

CEO'S ROLE IS KEY IN BUILDING TRUST

By Jack O'Dwyer

TRUST: The Secret Weapon of Effective Business Leaders

By Kathy Bloomgarden

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Kathy Bloomgarden, co-CEO of Ruder Finn, second largest independent PR firm, has authored *Trust* (St. Martin's Press, \$23.95), which stresses the major role that CEOs have in building trust among the public as well as stakeholders of an organization.

The 224-page book covers crises that have confronted dozens of companies in recent years. It shows where many of them have gone wrong in handling crises, and provides principles for building trust in the future.

Bloomgarden, who has a Ph.D. in political science from Columbia University, calls on organizations to build longterm relationships with critics including those in the press and elsewhere.

Such relationships can serve as a bedrock of trust should a crisis arise, she notes.

The goal, she says, "is to open a frank dialogue-and make warranted changes so that significant critics know you are listening to their concerns."

CEOs, although subject to a high turnover rate in recent years, are the key element in trust-building, according to Bloomgarden, who shares the CEO title at RF with her brother, Peter. RF, founded in 1948 by David Finn and Bill Ruder, who were friends at City College of New York, will celebrate its 60th anniversary next year.

"The media tend to personalize a company's success and failures, focusing stories around the individual who leads it," she writes.

"The personalities of CEOs and what they stand for are essential elements in building confidence in corporate leadership," she adds, noting that "people respond to and develop opinions about individuals much more easily than about organizations."

Leaders may be summed up in a few words such as "bold and innovative," "friendly and comforting," and "ruthless and profit-minded."

Quoted is a 2006 study by Opinion Research Corp. that found that only 39% of investors believe CEOs practice ethical business behavior, down from 47% a year earlier.

Admit Mistakes

Corporate leaders must "decisively take responsibility for errors as soon as they occur, no matter the consequences," she advises.

Problems "always" get worse when they're ignored, denied, or swept under the rug, she says. Apologies can be made without opening up the client to a lawsuit, she contends.

A number of the case histories described involve the pharmaceutical industry and individual companies.

Novartis (\$36 billion in sales in 2006), a client of RF, is mentioned a number of times, as are other pharmaceutical companies such as Merck, Schering-Plough, Pfizer and Johnson & Johnson.

Bloomgarden interviewed executives of both RF and non-RF clients.

The annual drug giveaway program of Novartis (2% of sales or \$696 million in 2005) is cited as an example of a program that can win good will for a company. Daniel Vasella is CEO of Novartis.

Although drug companies as a group rank low in the annual "Reputation Quotient" study of Louis Harris and the Reputation Institute of New York, J&J ranks high because of the perception it is a "baby products company," notes Bloomgarden.

A 2005 Wall Street Journal/NBC poll found that only 3% of those surveyed thought drug companies in general were working for the public good. Three-quarters thought profit was their main interest.

The crisis that hit Merck after Vioxx was found to raise the risk of heart attacks was exacerbated by the company's "perceived lack of a commitment to open communications," says Bloomgarden.

CEO Ray Gilmartin was rarely seen even by those working for the company, said news reports. He sent a videotaped statement to the first trial involving Vioxx.

Recent Crises Analyzed

Bloomgarden analyzes many recent crises including those involving Citigroup, Tyco, AIG, New York Times, Coca-Cola, Xerox, BP, General Electric, Toyota, Cisco, Nestle, IBM, Enron, Worldcom, Royal Dutch Shell and Deloitte & Touche.

Starbucks owes much of its success to creating a culture that "attracts the best applicants and keeps them happy," she writes.

Employees are called "partners" and those who work more than 20 hours a week get health insurance, stock options and a 401(k) plan with matching funds.

Workers get a free pound of coffee beans weekly to help them "project a welcoming attitude toward customers."

Bring Critics Inside

"Love Thy Enemy" is the title of one chapter that urges companies to "take critics seriously" whether they are activists, customers, shareholders or even competitors.

"A persistent barrage of criticism can do more damage in a shorter amount of time than almost any other challenge," writes Bloomgarden.

"Resilient executives" recognize that letting critics offer constructive feedback "generates valuable goodwill. Often, merely listening to negative feedback generates valuable goodwill."

When changes are made in response to criticism, "make sure word gets out," advises Bloomgarden, adding: "Act jointly with your critics in announcing new programs or directions. Your goal is to turn the criticism into positive feelings about your company, enough positive feelings to diminish the credibility of critical attacks."