CFO.com

Thank You, and Good Night!

How to make a graceful exit when you resign.
Kate Plourd, CFO Magazine
December 1, 2007

When Sandra Wijnberg decided to resign as chief financial officer at Marsh & McLennan Cos. in 2005, she had one overriding objective: "I wanted to make sure I didn't create another crisis," she remembers.

At the time, the venerable New York insurance brokerage firm was particularly battle-scarred. Marsh & McLennan had lost almost 300 employees in the September 11 terrorist attacks, and in 2004 was sued by then–New York Attorney General Eliot Spitzer, alleging fraud and bid-rigging — a lawsuit that forced the resignation of chief executive Jeffrey Greenberg.

That suit and the subsequent $850 million settlement left the company in a precarious financial situation — something Wijnberg wanted to set right before departing. Consequently, during the eight-month transition period, she took several important steps, such as refinancing Marsh's headquarters building, implementing a new $1.2 billion five-year credit agreement, and creating a $440 million discretionary pension contribution.

"We built up cash on the balance sheet and put the company in a financial position to ride out the difficult times until the operations regained their ground," Wijnberg says. "That was probably one of the greatest gifts I could give them."

As Wijnberg can attest, resigning from a CFO post is never easy. Given its high profile, a finance chief's exit, whether voluntary or not, often raises questions about the future performance of the business; at a public company it may even create havoc with a stock price. "It automatically looks suspicious when a CFO resigns," says Cynthia Jamison, a seven-time finance chief and national director of CFO services for Tatum LLC. And if a resignation occurs near a quarterly release, year-end audit, or something of a similar ilk, that definitely "leaves an impression that something is wrong."

Little wonder, then, that many CFOs plan their exits carefully and often continue to aid their former finance teams well after their official last day. "Any time an executive leaves, he sets an example for the rest of the company, the industry, and the profession," says Charles Krugel, a Chicago-based labor and employment lawyer. In finance, he adds, "that individual should do whatever is necessary to make the transition as smooth as possible."

It's All in the Timing
A judicious exit strategy acknowledges that there are good times to leave and bad times to leave. For example, leaving during a busy time in the financial calendar, says Jerry L. Mills, founder and CEO of B2B CFO, is a good way to burn bridges. He recommends delaying the exit until the

close of a reporting period. In fact, he says, you should try to accept the new job offer only "on condition that you can finish your current project first. You have to be sensitive to that and not devastate your [soon-to-be] former employer."

Mark Kent, current CFO at Bingen, Washington-based Insitu Inc., put such advice into practice. When he served as CFO of Transmeta Corp., he realized he had a different vision for the company several months before he resigned. Still, he opted to delay his resignation until the time was right, which the company decided was after the first-quarter earnings release.

"Stakeholders [consider] the CFO to be one of the rudders of the ship," says Kent. "When you're contemplating leaving, you obviously need to make the best decision for yourself. But you also need to make the best decision possible for investors."

That's true even if the transition is a short one. When Mike Healy resigned as CFO of Santa Clara, California-based Genesis Microchip Inc. in April, he was able to give only three weeks' notice. His new company, ShoreTel Inc., was about to launch its initial public offering and needed his expertise. To compensate for the quick departure, however, Healy went out of his way to offer additional assistance, creating a comprehensive, five-page list of his personal responsibilities and action items for Genesis's CEO and audit committee.

"You have to do two jobs for a while," says Healy, who has resigned from four companies during his career, including two finance-chief posts. "I couldn't just check out and not do any work for the three weeks before I left. I couldn't do that to my staff or my board or my peers." In fact, Healy helped Genesis multiple times after he took up his post at ShoreTel to make sure things were running smoothly. The extra work paid off. "Genesis felt that I left them in a good position," he says.

Tread Carefully

How you break the news of your impending departure to the CEO and the board also has to be carefully planned. "You should give a lot of thought to the words you use," says Jamison, who has resigned for better opportunities and for being asked to do something unethical. "Even if [you're leaving] for ethical reasons, there is no reason to be antagonistic about it," she says. For example, instead of sounding off to her CEO about his ethics in one case, Jamison simply used an impending reorganization as an opportunity to walk away. "I had already refused to do something and he knew that, so he just said OK."

The nuances of breaking the news can have lasting effects. Corporate America "is a small world," says Pam Lassiter, principal at Lassiter Consulting, pointing out that "you might be working together again in some capacity." And even if you don't leave on the best of terms, "your future employer can still check you out informally with his or her friends." In fact, Lassiter advises CFOs to assume all exit conversations could potentially become public information. "A great level of detail shouldn't be necessary," she says. "Odds are if you're resigning because of a difference in approach, the CEO already knows it."

Telling finance employees may be even more challenging. "They always want to know who they're going to report to when their boss is leaving," says Healy, who advises developing a coverage plan before telling the team. In Healy's case, he crafted a plan that detailed what would change during the transition and who the staff would report to when he left. He then presented the plan to the CEO and audit committee for review before unveiling it to his staff.

Similarly, Wijnberg presented her staff with a plan of what they needed to accomplish in the eight months before a new CFO took over. "I told them all at the same time so the message didn't get mixed [up] in the process," she says. That helped keep them "engaged in what we were doing, what we were thinking, and what we needed to get done before I left."

Loose Lips

How much you reveal about the reasons for your departure — especially if it is contentious — is another delicate matter. "If you say anything negative it could potentially demoralize the staff and likely get back to the CEO," says Mills. However, he adds, "there's nothing wrong with constructive criticism, or leaving on good terms while laying out some grounds for improvement."

Wijnberg was particularly cautious because there had been multiple leadership changes at Marsh and she didn't want to convey anything negative about senior management. Even though differences in philosophy had an impact on her decision to leave, in presenting that decision to her team Wijnberg tried not to make it personal.

"Leaving as a finance chief always causes [at least] a little crisis. even if it's done elegantly," says Wijnberg. "But I learned that you have to avoid sending mixed messages about why you're leaving to avoid unnecessary drama."

In the end, professionalism should win out. While CFOs know there is a right way and a wrong way to leave, "it's easy to get distracted by a better opportunity," says Wijnberg, who took a year off and is currently partner and chief administrative officer at Aquiline Capital Holdings LLC, a New York–based investment firm headed by former Marsh CEO Greenberg. "Every CFO should come to the realization that it's important to leave the right way and that you can't forget about what you left behind."

Kate Plourd is editorial intern at CFO.

Spin Control

What should your new employer know about your old one?

CFOs leave jobs for many reasons, from firings for cause to disagreements over strategy to the proverbial "personal" ones. That raises the delicate matter of how to tell potential employers why they left their previous post. The best approach is to "answer the question in a way that's honest but not damaging, or employers will get suspicious," says Pam Lassiter, principal at Lassiter Consulting.

Handling the question, especially when a departure was contentious, is more of an art than a science, says Tatum LLC's Cynthia Jamison. "From a moral perspective, you should probably not share grievances or details of negative circumstances freely," she says, even if a nondisparagement agreement has been signed. Lassiter adds that the best approach is to simply state the best skills and relationships you developed at your previous job and keep details about differences of opinion to a minimum.

As for CFOs who leave on good terms, there's no reason to be mum. "The more information you can give a prospective employer about who you are [the more it] helps them decide whether or not you're right for the position," says Jamison. — *K.P.*

The Bottom Line

Do:

- Tell your CEO or president first that you're leaving
- Do it face-to-face and plan what you'll say ahead of time
- Volunteer to help train a replacement CFO
- Be the first to tell the members of your staff
- Stay productive during your last days/weeks on the job
- Finish up any incomplete projects
- Take your CEO out to lunch a month after you've left to tie up loose ends

Don't:

- Go into great detail about why you're leaving
- Resign in the middle of a company crisis
- Leave before or after a critical financial deadline
- Air your grievances to the entire company