities to try to get fishermen to sign waivers limiting liability to \$5,000. When Hayward learned of this, he canceled the action after much negative coverage by the media.

Then, accusations of blame were flung across the bow by BP, Transocean, its rigging contractor, and Halliburton, its equipment supplier. As the blog BrandFreak notes, “This is a dubious PR strategy. First, if you contract with someone, you are responsible for their actions. Second, no one knows who Transocean is. Third, trying to get off on a technicality makes BP look, well, oily.”

The energy giant, which has actively invested millions to position itself as an alternative energy leader “Beyond Petroleum,” is taking responsibility for the cleanup and restitution while detailing cleanup efforts on its corporate website. But even with Hayward’s personal acknowledgment of regret and culpability, the damage to BP will persist for years to come.

A FLAWED APPROACH

One traditional, almost instinctive, corporate response is for a company to marginalize a problem rather than confront it candidly. Consider Toyota's strategy in delaying comment on serious accelerator problems until the company was sure of the facts.

While executives see "no comment" as a safe statement, the public hears a company trying to deny guilt and shirk responsibility. Early recognition of the problem—even a mild holding statement like "allegations will be taken seriously"—is always viewed more positively and buys time for management to determine exactly what is going on.

On the other hand, Toyota CEO Akio Toyoda, in what many see as a Japanese corporate tradition, responded with an effusion of apologies—to the public, to customers around the world, before Congress, in a *Washington Post* Op-Ed. His demeanor—he personally apologized and humbly expressed regret—managed to mitigate some anger. But because Toyoda's company has ingrained quality and customer responsiveness as bedrock values, there was a lingering sense of public betrayal despite the CEO's sincere apologies.

The best thing a company can do is recognize that when a crisis erupts, there will be serious negative consequences. The smart strategy is to mobilize very quickly, assess the situation, and then implement a strong crisis plan. There is a basic maxim to follow—"tell it all and tell it fast"—if at all possible.

Apologize at the point where it will mean the most and do the most good for everyone concerned.

SMART TALK

An apology from the chief executive should be, to apply an acronym, “SMART”—i.e., **Sincere, Meaningful, Appropriate, Reasoned, and Timely.**

Sincere: The CEO is upset and concerned, and that is quite human. This is the organization he heads, and he’s asking the same question everyone is: “How could this have happened?” His authentic voice must always be heard—in both tone and content.

Meaningful: It is one thing to say “I regret what happened” and stop there. It is quite another to say “I’m sorry about what happened.” The former is a non-apology. Any apology should be coupled with relevant statements of planned redress. What immediate steps are being taken to cope with the crisis?

In 2007, when David Neeleman was CEO of JetBlue and passengers were stranded for a very long period on the tarmac, he issued an immediate written apology in the form of an open letter to customers and, soon afterwards, announced a passenger “Bill of Rights.” It worked.

Appropriate: Chief executives who cast blame undermine any apology by not accepting responsibility and often infuriate the very audiences their company needs in its corner. The first words about a crisis at hand should not point fingers at other culpable entities, whether contractors, the financial markets, market forces, trade imbalances, complex financial instruments, competitors, anything or anyone else. Time will sort out the culprits.

Reasoned: A CEO must keep a cool head and realize that as chief of the company, he must take responsibility, apologize, and put his reputation on the line. The CEO cannot take a problem personally. He must stay focused and avoid becoming overly contrite, confessional, angry or verbose in his responses.

Timely: It is imperative that a CEO statement of concern be issued as soon as possible, even if circumstances are unclear. Fast and immediate remedial actions strengthen a company's credibility.

SOME DOS & DON'TS

Additionally, a CEO, and any other individual speaking publicly on behalf of a company, should be mindful of these critical dictates:

- Use the active voice when taking responsibility – “we made mistakes,” not “mistakes were made.”
- Do not parse, offer excuses, or split hairs. “Just following orders” or “everybody’s doing it” do not make things right. Constituencies will quickly realize the company is not taking ownership of its actions.
- In drafting an apology, shape your words to reflect what is probably going on in the minds of the people you are speaking to.
- If possible, when the CEO apologizes, he must communicate clearly and in detail whatever concrete steps have already been taken. Statements like “last night, teams were at the site of the damage reporting back to us” or “24-hour crisis lines and websites are up and working” or “we are already conducting a top-to-bottom damage assessment at the division” bolster the organization’s position by showing it is taking active steps. Ideally, the CEO should also report some results/decisions—even if they are preliminary.

P REEMPTIVE STEPS

The steady stream of major crises besetting the business and financial communities over the past two years has been every CEO's nightmare. But even smaller missteps—a financial restatement or employee malfeasance, for instance—require a *mea culpa* and an acknowledgement of accountability from the person at the top.

Six preemptive steps to take—some quite basic—before a situation requiring an apology ever occurs:

1. A company's overarching philosophy must be conveyed to all employees and carefully outlined in its mission statement. That the company takes accountability very seriously should be underscored.
2. During a company executive retreat, a mock crisis-management exercise with top management, the general counsel and relevant executives should be on the agenda. Review actual scenarios—the Exxon Valdez spill, Three Mile Island, Enron, Toyota and BP, for example—and discuss pros and cons of the responses/apologies and how the company would have handled each situation.
3. Senior management and the company's general counsel should forge a relationship that periodically explores ethical questions of disclosure and liability. All should evaluate their respective comfort level with culpability and how to handle apologies. Broad agreement in advance is imperative to avoid any future surprises.

4. A similar relationship should be forged with the company's Board of Directors.
5. Seek to broaden your base of support. No company is alone in dealing with a problem. It has many it can rely on and should be geared up to mobilize those groups or individuals as soon as possible.
6. Ignore early warning indications of a problem, of which there are often many, at your own peril.

Remember to think ahead in the event of a continuing crisis and changing dynamics. It may, in fact, often be necessary to issue more than one formal apology. Whatever actions one takes, the bottom line and ultimate challenges are always to be as immediate, forthright, informative, and honest as possible. While responding in a manner that strikes a considered and appropriate balance, remember, too, that taking responsibility and apologizing are never inappropriate.

“The price of greatness is responsibility.”

- Winston Churchill

“The Age of Apology” is the latest in a series of “Little Red Books” published periodically for our clients and friends. They all examine critical issues in a concise, readable, insightful, and informative manner. We hope our readers find them at once relevant and of value. Previous titles have included:

- “Managing Uncertainty”
- “C.I.V.I.L.I.T.Y.”
- “The Lost Art of Listening.”

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