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Expect More International PR Crises in 2010: UBS Imbroglia Offers PR Lessons



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"Good news travels fast," the saying goes, "and bad news travels even faster." That addendum may sound pessimistic, but it has never been more true than it is now when it comes to PR and companies in crisis. Given today's global business environment and lightning-quick communications, news of a corporate public relations crisis can hopscotch from one continent to another in minutes, causing lasting harm in multiple locations without careful management.

Indeed, globalization and all it entails means that PR crises with international implications are becoming the norm rather than the exception, calling for coordinated, cross-border strategies with special attention to conditions in the country in which the crisis arose. The recent experience of UBS, the leading Swiss bank, exemplifies the need for such an approach. [UBS's headline-laden business problems](#) serve as a prolonged reminder of why we formed the [Crisis & Litigation Communicators' Alliance](#), an international network of crisis communication specialists.

Swiss banks, with UBS at the fore, weren't accustomed to communicating openly when the financial crisis started in late 2007. Their basic strategy of deflecting unpleasant questions with a quiet reference to banking secrecy was quite effective—as long as they posted high yields. Then came the financial crisis, with billions in losses in its wake. In October 2008, the Swiss state took over \$54 billion of now-worthless UBS paper and supported the bank with an injection of another \$6 billion in convertible notes, which prevented the bank from going under. Nevertheless, it was months before UBS realized that the public's hunger for information had grown immensely after providing the bank \$60 billion in life support and that it could no longer brush off inquiries about its business without consequence. In the meantime, criticism of the bank wrought havoc on its image.

Across the Atlantic, UBS was experiencing a different kind of headache: The SEC was investigating the bank for giving assistance to tens of thousands of U.S. tax evaders. The investigations became public in June 2008, and by July the bank announced it was no longer offering services to costumers living in the U.S. It assured U.S. authorities of its complete cooperation, and on November 12, 2008, senior bank official Raoul Weil stepped down as a result of charges brought by the Department of Justice. Weil's departure marks a turning point in UBS's communication strategy—since that time, the bank has communicated more openly and more rapidly. Today the UBS website features a complete dossier with continuously updated background information.

At the end of 2008, the bank finally apologized to its Swiss customers. Nonetheless, public outrage was still strong when, on August 19, 2009, an agreement was reached with the IRS that included the planned release of details regarding 4,500 accounts. The bank had already overspent its share of public goodwill, something notoriously hard to regain. The missed opportunities of the past came back to haunt them with a vengeance: During the biggest crisis in the history of the company, UBS had ignored the opportunity to create an atmosphere of open communication with timely information from the outset—which would have established its credibility.

UBS has a long way to go before it can relax after the settlement of the tax war. The initial aftershocks are creating new tremors now running through the media in both Switzerland and the U.S. The first millionaires found guilty in the U.S. are now filing suits against the bank, accusing former UBS advisors of enticing them to evade taxes. Highly visible lawsuits will carry on for years and will likely cross over into other jurisdictions.

One hopes that UBS officials have learned something about safeguarding their credibility by using a skilful communication strategy. In Switzerland, UBS is putting its new wisdom to work with an ad campaign thanking the authorities and the public for their confidence—which is supposed to reflect a new modesty and openness.

But for UBS—and all companies that find themselves in cross-border crisis situations—it's far more important to conduct a professional crisis and litigation communication strategy in every concerned country, backed up with action and attuned to the specific attitudes of the public in those countries. This is much more effective for public trust and credibility than any ad campaign. And that's the kind of support that a global network like the CLC-Alliance can provide, with its deep local expertise and experience combined with worldwide co-operation.

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