

Here's How Samsung Can Restore Its Reputation

🕒 MARCH 2, 2017 3:00 PM EST

By [Kara Alaimo](#)

On [March 29](#), Samsung Electronics Co. will unveil its new Galaxy S8 phone. When you release a new product, you want to show off its cool new features. But Samsung's launch stands to be overshadowed by not one but two reputational fires the company is fighting simultaneously.

And "fire" isn't just a metaphor: One of the company's problems is that its last smartphone [kept causing them](#). There were [nearly 100 incidents](#) in the U.S. between August and September 2016. When Samsung issued replacement phones, they started doing [the same thing](#).

Federal authorities made the company's public-relations problem even worse when they [banned](#) the phone from U.S. flights, warning that passengers who put it in their luggage could face criminal prosecution. "Anyone who has flown for months has heard an announcement that the FAA thinks Samsung's phone could bring the plane down," said Helio Fred Garcia, president of the Logos Consulting Group. "How's that for branding?"

A recent Harris Poll report [found](#) that the crisis had caused the company's reputation to tank in the United States. In its annual ranking of the 100 most visible companies' reputations, Samsung fell from seventh place to 49th.

And that was *before* Jay Y. Lee, the company's vice chairman and de facto leader, was arrested on Feb. 17 as part of a corruption investigation in South Korea that also led to the impeachment of the country's president.

So, how does a company dig itself out of a crisis this deep? Although it's unusual to face two massive, unrelated reputational messes at the same time, there's a proven methodology for handling each.

First, Samsung needs to restore consumer trust. It not only sold a product that posed a physical threat to customers, but it took far too long to [properly address the problem](#) by pulling the phone from the market.

Since the company has already stumbled twice, it can't afford to have any defects in the Galaxy S8. "The real definition of reputation repair is taking actions that speak louder than words," says crisis expert Jim Lukaszewski, president of the Lukaszewski Group Division of Risdall Public Relations. But how Samsung communicates those actions will also make a big difference. The way to restore trust is by making promises to consumers, fulfilling them, and then reminding consumers that the company has fulfilled them, Garcia says. The more specific and numerous the promises, the better.

For example, the company took out ads during the Oscars ceremony on Sunday proclaiming "innovation is our legacy. Quality is our priority." The Verge [described](#) them as "basically a promise that its phones won't explode anymore." Other promises the company can make would be to immediately address any issue any consumer has with the phone and to provide specific technological features that outperform rivals such as Apple.

"Trust is the natural consequence of expectations and promises that are fulfilled," Garcia says. "So, you restore trust by fulfilling promises. If you provide good customer experiences but don't frame them as delivering on promises, you may eventually restore trust, but it won't happen as quickly."

On the other hand, if customers believe Samsung is making good on its word, they'll begin to give the company the benefit of the doubt and share that information with family and friends, who may also choose to take a risk on its products.

Samsung also needs to address its leadership issue.

A company spokesperson [told Bloomberg](#) that Lee isn't running Samsung from the detention center where he's being held on allegations of perjury, bribery and embezzlement. It could be [18 months](#) before he stands trial and a verdict is reached.

There's only one way to deal with a leader who can't be trusted: Fire him.

Every business should have succession plans laying out what they'll do if key leaders are incapacitated or disgraced. But a 2013 [study](#) by the international law firm Freshfields Bruckhaus Deringer found that companies are least prepared for the kinds of crises that involve misconduct by senior employees. According to the National Association of Corporate Directors, just 36 percent of corporations have written or reviewed a succession plan for their chief executive.

“It’s not sustainable to have people who have been accused and not yet exonerated in positions of trust and responsibility over large institutions,” Garcia says. This only causes important stakeholders -- including customers, employees and investors -- to lose faith in the organization.

Yet too many companies don’t immediately fire a discredited leader. Instead, they only realize the executive needs to be replaced once stakeholders start reacting to their lost trust in the leader -- such as by not buying their products or selling stocks. By then, the reputational and monetary damage to the company has worsened. The company has also by this time forfeited the reputational rewards that could come from immediately replacing the executive, demonstrating that it’s capable of swift action and doesn’t tolerate unethical behavior.

Samsung’s situation is especially complicated because the company is family-run. Lee, who has been called the “[crown prince of Samsung](#)” in Korean media, is the grandchild of the company’s founder and oldest child of the company’s chairman, who has been in the hospital since 2014.

However, this doesn’t change the fact that he needs to go. Lee should be replaced by an executive from outside the family who will be seen as bringing fresh leadership.

Doing so -- along with making and delivering on pledges to consumers -- gives the company its best shot at overcoming a massive crisis of trust. That’s a promise.

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