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Business Life



More than public relations: 'We ask the client, Who do you want to communicate with? Is it customers, employees, suppliers?', says Mike Sitrick

Judit Langh Photography

The spin doctor of restructuring

Entrepreneurship

Mike Sitrick is known for advising embattled celebrities, but most of his work is helping corporate clients, writes **Matthew Garrahan**

Mike Sitrick was never supposed to work in public relations. As a young man he wanted to be a journalist and worked briefly as a reporter when, in 1969, he found himself in talks with the Chicago Tribune about a job paying \$125 a week.

He also received an offer worth \$160 a week working in PR at the University of Maryland, where he had studied. "I said to my wife: 'I love journalism but I'd rather eat,'" he recalls.

The companies, celebrities and other clients that have relied on Mr Sitrick's skills since he founded his own firm in 1989 after working at various businesses in-house, will be glad he chose the career he did. From his headquarters in the heart of Los Angeles, Sitrick and Company has carved out a lucrative niche offering crisis advice for embattled companies and celebrities who have found themselves in the media's cross-hairs.

'We represent people trying to get their lives back in order'

Mr Sitrick has a book bursting with media contacts and is the spin doctor's spin doctor, helping clients cope with extreme media scrutiny and advising them how to tell their side of

the story. He says, however, PR is about much more than stories in newspapers. "We ask the client: who do you want to communicate with? Is it customers, employees, suppliers?"

His talents are summed up in the title of his 1998 book *Spin: How to Turn the Power of the Press to your Advantage*. But although most of his firm's work is for businesses in trouble, he is probably best known for his celebrity work. Clients are often controversial – such as Chris Brown, the singer who was arrested after assaulting his pop star girlfriend Rihanna, or Michael Vick, the NFL quarterback who briefly became one of America's most reviled men for his involvement in a dog-fighting ring.

"We represent people trying to get their lives back in order," says Mr Sitrick. "I have to believe that even if they have done something

wrong they are trying to turn their life around – or that allegations against them are false."

The celebrity work generates headlines but it is his corporate clients that generate most of the firm's revenues – more than 90 per cent, according to Mr Sitrick. "I like to say we range from Thomas H Lee [the private equity billionaire] to Tommy Lee [the Mötley Crüe drummer and Pamela Anderson's ex-husband]." The company does not disclose its profits but in the past 12 months revenues were about \$25m (€8.2m, £16.5m), he says.

His corporate work ranges from shaping the PR strategy for Exxon when it was being pummeled by negative headlines in the aftermath of the Exxon Valdez oil spill, to advising the late Roy Disney and Stanley Gold when he orchestrated their campaign to remove Michael Eisner as chairman of Walt Disney

in 2003. The campaign led to 43 per cent of Disney shareholders withholding their support from him. Mr Eisner later stepped down voluntarily.

Mr Sitrick acted for Patricia Dunn, the former Hewlett-Packard chairman, who resigned in controversial circumstances after a boardroom spying scandal and put her up for a grilling on CBS's hard-hitting *60 Minutes* television programme. "People said we were crazy," he says. "Some clients say to us: we'll talk, but only to a softball reporter. But that's wrong – you have to go in front of tough but fair reporters and make your case." A California judge later dismissed all charges against her.

All his business comes by referral – "We don't even have a brochure" – and he tends to employ only former journalists: his staff have, between them, won seven Pulitzer Prizes. "I always felt it was easier to teach a journalist what PR was than teach a PR [person] what news was."

Throughout his career he has given communications advice to companies looking to restructure their finances. "Mike is the guy who pioneered the business of public relations in bankruptcies and distressed situations," says Greg Milmoe, a partner with Skadden Arps, the law firm, who has worked with Mr Sitrick on several Chapter 11 cases.

"He developed the systems and the approach to communicate with employees, vendors, unions, suppliers – which is common sense if you think about it. But before he came along nobody did it."

Crisis PR advice can be lucrative, but it was the prospect of new opportunities in bankruptcies and restructuring that led to Mr Sitrick recently deciding to sell his firm. He wanted to expand internationally and opted to sell to a larger group: Resources Connection, an accountancy and professional services firm, based in nearby Orange County.

"We were approached by a number of other companies and had offers including some that would have paid more up front in cash," he says. But with 80 offices globally, Resources had the international platform he was looking for. He will continue to run his own unit, while the equity portion of the sale makes him one of the company's largest shareholders.

Resources specialises in corporate restructuring and worked on piecing together inter-company accounts at Enron when the utilities group filed for bankruptcy protection. But it bolstered the services it could offer with the acquisition of Mr Sitrick's company and Brincko Associates, a restructuring firm also based in California, for a total of \$45m.

Patricia Dunn: Mike Sitrick put her up for a grilling on CBS's hard-hitting '60 Minutes'



Don Murray, founder of Resources, says Mr Sitrick's business is ripe for global expansion: "Everything Mike does can be exported around the world." Mr Sitrick and his team will be able to refer PR clients to Resources' accounting team – and vice versa, he adds.

For his part, Mr Sitrick now has a parent company to answer. He denies the sale means a loss of independence: he has plenty of incentive to make the arrangement work because of his stake in Resources, he says.

He also anticipates opportunities from a wave of bankruptcy

procedures as debt markets continue to thaw: "As money becomes more available, companies will use it to fund restructuring. . . and use Chapter 11 [protection] to do so."

The combined company can undercut the bigger professional services firms and, he says, his clients in bankruptcy protection have complained about fees they pay for accountants from the big firms: Resources can charge as much as 40 per cent less, he claims.

But while bankruptcy can be lucrative for PR firms, legal teams and banking advisers, he gets most satisfaction when a company is saved, he says. A notable example last year was Interstate Bakeries, which owned well-known US brands such as Twinkies snack cakes and Wonderbread. The group was close to emerging from years in bankruptcy protection, when Lehman Brothers collapsed.

Without the financing in place, the company would have been forced into liquidation, says Mr Milmoe: "Mike came up with a strategy of contacting senators and other public officials." They, in turn, put pressure on the lenders until the financing was secured. Mr Milmoe says the campaign helped save 29,000 jobs.

"People don't think of what PR can do in those terms," says Mr Sitrick. It all ties into his broader vision of PR as a powerful business tool. "If you don't tell your story someone else will tell it for you."

In his own words

On Mike Sitrick's celebrity clients

"We're selective in our representation. I have to believe that even if the client has done wrong they are trying to turn their life around – or that the allegations against them are false."

On his approach to public relations:

"You have to engage with reporters. You have to at least find out what the reporter wants or whether they have the right facts."

"The cardinal rule in PR that you can never break is that you must never lie. All we have is our credibility and as soon as we lose that we're not effective. We have walked away from clients because we found out they lied to us."

On why he works with celebrities, as well as companies:

"The entertainment side of our practice gives us leverage that no purely corporate firm can have with mainstream media . . . because we are the gatekeepers for some of the biggest stories."