

Director Departures: Getting Out While the Going is Not Good

"I can't sleep at night. I don't agree with much of what is being said and done. I want to be responsible, but I am just not comfortable." Over the years, I've heard this story from a lot of my director clients. I get asked: "What is my moral obligation to stay on the board?" It's a good question - and good directors should be asking that. Being a "fair weather" board member doesn't sit well with most directors as they hold themselves out as someone with integrity. This dilemma becomes even more acute for those directors who have served on a particular board for only a handful of years. They're worried about what that might signal to the market if they departed the board early. How will that sit with investors and analysts? How would it impact the directors that remain? And what about other boards that might decide not to take a chance adding them to their board because they look like a "jumper"? It will depend on the circumstances but my guidance typically falls near the tree of: before resigning, take these three steps and you'll feel better and be doing the responsible thing:

1. Assess what's making you uncomfortable.
2. Do all you can to seek to address the issues. That includes the need to create a record (that's important, to come up with some sort of documentation) - that the board has taken all the possible steps to address any improper or possibly illegal actions identified at the company. You want to establish a clear record that you - and any fellow resigning directors - have done all you possibly can to address the malfeasance, illegality or impropriety. Then, in anticipation of resignation, circulate a draft statement of the reasons, the efforts taken, and how those efforts have been stonewalled.
3. Pass the baton. So then - before you leave remember that your successors on the board will need to grapple with many of the same issues. So do a thorough baton-passing to the directors who are remaining or coming on board.

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