



Dave Edmondson

Damage control time for RadioShack

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Now that RadioShack has changed leaders, it must get down to repairing its image.

Damage control is necessary to retain talented employees, attract new ones and rebuild credibility with Wall Street, according to consultants and academics who

study corporate behavior.

But everyday consumers are unlikely to be fazed with the business downturn and the forced departure of Chief Executive Dave Edmondson, who resigned Monday after admitting last week that he inflated the academic record on his résumé, they said.

"If I were in their shoes, I would be most worried about employees and the investment community, which sees a vacuum -- and hates vacuum and uncertainty," said John Gilfeather, a vice chairman of Roper Public Affairs, which has conducted market research for RadioShack in the past.

Other important constituencies include corporate peers, the news media and the Fort Worth community, he said.

"They've got to work on the relationships," he said. "Keep lines of communications open. Don't say things are better than they are. Then when things start to turn around, the story will get out faster."

Edmondson's departure came after the company reported a 62 percent decline in fourth-quarter profit Friday and said it would close 400 to 700 stores to cut costs. Chief Operating Officer Claire Babrowski was named interim CEO while the board seeks a permanent replacement. Babrowski is considered a leading candidate for the job.

Until a new CEO is named, there will be uncertainty among employees and prospective recruits, who may not want to be hired by an executive team that might soon be shown the door, said Peter Sealey, a former Coca-Cola executive who is now an adjunct marketing professor at the Haas School of Business at the University of California at Berkeley.

RadioShack's problems might be seen as an opportunity for some potential CEOs.

"This is a turnaround situation that attracts a certain kind of individual," Sealey said. For them, "it's going to make it even more attractive."

Although the federal Sarbanes-Oxley corporate reform law has put CEOs in a fishbowl, RadioShack should not face a shortfall of prospective candidates.

"I don't think they'll have any problem recruiting," said Greg Segall, managing partner of Philadelphia-based Chrysalis Capital Partners and a turnaround specialist working with large distressed companies.

"Some are very sensitive to the current climate and understand they'll be under a

microscope."

The landmark Fort Worth company should make clear that although Edmondson fudged his résumé, this was not as serious a transgression as defrauding the government or shareholders, Gilfeather said. "All integrity issues are not equal."

That said, the next CEO has to be squeaky clean. "The media will kick tires," Gilfeather said. "You don't want to go through that again. The vetting process must be really thorough."

Justin Menkes, author of the book, *Executive Intelligence*, couldn't agree more.

"To stop the bleeding, RadioShack's next CEO will have to have unquestionable integrity and a highly respected track record. Otherwise, both shareholders and employees will continue to run from this company."

And the situation could have been worse, Sealey said. "This is nothing like the Wendy's 'finger in the chili' case. This was falsehood. Certainly a terrible thing, but nothing like an appendage in your bowl."

RadioShack's recent controversy, he said, centers on a "sad personal failure of an individual who essentially destroyed his own career. And while it has raised the awareness of RadioShack, it's not going to stop a customer from driving to one of its stores and buying a two-prong RJ-11 jack."

Consumers might care only if a company was on such shaky ground that it may not be around to honor product warranties, said Katie Delahay Paine, a New Hampshire-based public relations consultant who did work for RadioShack five years ago.

"I am certain [the crisis] is not going to stop a lot of people from buying batteries or whatever you buy from RadioShack," she said.

But one expert insisted that the chain's problem extends beyond recent events.

"RadioShack has had an image challenge for a few years," said Michael Smith, a public relations professor at Philadelphia's La Salle University.

"One columnist once referred to it as the Wal-Mart of electronics stores -- low budget, nuts and bolts sorts of electronics for the middle-of-the-road consumer and hobbyists.

"The biggest challenge here is the 'perfect storm' of problems -- a case in which timing is everything. It would be difficult enough to announce the closure of 700 stores; it is even more difficult when the person most responsible for explaining the

corporation's strategy to employees, customers and investors leaves the company.

"Frankly, I think consumers and employees would be more concerned about the closing of their local RadioShack than they are with the CEO's résumé-faking."

What the company needs is a turnaround specialist, Segall said.

"And that's what Len Roberts is," he said, referring to Edmondson's predecessor who is now the chairman of RadioShack's board. "He was the 'turnaround guy' who got it fixed, got it growing."

Yet Roberts' continued presence as a strong executive chairman might prove a recruitment snag, Segall said.

"Having a big-personality chairman could be an issue with a candidate who believes, 'I am a big enough guy to be my own person.'"