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Risk & Compliance Report

October 27, 2014, 10:24 AM ET

Crisis of the Week: A Nasty Breakup at Walgreens

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Wall Street Journal

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For this week's Crisis of the Week feature, we asked our experts to look into a dispute between Walgreen Co. WAG +0.45% and its former chief financial officer, Wade Miquelon, who is suing the company for defamation.

Justin Sullivan

The former CFO alleges Walgreen spoke ill of him in meetings with large shareholders after he resigned from his job following a bad forecast for generic drug prices that caused the company to cut its profit target. The company responded in court saying the former executive was responsible for the disappointing financial forecast that preceded his departure and calling him a "bitter former executive."

Ira Kalb, assistant professor of clinical marketing at the University of Southern California's Marshall School of Business: "In an Aug. 4 press release, Walgreen and exiting CFO Wade Miquelon made glowing positive statements about each other. Within days 'senior Walgreen executives' said Miquelon's finance unit was 'weak' and had 'lax controls.'"

"Irrespective of the truth, this public airing of differences in the media is not likely to bode well for either party-especially since statements now being made seem to be inconsistent with those in the Aug. 4 press release. These inconsistencies are likely to erode the public trust and negatively

impact the images of all involved. An activist investor is already requesting that Walgreen's pending merger with Alliance Boots be put on hold until an independent investigation is conducted.

"Probably the easiest way out for both parties is to settle this dispute quickly. Short of that, both sides should stick to indisputable facts rather than allegations that could be proven wrong later. In fact, the 'fact procedure' in crisis management requires disclosure and apology for any mistakes, limiting the scope of any errors and proposing a solution so mistakes won't reoccur. Neither party can afford erosion of trust with its most important publics. For Walgreen, that is investors and customers. So far, the stock price is holding up pretty well, but that could change quickly if any damaging revelations from the lawsuit emerge."

Daniel Laufer, head of the School of Marketing and International Business at Victoria University in Wellington, New Zealand: "The former CFO has handled the crisis effectively so far. When a company or individual is facing false accusations, a denial strategy is recommended to protect one's reputation. The stakes couldn't be higher for Mr. Miquelon. He has been blamed for a disappointing forecast by Walgreen, and this has generated damaging negative publicity.

"From a communications standpoint, denying accusations and providing evidence supporting the denial is very effective. Particularly effective is using Walgreen's press release about his departure to refute claims of poor performance. In his lawsuit, Mr. Miquelon quotes extensively from the press release, including a statement by Walgreen about Miquelon's 'remarkable leadership, strategic vision and expertise.'

"Walgreen, on the other hand, has not done a good job in handling the crisis. It is understandable that companies want to minimize the damage resulting from the departures of senior executives by heaping praise in press releases; however this can be risky as demonstrated by the crisis Walgreen is facing.

"Walgreen has not answered a crucial question that stakeholders are asking:

What has transpired since issuing the press release praising the departing CEO that has dramatically changed the company's assessment of the CFO's performance? General statements such as describing the former CFO as a 'bitter former executive' are not effective. Has Walgreen received information subsequent to the press release suggesting there were issues relating to Mr. Miquelon's performance that it didn't know previously? If so, it needs to communicate this to the public. Otherwise, stakeholders will not accept Walgreen's version of events."

Lanny J. Davis, executive vice president, Levick: "I would start by asking Walgreens what are the specific, undisputed facts regarding Mr. Miquelon's dismissal. It appears Walgreen would say Mr. Miquelon made an earnings forecast that did not prove to be accurate. I would advise against using adjectives, labels, and characterizations. Just the facts (after consulting with the legal team). And then remind all that Walgreen trusts the courts and our system of justice to render the correct verdict.

"As to Mr. Miquelon, he too should state the facts-which I might recommend, after consulting with the legal team: 'I made my best judgment given the facts and figures then available. Hindsight is 20-20 of course. But I stand by my record as a professional over the years and I trust the courts will vindicate my reputation from the characterizations of me by Walgreen.'

"I have a rule of thumb in crisis management to judge opposing messages in a public dispute-the party that uses more labels, characterizations and adjectives is the party that has the worse facts and is likely to lose the crisis management message wars. "A good rule of thumb in effective crisis management...tell it early, tell it all, tell it yourself. Another one: Always take the high road-state your own facts and don't demonize the opposition."

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