

Pornography

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Fifty-year-old Jack Selznick was the CFO of Idtronec (NASDAQ: IDNC), a maker of identification and security devices and software. The \$2 billion company in annual revenues had shown a surging top-line growth of 18 to 20 percent for the last five years. It had blossomed into a major competitor due in no small part to the skills of Selznick who supported the CEO in both strategic thinking and capital deployment. Selznick ran a tight ship and had great credibility among financial analysts who followed Idtronec. There were expectations that he might step into the CEO role when the founder-CEO retired in three or four years. Selznick appeared regularly before the board of directors who thought highly of him, and he was a frequent presenter to the financial community and the face of the company to Wall Street.

Selznick was divorced but he maintained close relations with his three children and ex-wife. He was known as a homebody outside of work, dedicated to his woodworking hobby and golf game. His college-age children were frequently at his house and using his two computers. His 22-year-old son was studying sociology. His 20-year-old daughter was in pre-med, and his 19-year-old boy in general studies.

The late-night phone call shocked the CEO. Selznick was in the city police station and being charged with trafficking in child pornography. He had been detained by the FBI in a sting. One of Selznick's two computers had been seized from his home with e-mail and files filled with offensive photos. Selznick told the CEO he had no idea how the pictures got into the computer, which he rarely used, and he feared that they might have come from one of his children. The CEO was sympathetic, but news of the arrest would be public by morning, and no matter what happened, he would lose a valuable team member for days, if not forever.

The CEO called his director of corporate communications, Bob Kinder, at 1 am and asked for an action plan. The CEO temporarily promoted the 37-year-old controller to the CFO's position and put the CFO on leave pending resolution of the criminal case. The CEO also had notified the board of the company's actions. The CEO wanted the director of corporate communications to handle media calls that were already starting to flood into the company and to get the message out that the CFO had stepped aside.

Kinder had an approved three-sentence release on the wire by 2 am that stated Selznick had been put on leave pending resolution of the charge and the controller had stepped into the temporary role of CFO. Then he started dialing the media. He assured reporters that the company knew nothing of the incident and would abide by the decision of authorities. When reporters asked him if

Selznick was fired, he said it was too soon to discuss the issue. By 5 am, Kinder had reached the news desks of all local media and major business media – *Bloomberg, Reuters, Dow Jones, Associated Press, The Wall Street Journal, Financial Times* and had e-mailed *Fortune, Forbes, Bloomberg BusinessWeek, Economist* and other media, such as *CFO*, that had featured Selznick in its columns only the month before.

By 10 am the next morning, reporters from *Bloomberg BusinessWeek* and *Forbes* were already reporting stories on the rise and fall of Selznick, an obituary for a man whom the company had not dismissed. The assumption of the reporters was that it was a matter of time. No explanation for the existence of child pornography on a home computer was adequate.

Selznick's oldest son came forward the next day and admitted to collecting the offensive images. He had frequented bulletin boards and web sites with titles like *BoyLove* with the intention of writing an original research paper on the types of personalities who participated in them and their impact on societal culture and mores. He produced a proposal that he had given his sociology professor with specific objectives for his study. He said he hadn't meant to create a problem for his father but the objectives of the research were ethical, and there was a need for investigation in the area. Selznick was disturbed by what his son had done but backed him publicly. Charges against Selznick were dropped but made against his son who pledged to fight them.

Selznick asked to return as CFO, and there was no reason to deny his request. Three weeks after his arrest, he was back in his office, but it soon became clear that his attention was not fully on his work. He spent part of every day talking to his son's lawyers who were preparing a defense of the young man in the pending criminal case. Lurid stories appeared about his son's private life, things that were untrue, partially true or grossly distorted. It was clear the media had convicted Selznick's son before a trial, which was months away.

Selznick tried to cut off attention to his son's case in his professional capacity, but it kept appearing when colleagues asked him how he was holding up, and financial analysts queried in a friendly way when the case would be resolved. Selznick was relying on the controller more than ever to handle aspects of the CFO job. Two months after returning, Selznick went to the CEO and told him he could no longer devote his full attention to *Idtronec*. He was prepared to leave or step down into a less visible job. The CEO wanted neither action, but he understood the pressure Selznick was under. In a meeting with the HR director and Kinder, the CEO asked for succession and communications plans should Selznick leave.

The HR director had already dealt with the issue and argued that the controller had shown promise during her three weeks as temporary CFO and her ongoing support of the CFO since his return. The HR director favored promoting the

controller into the CFO position should Selznick leave, and the director suggested that Selznick accelerate training of the controller so she would be ready. Kinder said he had been expecting Selznick to step down given the public discussion of his son's case, and he was prepared to announce a new CFO should the time arise.

The board did not agree with promoting the controller right away. Three of seven directors argued that she was too inexperienced and they wanted an industry-wide search for a CFO who could take charge immediately and bring credibility at the same time. Two directors wanted to benchmark the controller against CFOs working for competitors. Only two directors approved of the idea of promoting the controller. After discussion, the CEO and board agreed that the controller needed to be benchmarked against competitive CFOs and if the controller did not rise to the skill level of competitors, Idtronec would launch a search.

Meanwhile, Selznick's son accepted a plea bargain and community service. The pressure was off Selznick, and he decided to stay at Idtronec. The CEO said Selznick should try to keep the controller as long as possible but get her ready for a CFO's position with an Idtronec subsidiary. The CEO valued her skills and wanted to keep her in the company. Selznick asked for a plan to raise the controller's profile.

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Questions for discussion:

1. Was the CEO right in forcing the CFO to step down?
2. Did the CEO act too quickly? Should he have given Selznick a chance to clear himself?
3. What should be the policy when family issues erupt into business?
4. What kind of communications plan would you recommend for the controller?