

## **Preserving a company's reputation in the wake of bankruptcy**

By Daniel Cherrin

Today's economy puts a lot of companies and individuals in difficult positions where they must choose what needs to be done for their economic survival. Should a company choose to file for bankruptcy, it does not mean they are going out of business or putting their company up for sale. In most cases, bankruptcy means restructuring the company to be smarter, leaner and more efficient.

In communicating a company's approach to file for bankruptcy, it is important to carefully communicate the reasons why and possible outcomes as to avoid any misunderstanding of the company's true intention. As a result, transparency and honesty in one's financial situation is vital to making sure that key constituencies will not read into the company's actions. Instead, the company must be forthright as to everything they file with the court since many people following the company, particularly a public company, and industry will likely go online and read the documents surrounding the bankruptcy.

As a result, perhaps companies should set up a special website or hotline to assure customers and vendors that their products will still get services, their contracts will still get honored or where they can go to learn more information in general. It also will help assure employees that the company will continue to operate.

In filing for bankruptcy, it is important to prioritize key constituencies and determine the best way to communicate with them. For example, communicating to investors/shareholders may be different in how you communicate with vendors or customers. Investors want to know how sound their investment will be; if the company plans on staying public and the plans for emerging from bankruptcy. Customers want to know if their warranties will be honored, where they can go for service or who they can call if they have an issue with the product or service. Vendors want to know their place in all this. If they should continue with their current production or performance and if they will get paid and when?

Once the company files for bankruptcy, it is equally important to constantly be in touch with your core constituencies. For example, GM, Chrysler and the federal government each took us along for the ride as they filed for bankruptcy, announced their restructuring and emerged as a new company. Yesterday, Border's filed for bankruptcy and send out notices to their core constituency, ensuring business will go on and service will continue, but changes will have to be made. (See the attached email to Border Reward members.)

Depending on the situation, this can be done through regularly scheduled news conferences, Twitter updates, Blog postings, investor conference calls, media conference calls and the like. However, in communicating with shareholders, debt holders, investors, vendors, customers and employees, it is important to determine what the key messages will be and how you will follow up with them. In today's social and mobile media age,

companies need to often trump their own announcement by getting the information out fast and first.

Regardless of the messages, it is important to be in periodic communication with key publics. This includes before filing, during and after the bankruptcy. A company should not want key stakeholders and casual observers to read into their actions or lack thereof. As a result, communicating will be crucial to the company's sustainability on they re-emerge form bankruptcy.

For public companies specifically, in communicating to external audiences, they are communicating the market, which can impact stock prices and the market as well as have the potential to dramatically alter the image the public has of the company. As a result, PR counselors must work with the company's attorneys in crafting the right message and a message legally permissible under securities laws and regulations. There also is a certain protocol in communicating those messages to particular audiences.

In communicating messages during a bankruptcy or wherever litigation is involved, should be given the opportunity to sign off of what is being communicated. At the same time, attorneys must be able to see the big picture as to why PR counsel is even involved and why they must communicate through the media. Attorneys need to be open about what is being communicated and with the idea that they are working to protect and at times, enhance their public perception.

In addition, companies should actively monitor the on-line chatter about their company and their industry and work to quell and misinformation being communicated about the company or its employees. This also includes actively maintaining relationships with vendors, consumers and others and working with them throughout the bankruptcy.

Today, an individual and a company is only as good as their reputation. In general, with the economy the way it is, we understand that in tough economic times, companies as well as individuals may have to file for bankruptcy. As long as there is honesty and maturity in how we communicate our problems or situation, people will understand your situation. Being up-front and proactive in your actions will help position your company for future success and go along way to bolstering your individual and corporate reputation, while putting to rest and potential negative ramifications from the filing.

Filing for bankruptcy is not the beginning of the end for a company. It is a new beginning and a second chance for the company to better serve its customer. It also presents the company with the opportunity to re-evaluate its' business and to re-emerge as a new company. In emerging from bankruptcy, companies also have the opportunity to re-brand itself, perhaps create a new logo and tag line, new website and new beginning.

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