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Corporate Boards: Board games

Craig McGuire - 27 Jun 2005 00:00

Craig McGuire looks at five PR pros who are masters at breaching the boardroom

It's known as the corporate jungle for a reason. Managing communications for corporate boards can be a sticky business, fraught with peril for even the most polished PR pros. To understand what it takes to enter the lion's den and emerge victorious, or at least in one piece, consider the war stories from these seasoned specialists.

A Thankless Job

Ron Hartwig

EVP, Hill & Knowlton

Chairman, Hill & Knowlton, California

When it comes to bravado in the boardroom, Ron Hartwig of Hill & Knowlton is a seasoned veteran of scores of corporate dust-ups, which is probably why he knows not to expect kudos from the client.

"In this line of work, don't count on anyone calling to thank you for the good advice you've given them, no matter how big the catastrophe you helped them avert," Hartwig says.

Inevitably, you'll likely find yourself pitted against a suspicious corporate counsel that will treat you with veiled contempt.

You'll probably slave to serve the interests of many different masters. As for the PR programs you work on, most would rather forget the situations that spawned them.

And, as was the case when Hartwig and his team were injected to aid a palace coup, expect to be shoved into situations where some simply don't appreciate your presence.

"The board of directors was planning to oust the CEO and wanted a communications plan drafted by an external agency," Hartwig recalls. "They just could not trust the internal PR team to keep it quiet."

Needless to say, secrecy was of the utmost importance, so much so that on the day the trap was sprung and the axe swung, Hartwig and his troops parachuted in to set up a command center ... in the midst of the existing PR department, which was totally taken by surprise.

"They knew it wasn't personal, but still, it was pretty awkward," Hartwig says. "Tact and diplomacy are your greatest tools in these situations, especially because the stakes are high."

The CEO shuffle

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Leslie Gaines-Ross

Chief knowledge and research officer worldwide

Burson-Marsteller

Turnover among CEOs in corporate America has never been higher than in recent years, with board members playing more prominent roles in setting companies' directions and anointing new kings.

Leslie Gaines-Ross is that rare professional who specializes in working with boards and management during this crucial period of transition.

"Where I get involved is during the first 100 days, and it's an ongoing process that can have many subtleties and nuances that you must be pre-pared to face," says Gaines-Ross. Certain situations, though, are much more hairy than others.

"The most challenging situations for me are when the former CEO stays on the board," Gaines-Ross says. "You have a scenario where you are working with the new CEO, the old CEO, and the board.

"Usually," she continues, "everyone is working toward the same goal, everyone knows what the end point is, and everyone wants to get there."

Still, especially in this area of PR, getting to that place is the biggest part of the battle.

The dreaded restatement

Robert Leahy

EVP and GM

The Financial Relations Board

Entering a boardroom is like being called up from the minors in baseball. But just like in the big leagues, if you don't have the talent, you'll get tossed right out of the game.

"You are dealing with very sophisticated audiences, so you need strong financial literacy and deep business acumen," says Robert Leahy. "You need attributes of legal exposure, general awareness of legal criteria, and an understanding of regulatory matters."

Perhaps there is no greater test than shepherding through a program for publicizing an earnings restatement.

Leahy was involved in one episode where a mid-level executive uncovered an improper treatment of numbers.

"It was not malevolent in nature, just an error, but when it bubbled up to the next management level and was sidestepped as a non-event, it ultimately led to an [SEC] investigation," Leahy says.

When faced with such situations, PR pros feel the heat. As Leahy explains, you need concentration and financial aptitude to consult the management team and the board. "Not only on optics of damage points," he says, "but the ramifications on materiality. You also must model the impact on valuation."

In this case, things were diffused, but after a painful second restatement.

As Leahy describes it, such situations represent an exercise in compromise, with the communications professionals on one side facing off against the general counsel, who are always reluctant to speak. The board is in the middle, searching for a way out of the mess.

"But remember: When you talk to board members, these are seasoned, successful, and bright individuals, so commanding attention requires a great deal of sophistication and perseverance," Leahy says. "If you can gain their respect, when you outline the entire scenario, they will grasp the situation."

Managing a meltdown

Montieth Illingworth

Head of the New York office

Gavin Anderson & Co.

Proclaiming his agency the "Navy Seals of corporate communications," referring to its ability to manage the most difficult of scenarios, Montieth Illingworth knows the complexities of achieving corporate-board consensus in crises.

In one case, a national business title had done a story on a publicly traded client, where the CEO had misspoken in the interview and revealed things that were damaging to the company.

"This is the case of a CEO who was on his own mission when it came to communications and was consistently difficult to coach and media train," Illingworth says.

With board members holding substantial amounts of stock, they were particularly incensed to see the share price hammered due to something they saw as needless. As a result, a group of board members pushed for an immediate and complete cessation of media relations activities.

"It was a meltdown for the whole program, threatening to scrap months of intensive work," Illingworth says. "There was one particular board member - and it's always one member, or at most two - that vehemently opposed any further contact with major media."

To get the flames under control, Illingworth and his crew had to switch gears and educate the board about the potential damage and enmity such a scorched-earth policy would foster.

Recruiting the support of the much-chagrined CEO, Illingworth embarked on the arduous mission of meeting with all board members, individually and then collectively. But first, he needed to secure a key ally in his quest.

"You have to get the legal counsel behind you because they have the ear of management and board members," Illingworth advises. "If you don't have the attorneys supporting your strategy, then there's a dangerous fault line running through the whole effort."

Illingworth and his ilk were able to convince the board to keep the media relations program, despite the short-term debacle, which soon dissipated.

"After being burned, the end result was the CEO now appreciates the need for media training and staying on point with a message," Illingworth says.

It's what you don't know

Hollis Rafkin-Sax

Vice chairman

Financial Dynamics

It takes a lot to get under the skin of Hollis Rafkin-Sax. As battle-hardened as they come, Rafkin-Sax knows all about fighting the good fight in the boardroom.

"You have to realize that sometimes you just are not privy to everything that's going on," she says. "You often have to make the most of impossible situations, relying on your instincts, as well as your experience, to develop and execute strategies to counter very complex problems."

And, as Rafkin-Sax explains, you might not always have all the pieces to the corporate puzzle. So, no matter how exceptional your strategy might be, influences unknown to you are lurking in the background.

For instance, Rafkin-Sax represented a client that was the subject of a particularly scathing item in a major financial publication. This was two years ago, in an atmosphere of heightened paranoia on the Street, when episodes at Enron and WorldCom were still fresh in our minds and investor insurrections abounded.

Cringing as they watched the company's stock price plummet - and besieged by a relentless barrage of calls, comments, and financials - the board realized it could no longer duck and cover. "The primary problem was perception, as one of the major issues was off-balance sheet accounting, which was not well-understood then," Rafkin-Sax says.

The crux of the board's strategy was to appoint an independent director, someone with the credibility to regain the ground lost with the Street.

"There was a major issue as to who was running the show, so this appointment would have appeased analysts and investors if they had been made aware of it," Rafkin-Sax laments.

Rafkin-Sax and her team plunged into a marathon session to pound out a program to publicize the transparency that such an appointment would provide.

"But then they couldn't agree on how and when to communicate the appointment," Rafkin-Sax says. "So, they got no credit for it, and the company spiraled totally out of control. Today it is a mere skeleton of its former self."

In retrospect, Rafkin-Sax says several mitigating factors later emerged that indicated much more sweeping problems existed.

"You have to realize that you're not going to get the full picture sometimes," Rafkin-Sax adds.

Is PR truly gaining boardroom access?

Corporate leaders are recognizing the value of communications, according to a survey released earlier this month by Burson-Marsteller, which found that 15% of the largest revenue-producing Global 500 companies have corporate communications expertise in boardrooms.

In a five-year period, from 1999 to 2004, Global 500 companies with resident board-communications expertise delivered returns of 6.6% per year above stock market averages.

The 6.6% per year in additional returns is highly significant when compared with average S&P 500 companies' return of -2.3% per year in the same five-year period, ending in 2004.

Although Burson's research found that 85% of the world's largest global companies lack in-depth communications guidance among independent board members, it did find that a large number (81%) of these leading companies include corporate communications executives on their senior management teams.

Global 500 companies in Asia-Pacific are less likely to have communications expertise on their executive management teams (50%) than their North American (92%) and European (81%) counterparts.

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