

## COMMENTARY

# Crisis of the Week: Signet Fights a Sex Scandal

By **BEN DIPIETRO**

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Kay Jewelers in the Queens Center Mall in New York on Dec. 17, 2016. PHOTO: RICHARD B. LEVINE/NEWSCOM/ZUMA PRESS

**This is a weekly commentary by external experts.**

*Sterling Jewelers, which operates the Kay Jewelers and Jared the Galleria of Jewelry businesses, is in the crisis hot seat after some 250 current and former employees—both male and female—filed a private, class-action arbitration case alleging rampant sexual harassment and discrimination from the late 1990s through the 2000s. Among those accused are Mark Light, chief executive of Signet Jewelers Ltd., parent company of Sterling Jewelers. Mr. Light previously served as CEO of Sterling. The arbitration claim was first brought in 2008 but remains unresolved, and was thrust back into the news when the Washington Post published a story about the matter.*

*Sterling issued a statement responding to what it called “distorted and inaccurate” media reports. The company said none of the 69,000 members in the class-action case have filed legal claims alleging sexual harassment or any sexual impropriety—and that the only claims made in the arbitration case pertain to gender pay and promotions discrimination. “Despite years of litigation, millions of pages of documentation and numerous depositions, claimants’ counsel have chosen not to file sexual harassment claims,” said the company. “These allegations publicized by claimants’ counsel and reported in the media create a distorted, negative image of the company.” The company then said it was hiring an independent consultant to review its culture.*

*The experts evaluate how well Signet has responded.*

**Ira Kalb, assistant professor of clinical marketing, University of Southern California Marshall School of Business: “Sterling’s response does not go far enough to**

mitigate damage to its image. With such a large class action alleging sexual harassment and discrimination, many will assume guilt. To help its case, Sterling has to be totally credible in its statements and follow proven crisis management protocols. Statements such as: ‘These allegations publicized by claimants’ counsel and reported in the media create a distorted, negative image of the company’ are not helpful in changing minds without credible proof the allegations are distorted.

“When company officials claim they ‘have thoroughly investigated the allegations and concluded they are not substantiated by the facts and certainly do not reflect our culture,’ they are not convincing to important publics. By saying ‘none of the 69,000 members in the class-action case have filed legal claims alleging sexual harassment...the only claims made in the arbitration case pertain to gender pay and promotions discrimination,’ Sterling is raising a red flag and highlighting its concern about sexual harassment claims without refuting the gender pay and promotion allegations.

“The most effective statements came from the chairman, who talked about improving the company by forming a committee led by female directors that will support the advancement of female employees and by appointing an independent consultant to review the situation and make necessary changes. While it does not employ all the necessary crisis management steps, it proposes a credible solution.”

**Carreen Winters, chairman of reputation and chief strategy officer, MWW PR:** “As a company whose marketing largely centers around romantic gifts for women, the recent allegations about gender discrimination and harassment are particularly damaging to its reputation and business, as evidenced by the market reaction and share valuation. What is particularly surprising is the company’s effort to make the media the enemy with a response that seems to boil down to ‘this isn’t as big as the media makes it sound.’

“The fact the sexual harassment claims are a ‘very small number’ of the 69,000 people who are claiming other forms of gender discrimination, and allegedly happened years ago, is hardly a defense. By the company’s own math, the larger class of plaintiffs is an overwhelming majority of its workforce of 84,000 during the period in question. A ‘blame the media’ approach is rarely effective.

“In addition, the company’s effort to thread the needle about the difference between pay discrimination versus forced sexual activity, and litigation versus arbitration—and given the current leadership of the company has been [included in the] claims—it is hard to justify any response other than one of zero tolerance and swift action.

“The company needs to take a firm stance against discrimination and harassment of any kind, and work to demonstrate a commitment to investigating these claims with an independent third party, transparently sharing the findings and taking immediate corrective action.”

**Matt Horace, law enforcement analyst, security and crisis management expert:**

“Sterling Jewelers is struggling to manage a tarnished public reputation as it responds to class-action claims of rampant sexual harassment, retaliatory employment practices and a crisis communications quandary.

“Several different crisis communications seem to distort Sterling’s contrite and conciliatory ownership tone on one hand and its by-the-book corporate communications spin on the other. Chairman Todd Stitzer said 43 class members alleged in sworn statements “they experienced any form of sexual harassment,” a small

percentage, he noted, of the 69,000 women alleging pay and promotion disparities in the arbitration complaint. Sterling disputes the allegations of sexual harassment, and a Sterling spokesman said company officials ‘have thoroughly investigated the allegations and have concluded they are not substantiated by the facts and certainly do not reflect our culture.’

“Despite Signet’s more conciliatory statement, Mr. Stitzer appeared to have exacerbated the crisis management quandary saying the company had identified ‘areas where we can further improve,’ and when he said the board will form a new committee ‘focused on respect in the workplace,’ to be led by the company’s female directors.”

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CRISIS OF THE WEEK

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