THE ROAD TO
REPUTATION RECOVERY

Burson-Marsteller

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The Road to Recovery

As the corporate crises of recent years have demonstrated, a reputation that took a lifetime to create can be destroyed in seconds. A mishandled response, inappropriate act, labor dispute, product tampering or poorly timed reorganization all have the power to instantly tarnish a sterling reputation built by stellar performance and hard work. However, the well-managed and reputation-conscious company need not remain defenseless when faced with a damaged reputation.

Burson-Marsteller partnered with WirthlinWorldwide on a survey of 150 *Fortune* 1000 executives to gain insight into issues concerning reputation recovery. This report features select survey findings.

Companies Can Recover From Damaged Reputations

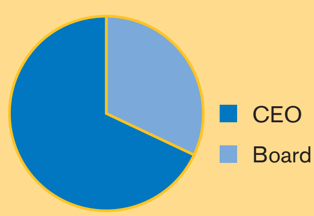
Restoring a company's reputation is a monumental – but not impossible – task. The good news is that nearly all executives believe that a company can recover from a tarnished reputation. Indeed, examples abound of large and small companies that lost reputation and were successful in restoring their good name.

Companies can also find comfort in the fact that it does not take decades to restore their reputation. Executives estimate that recovery takes approximately four years (vs. 3.81 in 2003). Fortunately, despite all the instances of corporate malfeasance that have been monopolizing headlines, crises do fade with time. Executives believe that it takes nearly three years (2.65 years) for a crisis to fade in most stakeholders' minds.

CEO Is Most Responsible for Rebuilding Reputation

After the crisis has come and gone, the hard work of restoring a company's damaged reputation rests on the CEO's shoulders. When asked to determine the degree to which the CEO and the board are responsible for restoring a company's damaged reputation, executives attributed 68 percent of the responsibility to the CEO and 32 percent to the board. "CEOs today are strongly linked to their company's reputation, so when the organization has suffered damage to its reputation, business influencers expect CEOs to take full responsibility for repairing it," remarks Patrick Ford, chair of Burson-Marsteller's Global Corporate/Financial Practice.

Who Is Responsible for Rebuilding Corporate Reputation?



On the Road to Recovery

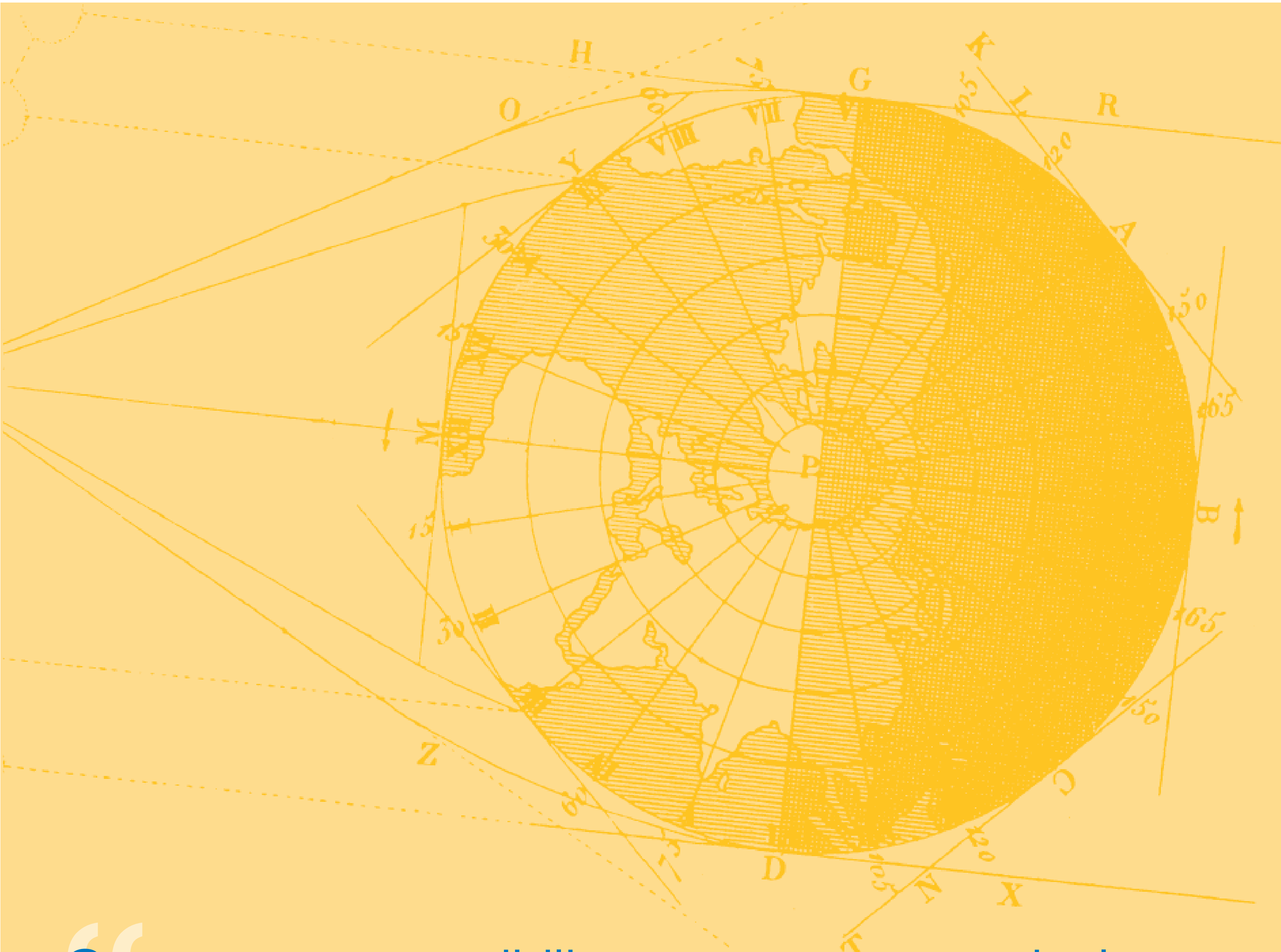
What steps can companies take to show that they are recovering? They can start by expressing regret. Executives agree that the most effective strategy for restoring reputation is an apology from the CEO. "A CEO apology shows that the company is sincere and will take responsibility for any missteps," says Dr. Leslie Gaines-Ross, Burson-Marsteller's chief knowledge & research officer and reputation expert. "Apologies build trust among internal and external stakeholders, demonstrate a company's willingness to communicate openly and honestly, and are an essential ingredient to restoring reputation."

Wal-Mart CEO H. Lee Scott Jr. apologized for the company's problems by citing a management failure for not telling its story better. As the public spokesperson and the face of the organization, the CEO is responsible for communicating key information to the company's stakeholders.

The second most recommended approach to reputation recovery is commitment to being a better corporate citizen. Corporate responsibility was once a marginal issue but it has ascended into the mainstream.

	Execs (2004)	**Execs** (2003)[1]
A company can recover	90%	97%
Average number of years for recovery to occur	4.01	3.81
Years for a crisis to fade	2.65	NA[2]

[1] Burson-Marsteller's *Building CEO Capital*™ 2003
[2] NA: Not asked



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The reasons for this change include empowered nongovernmental organizations (NGOs) and citizen activists, a backlash against globalization, corporate governance scandals, and geopolitical instability. Today, corporate accountability and conduct are at the center of business and public-policy agendas. “At a time when trust in business remains low, it is crucial that companies include corporate citizenship in their strategy when rebuilding their reputation,” says Bennett Freeman, managing director in Burson-Marsteller’s Corporate Responsibility Group.

The next most effective strategy for demonstrating that a company is serious about repairing its reputation is making crisis information available on the corporate Web site. In an age when the speed of 24/7 news coverage is a challenge to maintaining accuracy and audiences are bombarded with competing sources, a Web site provides a direct route to the public and interested parties.

If managed well, a company’s Web site can deliver timely facts to online visitors. A company can also use its Web site to put to rest any unfounded rumors that it is closing ranks or hiding information. This transparency is similar to the CEO apology and is critical to damage control.

The key to staying in the public’s good graces and repairing reputation is not only doing right but also allowing the public to determine for itself that right is being done. Web-site disclosure is one way to reduce business uncertainty when a company stumbles and begins to right itself.

Least effective strategies for demonstrating reputation recovery include launching advertising initiatives and bringing back a former CEO. Understandably, company executives do not favor the C-suite turmoil that results from a returning CEO and advise against advertising too early following a turnaround.

Top Five Recovery Strategies
(In Rank Order)

Issuing an apology from the CEO
Committing itself to better corporate citizenship
Providing crisis information on the company's Web site
Hiring a new CEO
Hiring an outside auditor to perform internal audits

From "Good to Great"

It takes time to build and maintain a good reputation, but once achieved, how long does it take to move from just being "good" to being "great"? Burson-Marsteller asked executives and they estimated that it takes more than five years (5.27 years). Clearly, companies must deliver sustainable proof before stakeholders agree that an enduring, positive reputation has been built.

Companies can rise to "greatness" by launching a reputation management program, performing perception studies and differentiating themselves in the marketplace.

If you would like to learn more about how Burson-Marsteller's Reputation Capital™ services can help your company reach new levels of success, please contact:

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