

## **Better.com should live up to its name: A case study of failed public relations practices**

By Kristin Ignacz

### **The case**

Vishal Garg is the founder and CEO of the digital mortgage company Better.com (Towey, 2021). The [Better.com](https://www.better.com) website encourages users to call and get pre-approved for a mortgage in as little as three minutes. Unfortunately, that is not the only task the Better.com CEO thinks should take three minutes. On November 25, 2021, Garg fired 900 staff members over a Zoom call of the same length (Butterfield, 2021).

Even though Better.com had just received \$750 million as part of a merger deal, Garg blamed the changing market and low productivity as reasons for layoffs (Feuer, 2021). He unsympathetically announced on the Zoom call that Better.com needed to reduce its staff so the company could survive and to fulfil its mission within a changing market (Feuer, 2021). The key message that his terminated staff heard was: You are fired because the finances of the company are more important than you are. Garg wished his employees luck before their workstations shut down and their immediate termination began (Azevedo, 2021).

Garg's layoffs also sent a clear message of expendability to a secondary audience: his remaining employees. To drive this message home, Garg initiated a townhall meeting with his remaining employees the following day. The key message to his staff was to work harder or they too would be fired. He established a "Better 2.0 plan" with a "leaner, meaner, hungrier workforce" (Towey, 2021) where his staff would be heavily monitored and where failure was unacceptable.

### **Public relations failures**

In both meetings with his employees, Garg made the critical mistake of ignoring resource dependency theory and failing to recognize this internal public as a valuable resource that his organization depended on. From a public relations perspective, he failed to see that his employees were potentially the most important public, even more than his customers and stockholders (Guth & March, 2007, p. 57).

Garg made countless public relations mistakes during both employee meetings including:

- During the Zoom call Garg assumed an "unapologetic tone" (Feuer, 2021) and his body language was casual and disengaged to demonstrate a lack of concern and duty of care for his employees. The three-minute length of the call also demonstrated disrespect.

- During the townhall meeting, Garg's threatening and devaluing messages to his remaining vulnerable employees demonstrated a complete lack of empathy and an unethical use of power.
- Garg failed to recognize that the values of his employees were different than his own; his employees' top priority was not the financial position or mission of the company, as it was for Garg. He failed to know his audience.
- Garg's egocentric one-way messages repeatedly used the words "I" and "the company" instead of making the meetings about "you" — his employees. He failed to prepare a better key message or encode the message in a way that would be well received.
- Garg was not transparent about the company's major recent infusion of capital; it is dishonest to tell your employees they are being terminated so the company can survive when the company just received \$750 million, the CFO of the company had received a \$850,000 annual raise, and Garg himself had received a \$25 million bonus (Fluke, 2021).
- The timing of the terminations was poorly planned and occurred exactly one month before Christmas, a practice most publics would perceive as heartless.
- Among those fired were the entire diversity, equity, and inclusion team (Butterfield, 2021), thereby sending the message that Better.com lacks corporate ethical and social responsibility.
- Garg also unlawfully offered the terminated employees only half of the legal amount of severance that they were owed (Fluke, 2021). This spurred a class action lawsuit that further highlighted to Better.com's internal and external publics the company's dishonesty and business ineptitude.

Garg's actions resulted in countless disgruntled employee stakeholders who held power over the company's reputation. Recordings of the Zoom call and townhall meetings were posted online. Traditional press outlets began to pick up the story. External audiences were shocked and outraged.

### **Response and action**

What was Better.com's response as the crisis broke?

They did nothing.

Experienced public relations professionals know the importance of acknowledging an issue immediately and provide a truthful and carefully crafted response on multiple media outlets to protect the reputation of the company (Cardin & McMullen, 2014, p. 256). Instead, Better.com did nothing, thereby failing to control the message and failing to engage in any reputation management.

The reason for this appears twofold. First, the director of public relations, the director of marketing, and the vice president of communications all quit directly after the terminations and townhall meeting. Each of these key advisors cited their reason for leaving as Garg's

management style and inability to take advice (Feuer, 2021). In a well-run business, the public relations department should be involved in major decisions to advise management about how stakeholders and the public will react to certain practices (Cardin & McMullen, 2014, p. 253). At Better.com, Garg had dismissed the importance of this advice and had lost his advisory team and crisis management team as a result.

Second, because of Garg's lack of interpersonal skills and unethical personal values, he felt he had done no wrong. As such, he failed to acknowledge the public's expectation for a response and felt he had no reason to communicate with intervening publics, internal publics, or external publics.

Garg should have acted by accepting fault and providing solutions publicly and transparently. Instead, he secretly took to social media under an alias name (Towey, 2021). Most public relations professionals will assert that "If you participate in any online discussions, always identify which company you are representing. It is highly unethical and almost always counterproductive to pretend to be someone you are not.... Chances are someone will identify who you really are, causing you and your organization embarrassment" (Cardin & McMullen, 2014, p. 185).

This is precisely what happened to Garg. He took to Blind.com under the alias name "uneducated" where he accused his terminated employees of only working two hours per day (Towey, 2021). His rude and aggressive comments told the public to "get educated" (Taylor & Gross, 2021). Once Garg was exposed as the author, his actions reinforced negative public opinion of his unethical and untrustworthy nature.

By completely failing to control the message and insulting key stakeholders in the process, the crisis escalated with intense media and public criticism. The reputation of Better.com and Garg spiralled beyond control.

On December 6, 2021, 11 days after the Zoom firing, a message was finally released on the Better.com website media section. Instead of presenting a press release and preparing a well-crafted media resource section, Garg simply posted a copy of a letter that was addressed to his remaining staff. The letter continued to make the same mistakes that he made during his meetings and focused on the company instead of his employees. It was also too little, too late. The meager apology to staff was received by the public and media as disingenuous. Garg then took a leave of absence from the company.

To date, the apology message to staff is the only item listed under Better.com's media section regarding the crisis.

## **Outcomes**

Better.com has become famous for its terrible treatment of staff and has secured one of the top spots on Bloomberg's top PR blunders of 2021 (Alaimo, 2021). The company's relationship

with most publics has been heavily damaged, particularly the relationships with his target market and target investors.

According to Forbes Advisor, Better.com's target market are Americans aged 20-34, a group of digitally savvy folk who also represent 37% of homebuyers in the market (Tepper, 2022). His tech savvy audience naturally took to social media to express their disgust with Garg's actions. One example is opinion leader Joshua Fluke who has 495,000 YouTube followers and 13,000 Instagram followers. His series of YouTube videos examining Garg and Better.com have amassed near 600,000 views and 33,000 likes (Fluke, 2021). His key message in each video is that Better.com is dishonest, inauthentic, and should not be supported.

Better.com had signed to go public by merging with Aurora Acquisition Corp. for a combined company value of \$16.9 billion (Daniels & Hurst, 2022). The company planned to go public in December 2021; however, these plans have now been delayed due to the damaged reputation of the brand. As of last week, trusted financial analysts continued to advise investors to, "consider waiting until the dust settles before planning to buy shares of Better.com" (Tepper, 2022). By undervaluing his relationship with key stakeholders, Garg's actions have directly and negatively impacted his relationship with his target market, his social capital, and his bottom line.

How many staff have resigned from Better.com since November 2021 remains unknown; however, one certainty is that Better.com will have difficulty finding and retaining quality staff in the future.

### **A better plan than Better.com**

Several points have been made in this case study about Better.com's failures and what an experienced public relations official should have done instead. Overall, what can we learn from Better.com's failures?

Building respectful and loyal relationships matters.

Better.com had terrible relationships with its employees through a toxic work environment and equally disturbing relations with its investors that resulted in several lawsuits (Fluke, 2021). Building trusted and loyal relationships with the public and a variety of stakeholders is a crucial component of any business. Building relationships is also a critical part of a crisis prevention strategy (Cardin & McMullen, 2014, p. 254). Before quitting, the PR team may have tried to put pre-crisis strategies and issues management in place; however, they were insufficient to counteract the damage that Garg inflicted on the company daily. Two-way communication is the key to building relationships.

Ethics matter.

Unchecked power from an unethical CEO is a public relations crisis waiting to happen. Public relations professionals must implement a code of conduct and a code of ethics: two codes

Better.com lacked. Internal managerial audits and training to create responsible managers who demonstrate moral and ethical principles is also important to create a positive organizational culture and mitigate issues.

The message matters.

When Garg addressed his staff, both in the Zoom meeting and in the townhall, genuine, compassionate, careful messaging may have prevented this crisis from escalating. A positive example would be of Airbnb who laid off 1,900 staff in 2020. The CEO's message confirmed absolute transparency and made their employees feel valued. Every decision was made with thoughtfulness and compassion (Kelly, 2021). Airbnb received positive publicity for their ethical practices and positive messaging.

Preparation matters.

In addition to a crisis prevention strategy, a well-crafted media resource section on the company website is important. Also, working with the media prior to a potentially damaging event can assist with reputation management. Better.com could have used embargo agreements with media to manage perception and control the message at the time of the terminations.

Execution of the public relations plan matters.

When crisis strikes, an immediate, ethical, and transparent response with solution-based answers is crucial to success. Know your audience; create a persuasive message; and control the message. As seen in the case of Better.com, if you fail to control the message, someone else will.

Hopefully, we can all aim to do better than Better.com.

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