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## Managing a graceful executive exit

Craig McGuire - 7 Jun 2004 00:00

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Whether it is an expected executive retirement or a sudden C-level coup d'état, managing senior staff departures is one of the most challenging aspects of corporate communications.

Usually with little, if any, advance warning, a company needs to plan what to say, when to say it, and who to say it to - preferably playing off a game plan the company conceived before anyone's head was even close to being hunted, or near the chopping block.

But regardless of whatever contingency planning in-house PR executives conceive, they should expect the unexpected and hold on for the ride.

The easiest kind of executive departure to manage is an overdue retirement, in which a pre-ordained replacement is installed according to a smoothly run succession plan, much to the delight of all internal factions, customers, regulators, and company investors.

Unfortunately, life in corporate communications is rarely so scripted, with the truly challenging campaigns being the ones thrust upon PR execs at the last minute.

"Sometimes a departure has been planned as part of a succession strategy, and there have been consistent updates to the media," says Peter Morrissey, president of Morrissey & Co. "The departure then is a non-event and should be treated as such. But, departures that have resulted from crisis, death, indictments, allegations, or other extraordinary circumstances need to be treated on a case-by-case basis."

There are, however, several proven tactics that should be incorporated into a strategy for such events.

To begin with, what is the best way to handle a sudden, salacious departure? Firms not experienced in this area would do well to hire an outside agency, such as when Financial Dynamics was hired to manage the high-profile step-down of celebrity CEO Steve Madden.

Thanks in part to a much-publicized transition plan - not to mention a core teenage target demographic that couldn't care less - even though the women's shoe maven pleaded guilty to securities fraud in 2001 and later went to prison, his company was actually thriving by the very next year.

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FD's managing director of corporate communications, Michael Bayer, was recently interviewed on CNBC regarding Martha Stewart as she was in the process of stepping down at her eponymous empire.

"If we've learned anything from these situations, it is that you need to have a plan in place and need to involve your communications professionals as early on as possible," Bayer says. "The reality is that unless it is a planned departure, you have precious time to prepare and execute your strategy."

Regardless of the specifics of the departure, changes in the executive ranks, especially in senior management, are considered by the SEC to be material events for a public company and require full disclosure.

Still, even for private companies, executive transition requires a strategic plan for communicating with key constituents that must be carefully calculated to ensure that things go smoothly, even when multiple changes occur at once.

Carreen Winters, SVP at MWW Group's corporate communications group, explains, "For example, Bethlehem Steel changed CEOs in conjunction with a bankruptcy filing, bringing in a noted turnaround executive at the same time that the filing was announced. This change necessitated a complete overhaul in all of the previously planned messages related to the Chapter 11 filing, while creating a second set of issues to be addressed."

Communications with all audiences should be simultaneous, or at least as closely knit as possible. What you do not want are audiences crucial to your business - customers, strategic partners, employees, investors, and regulators - reading about it in the newspaper, or worse, fielding questions from reporters. This goes not only for announcements about the departing executive, but also for announcements regarding the subsequent replacement.

"Work from an audience grid of concentric circles, with the most critical audiences told first," Morrissey suggests. "The [replacement] should confirm that he or she has definitely been offered the job before making any premature announcements. The senior-level staff and management should be told. The effort continues working out to the outer circles of influence in the company and outside of the enterprise."

During senior staff shuffling, tread carefully because so many things can go wrong, as Boston University recently discovered when its long-standing president, John Silber, handpicked a successor in a much-publicized series of events.

In the midst of regular media coverage fueled by BU's PR engine, the "president elect" resigned when he realized he would not have the authority and latitude to make decisions that he was promised by Silber and the BU Board.

"Not only did Boston University have to buy out the contract of the handpicked candidate, it also suffered several days of high-profile, bad publicity and criticism for how the search was handled before the chairman of the board of trustees stepped in to calm the waters and act as an interim president," Morrissey says.

Regardless of the situation's circumstances, PR practitioners should always push their clients to take the high road, explains Kristen Sampo, a partner in the Fort Lauderdale office of Fisher & Phillips, a labor and employment firm.

"Recently, a client of ours was involved in a lawsuit where they actually gave the manager in question the option of a demotion, with 24 hours to think about it," Sampo says.

"However, before she even made up her mind, they had already e-mailed all of her reports that she was leaving, and she was livid," she adds. "To avoid litigation, treat the person with dignity. Give them the opportunity to resign. Let them walk out with their head held high, and it is less likely to bring a lawsuit."

### **Technique tips**

**Do** have a strategy in place as part of your crisis communications program

**Do** define the departing exec's leadership style and unique contributions to the company

**Do** issue two separate notices about the departing exec and his replacement, emphasizing that the replacement was carefully considered

**Don't** disclose the information selectively

**Don't** wait longer than is absolutely necessary to announce the news

**Don't** lump news of someone's departure with notice of a replacement for the same post

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