

BENCHMARK



by Rupert Steiner

Age old question plagues Browne, BP and Britain

THE Latin proverb goes along the lines you are never too old to learn. But for Lord Browne, the chief executive of BP, it must all seem a bit Greek. Britain's biggest company is stuck in the dark ages when it comes to succession – where age rather than performance or even tenure determines when its chief executive should step down.

Last week *The Business* was the first to reveal the row that saw BP's chairman, Sir Peter Sutherland, try to force Browne to announce his retirement at last Tuesday's second-quarter results.

Succession has been the theme of the year as business has followed politics with some of Britain's biggest company bosses looking for the exit, or being led to the door.

At Vodafone's annual meeting last week 16% of shareholders either voted against or abstained on whether to re-elect chief executive Arun Sarin. Investors never warned to the Indian-American who failed to set the share price alight. He will be lucky to survive until the end of the year.

This will be longer than ITV chief execu-

tive, Charles Allen, who is widely expected to announce plans next month to step down after poor ratings and revenues at ITV1. He too will be gone by Christmas.

The irony at BP is that Browne, 58, is the only one of the three who has added any significant value to the business – more than £100bn (€146bn, \$186bn) in 11 years – and conversely has shareholders calling for him to stay beyond his 60th birthday in February 2008.

Bizarrely, the board and Sutherland, who dominate what sources close to BP say is a weak group of non-executives, are given a bit more rope when it comes to retirement. According to BP rules, they can all stay until the age of 70, a far more reasonable bar.

So it is not surprising investors are calling for this anomaly to be addressed but it will be too late for Browne.

Since the industrial revolution Western civilisation has always based itself on meritocratic business practices regardless of age.

Ageism has only become a post-World War II concept clearly disproven by

advances in health and nutrition that have extended longevity.

The events of the past week should highlight to investors and boards alike the failure of succession policies at some of Britain's biggest companies. They need to be transparent, modern, flexible and relevant.

What worked for BP 15 years ago in both the process of finding executive officers, the terms of their tenure and the criteria used to determine their skills, is clearly not relevant for the next 15 years.

At Vodafone it was entirely right to recruit the acquisitive former chief executive, Sir Chris Gent, to grow the business but what was needed from his replacement was something different – a leader skilled in restructuring with expertise in emerging new technologies.

The lessons from last week that are vital for Britain plc is that if change is going to happen it needs to be done in a swift, fair and orderly fashion. A leader is a weather-vane for the business, and staff take their lead from the top on how the company is



Boardroom split at BP over Browne's retirement date

First with the news: how *The Business* broke the story about Lord Browne last week

doing. If a leader is confident and upbeat, even if bad things are happening, then the situation appears OK. Jonathan Stott, a consultant at Kaisen Consulting, says if a leader is worried then he obviously knows something staff don't and they become demotivated. This then escalates and becomes a self-fulfilling prophecy causing a direct impact on financial performance.

We can't afford to see any further slumps at Vodafone and ITV or a reversal of fortune at BP.

While the statements from BP on succession are crystal clear, the sentiment is not,

and Browne and Sutherland need to cast away their "vigorous discussions" calmly to find a solution after the summer that will continue to add value for investors.