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# How

## Why How We Do Anything Means Everything...in Business (and in Life)

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the media world today creates an opportunity to clearly reach different customers based on their interests and desires, and build those relationships. It's a very exciting time. You can have a much more one-on-one, richer relationship, a much deeper relationship with those who believe most strongly in your brand, and work with them."

Connecting with the market is no longer about propagating brand image or brand awareness; it is about asserting *brand promise*, a direct relationship between business and the market. Brand promise is deeper than image, it encompasses what you stand for, the expectations you set for yourself, and how you honor that promise with action and behavior. "It's all about trust," Wolf said. "Trust is key, and brands that consistently stand for something build that trust and build that credibility and build that relationship. When they do, it's a rock-solid relationship that is very difficult to be broken."

All of this points to one simple conclusion: what you say about yourself now takes a backseat to how you create a rewarding and reliable experience for your customers. And the key to that? "We all need to be very clear and transparent in what we stand for, and what we stand for with our company," Wolf said in closing. "That clarity will immediately communicate to whoever that customer is. That's the simplicity of it."

## **SAY YOU ARE SORRY**

Fear of exposure is a real concern in a transparent world. Transparency is not just a *WHAT*, however, something that happens *to* you; it is a *HOW* that any group or individual can embrace and master.

To see how this can work, let me say, "I'm sorry."

Those are difficult words to say, especially in a business context. And yet there's a lot of it going around. In June 2005, Charlotte, North Carolina-based Wachovia Corporation, the fourth largest bank in the United States, issued an apology to all Americans, and especially black Americans, because a historical search it commissioned revealed that two of its ancestral banks owned slaves before the Civil War.<sup>25</sup> "While we can in no way atone for the past, we can learn from it, and we can continue to promote a better understanding of the African-American story, including the unique struggles, triumphs, and contributions of

African-Americans, and their important role in America's past and present," the company said.<sup>26</sup> Also in early 2005, another large U.S. bank, JPMorgan Chase & Co., did the same, admitting that two of its predecessor banks accepted thousands of slaves as collateral against loans. It apologized for contributing to "a brutal and unjust institution."<sup>27</sup> When the stock option backdating scandals broke in mid-2006, Apple Computer conducted a three-month internal investigation and published its findings on its web site. It included an apology from co-founder and CEO Steve Jobs, who took full responsibility for the issue. "I apologize to Apple's shareholders and employees for these problems, which happened on my watch. They are completely out of character for Apple," said Jobs. "We will now work to resolve the remaining issues as quickly as possible and to put the proper remedial measures in place to ensure that this never happens again."<sup>28</sup>

In a dramatic gesture that underlined his sensitivity to the values of other cultures, Citigroup's chairman and chief executive officer, Charles Prince, traveled to Japan, where ritual apologies are deeply ingrained in the culture, and bowed in public to show regret for the company's regulatory wrongdoings there.<sup>29</sup> Speaking at the Japan Society in New York a few days later, he said, "We've had some examples where people thought very short-term without considering the need to extend the legacy of the organization. . . . It is not the Citigroup way, and it is not reflective of how we do other business. . . . How we do business is at least as important as how much business we do."<sup>30</sup>

To apologize is inherently a dangerous act, but one with latent power. To apologize is to accept responsibility, this we all know, but it is also to cede power to the wronged party. You place in their hands the decision to forgive you or not. Apologizing requires willful vulnerability. It is the ultimate act of transparency, which makes it an extremely interesting example of turning the new realities of the hypertransparent world in your favor. Apologies always follow wrongdoing, and that means loss—loss of respect, loss of credibility, and loss of trust. Apologies, by their nature, are remedial; they seek to mitigate damage that has already been done. When admitting wrongdoing can cost an organization significant revenue or an individual his or her job, life, or liberty, the temptation to avoid this gesture is

enormous. Since the damage is done, the reasoning goes, why expose yourself to further liability by admitting your wrongdoing? The old cliché from the CIA rings in the ears: “Admit nothing. Deny everything. Make counteraccusations.”<sup>31</sup> (That is another relic of fortress mentality brought to us by an organization whose primary purpose is to control information.) The structure of law in highly litigious societies, however, disincentivizes apologies. The rules are written so that both sides deny responsibility and then go to court, where each forces the other to prove fault. That’s the position Jenapharm took in its suit with the former East German Olympic athletes.

In a transparent world, the truth will win out. “All of us must recognize that there are now hundreds of thousands of watchdogs out there who can gain access to what we write and what we say,” Robert Steele, of the Poynter Institute, a journalism think tank in Florida, recently told the *San Diego Union-Tribune*. “All of us will be held accountable more quickly and easily because of the scope and reach of the Internet.”<sup>32</sup> This puts a higher premium on the ability to stanch the flow of loss that results from a misstep, to be proactive in the face of error. In Chapter 5, we saw how University of Michigan Hospitals and Health System, one of the most respected medical establishments in the United States, decided to train its doctors to apologize, lowering its litigation and malpractice costs. That’s an important and powerful metric to consider, but it is only the most important result if you believe the mission of your organization is to increase the bottom line. Far more important for the long-term sustained success of that organization was the reparation of trust it achieved with the community. The decrease in costs serves merely as an easily quantifiable indicator of the far greater gains achieved in its relationship with the community it serves. How much more does the organization accrue by the reputation it gains for its actively transparent stance?

In 2002, TriWest Healthcare Alliance, a health insurance company that serves primarily active military personnel, suffered the theft of two laptop computers from the company’s main offices. These weren’t just any two laptops; they contained the personal information of 550,000 TriWest customers. Names, addresses, birth dates, Social Security numbers, and in some unfortunate cases credit card numbers—essentially everything needed for a highly successful case of identity theft—

walked out the door. At the time the theft occurred, it was the largest information theft to ever have taken place in the United States.<sup>33</sup> The blow to TriWest was potentially mortal. What is an insurance company without trust?

Dave McIntyre, president and CEO of TriWest, did something remarkable. “The first thing I thought was, ‘What is the quickest way to tell 550,000 people that something has gone terribly wrong?’” He decided to immediately inform those affected customers and then launched a \$2 million effort to correct the error. TriWest contacted the affected customers and set up an information hotline where people could call with their questions and concerns. Then McIntyre took it a step further, devoting himself to teaching both the public and business owners alike how to correct and prevent future security breaches of this sort. He did this so well, in fact, that he transformed a monumental mistake into an award of excellence from the Public Relations Society of America for the campaign against identity theft.<sup>34</sup>

Public apologies such as this understandably make an easy target for cynics. Cynics believe that people act almost exclusively out of self-interest. There is no doubt that an apology is an attempt to right a wrong, ideally with the result of lessening its harm to the transgressor. In a case like this, the admission and attempt at restitution can easily be seen as an attempt to create the illusion of due diligence. The cynic might say, “Where was the due diligence when the hard drives walked out the door? Why was the personal information of these customers left somewhere susceptible to a security breach and theft?” Apology is an antecedent act, to be sure. It answers the questions: “How can we best go forward from here? How can we rebuild the trust we have lost?” In this, studies show, to apologize is not only the right thing to do; it is the smart thing to do. Roy Lewicki, professor of management and human resources at Ohio State University’s Fisher College of Business, led a study published in the *Journal of Management* in 2004 that suggests that “a willingness to take blame and offer amends . . . may be necessary to help repair a loss of trust in a business relationship.”<sup>35</sup> Cynicism exists, in all its corrosive forms, but this kind of proactive transparency flies in the face of cynics precisely because its authenticity disarms them. *I’m sorry* put McIntyre out ahead of the curve. By asking himself not “What can we do?” but

rather “What *should* we do?” McIntyre was able to act swiftly and transparently to save his company.

Sure, an apology contains a measure of self-interest, but truly offered, it contains an equal measure of concern for others, and its nature of transferring power to the receiver tips the scales in its favor. In Chapter 6, we touched on the Ohio State University study that illuminated the corrosive effects of employee cynicism, and how that cynicism was responsible for the destruction of the tremendous goodwill employees bring to a new company when they are hired. But the study also revealed ways that companies and managers could reverse the destructive trend, concluding that managers need to be honest and open to their employees about both their successes and failures. “When plans fail, management needs to give credible and verifiable reasons for the failure to employees,” the study’s author, Professor John Wanous, said. “If management made a mistake, then say so.”<sup>36</sup> In other words, transparency can be the *antidote* for cynicism. And because an apology extends trust, the natural response is to reciprocate that trust with trust, just as the subjects of Paul Zak’s trust game experiments reciprocated altruistically. It won’t reach everyone—some people’s walls are just too high—but those it does reach can provide the foundation for new, restorative trust that will lead you to the future.

An apology in the context of business demonstrates how much of our current success is tied to our ability to be actively transparent with those to whom we are connected. Transparency builds strong synapses by increasing trust and reducing the corrosive factors that weaken them. Active transparency is not just about ameliorating liability or diffusing potentially explosive regulatory missteps, however. It puts you out ahead in a lot of situations.

## **INTERPERSONAL TRANSPARENCY**

When I was in law school in Boston, I rowed crew with a guy I had met at Oxford, a smart guy named Sig Berven. I remember him as a fun guy, a scholar-athlete. He did well in school, was very well-rounded, but was by no means head of his class. One day, he told me the remarkable story of his admission interview for Harvard Medical School, where he was then studying. “I went into the dean’s office and