

January 2009

# THE Playbook FOR Restoring Trust

By Matt Wolfrom

---

FOR MORE INFORMATION: Matt Wolfrom | Executive Vice President | 1.212.537.8137 | [matt.wolfrom@cohnwolfe.com](mailto:matt.wolfrom@cohnwolfe.com)

---

cohn&wolfe

I like sports. I grew up actively participating in sports – including four years on my college football team.

Today, as I watch the markets close lower than they have in a decade, flushing trillions of dollars down the drain, I find myself wondering when modern financial services executives stopped behaving like athletes.

In his book, *Fair Play: The Ethics of Sport*, Professor Robert Simon examines the ethics of competitive athletics. He theorizes that athletic competition is a quest for excellence through worthy challenge. For Professor Simon, “worthy” sports competition takes place when athletes cooperate in giving each other the best possible challenge.

Free-market business competition used to work the same way. For markets to work efficiently, businesses effectively cooperated with each other by aggressively competing. The competition made companies better. And the competition made capitalism the best economic system in the world: efficient, aggressive, and innovative.

But, somewhere, we lost sight of one key component of competition: transparency. Transparency is critical to ensure a mutual quest for excellence through worthy challenge. It helps the players understand when an element of the market is not working. It ensures the game is played fairly. And it allows investors to judge the real success of their “team,” or investment.

## ABOUT Matt Wolfrom

Matt Wolfrom is an Executive Vice President at Cohn & Wolfe where he leads the North American Corporate Practice. A sports fanatic, he was a three-year letter winner in Football at Hamilton College. A philosophy major, he spends his free time teaching his kids to enjoy sports and pouring through philosophy texts.

With the precipitous drop in the nation's markets – and the investment portfolios that fueled them – investors feel betrayed by what they **didn't see coming**. Things are so bad, in fact, that today's sophisticated consumer has become unprecedentedly skeptical of company messages. And, in a desperate effort to restore a degree of trust, government has stepped in.

In a way, that's like officials from Major League Baseball or Fédération Internationale de Football Association (FIFA) rushing onto the field during a particularly mean-spirited and unsportsmanlike game to reassure fans that the players aren't cheating. It's too little, too late. The damage has been done as investor trust has plummeted to all-time lows.

Consumers are inundated with a blizzard of buzzwords – credit default swaps, mortgage-backed securities, derivatives and shadow markets. The fact is that even the experts are surprised every day by new problems or revelations. And every investor and honest analyst now realizes that we haven't seen bottom – or even have a real understanding of how bad that "bottom" will be.

In this climate, the only teams that will do well are those that go out of their way to prove they play by the rules. For financial services companies, that means senior leadership must be visible and connect with key stakeholders. Just as sports teams build their reputations by what happens on and off the field, so too must companies work on reputations that go beyond quarterly performance.

In the current environment, building a solid reputation among investors, employees, customers, community leaders and government representatives demand strategies rooted in crisis communications, change

management and corporate positioning. And, it necessitates high degrees of transparency.

Transparency is critical because every company and executive will be scrutinized more closely than ever before by:

- Regulators, whose constituents have been imperiled by the market crisis.
- Investors, who have lost trillions in shareholder value and use new media to vent.
- Traditional media, who have been energized by the demise of Wall Street to seek out dishonest behavior, even where none exists.
- Digital media, who envision themselves the new muckrakers and pride themselves on their thorniness.
- Social network gadflies, who feel empowered to be the new watchdogs.

The financial system is at a crossroads. Anxieties have grown to such a fever pitch that they cloud the business judgment of those in the best position to guide us out of the current mess. We all know intellectually that lasting prosperity can only be gained by long-range planning; however, fear and a lack of faith have spawned a widespread emotional reactivity as opposed to the intelligent proactivity we need to move forward.

But time is limited for companies that seek to survive this mess. In effect, it's the final minutes of the fourth quarter of the conference championship. Winning this one – restoring faith among key audiences – leaves a company alive to play again. Losing means that the season is over.