



The gloves are off

There's nothing the media loves more than a good boardroom bust-up. And, in recent weeks, the opportunities to pick over the lurid details of power struggles, succession battles, fragile egos and corporate espionage have been bountiful.

In the US, perhaps the most dramatic example of a board riven with conflict is Hewlett-Packard, which paid private investigators an estimated \$300,000 to establish who was leaking information to the press about secret board meetings after it ousted Carly Fiorina as chief executive in 2005. In September, the company admitted it had fraudulently obtained phone and fax records of journalists, family members, former board members and existing employees.

And in the UK, supermarket chain Morrisons suffered similar power struggles after a botched integration of recently acquired larger rival Safeway. Chairman Sir Ken Morrison was accused of disrupting the search for a new chief executive after the group was forced to

part company with the long-serving Bob Stott. Much of the pressure was applied by Morrison's deputy, former Next boss David Jones, who, crucially, had the support of investors. As profits headed south, Morrison held firm, complaining that boardroom leaks to the media were undermining his position.

Reading about the misfortunes of competitors can give businesses a warm glow of *schadenfreude*. But boardroom experts suggest that no business is immune from sudden damaging splits, that can escalate into full-blown warfare, with many campaigns being waged in the pages of the newspapers. Rebuilding trust and credibility is an uphill battle, and rarely achieved without major bloodletting.

Disagreement on boards is necessary and healthy, of course. Professor Richard Scase, author of the new book *Global Remix*, says: "In my experience as a non-executive director, the biggest problem is overwhelming consensus and conformity, with the non-executives, in particular, acquiescing to the executives on



Office politics isn't the sole preserve of middle-ranking executives—it can extend all the way up to the top, and get nasty. Jane Simms investigates what's behind some of the biggest boardroom bust-ups. Illustration by Nathan Daniels

the grounds that 'they know best' and because they don't want to scupper their position. That reinforces 'inbox' thinking and discourages innovation."

But dissent can blow up suddenly, apparently out of nowhere, continues Scase. It could be triggered by all manner of things: an imagined slight, an unpopular appointment, a poor set of results, a battle over resources, a takeover strategy, or how to spend a cash mountain, for example.

Such catalysts can rapidly become personalised. The best antidote to escalating hostilities is a very strong chairman who can manage the disagreement—perhaps, suggests Murray Steele, senior lecturer in strategic management at Cranfield School of Management, by taking the main protagonists to one side and knocking their heads together.

But leadership experts agree that the two main reasons boards fall out are lack of clarity about their respective roles and a lack of candour and openness. Mark Goodridge, chief executive of Cambridge-

based behaviour change specialist ER Consultants, says: "Despite the progress that has been made over the past 10 years in terms of codifying boardroom behaviour, there is still lots of ambiguity about what a board does. Even among the boards we work with there is huge variety in style, tone and culture and the quality of decision making."

The role that independent directors play is critical, but very difficult, given the need for them to engage with the business effectively without straying into day-to-day management, points out Goodridge. He suggests the relationship between executives and non-executives is often characterised by lack of respect. "Typically, the non-execs respect the execs more than the other way round," he says. "You often hear the executives saying 'let's keep the non-execs away from this because they won't understand it'. But they fail to appreciate the role that non-execs should be playing, and often interpret it as being to put the brakes on them."

There is also a possible mismatch in expectations

between the two sides. "Executives say they wish the non-execs would engage more, while non-executives say they wish the executives would make more use of them," says Goodridge. "This discord is frequently interpreted as individuals playing politics."

"With the increases in corporate governance, you get non-executives who see their role primarily as challenger and checker to the executives, whereas the executives believe they should behave as more collegiate members of the board. That situation could be avoided if the company was more explicit about the requirements and expectations of people carrying out different roles."

In the wake of the 2003 Higgs Report into non-executive directors, more companies are now evaluating the way their boards work. While this is a healthy development, executive coach Graham Alexander be-

something Alexander encourages, even if the boards he works with think they are too busy.

Other observers are more cynical. "Most boardroom disputes arise because of ego—it is entirely predictable when you bring powerful people together," says Chris Brady, dean of the business school at Bournemouth University.

A strong chairman of an engaged and normally united board should be able to manage dissent, he claims. "But sometimes they need to act decisively and get rid of someone. Desperate attempts to find a compromise can come back and bite you," adds Brady. "Some people think they can solve an intractable problem, because they are 'good at that sort of thing'. I call that the Marilyn Monroe or George Best syndrome—you think you could have saved them from themselves if only they'd met you first. But it is individuals who cause difficult situations, and some situations are just impossible to manage."

Goodridge agrees. "If there is a fundamental and irreconcilable disagreement on the board, someone has to go," he says. "Otherwise resentment will bubble."

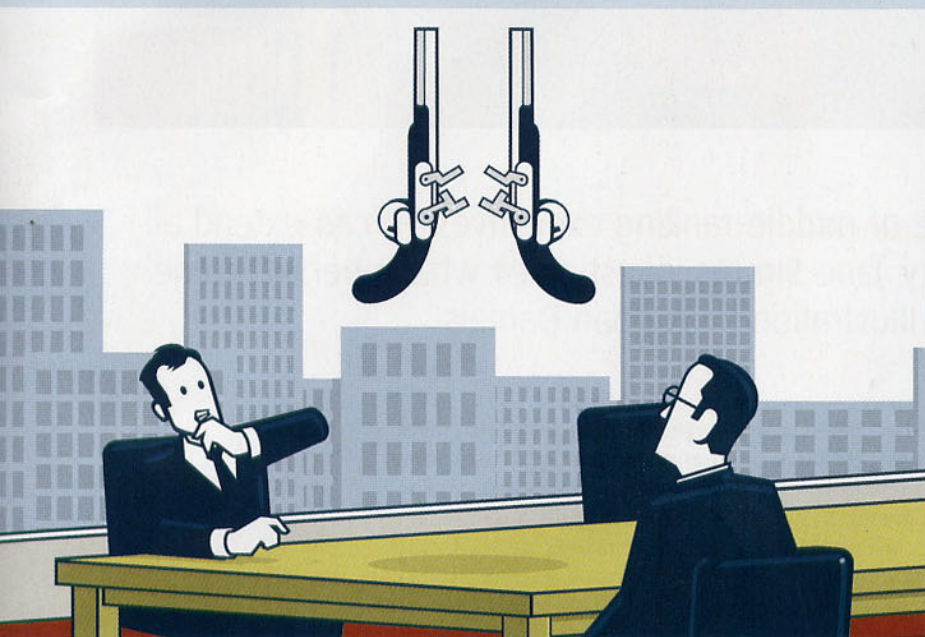
Jonathan Perks, managing director of Penna's leadership services business, believes that "very large egos" are alive and well in business and that promotion on the basis of intellect, rather than emotional intelligence is common. "A high IQ and a big ego often go hand in hand with a fragile personality that is unable to admit what it doesn't know and fails to see others' points of view. That can do huge collateral damage."

Rowan Bradford, managing consultant at business psychologists Kaisen Consulting, says: "You get lots of different power needs at the top of companies. For example, the IT director and human resources director tend to want power over information, while the operations director wants power over resources. Some people like the power that comes with the title, while others just enjoy the influence they wield as a result of having personal power. Such strong power needs have to be understood and carefully managed or they will lead to conflict."

The most frequent cause of conflict, she continues, is around empire building—among regional directors, for example, or by the marketing director trying to build a bigger department and win a bigger budget in the next financial year.

Succession issues in family firms create their own particular set of boardroom disputes. Sir Ken Morrison's identity is so closely bound up with his family business, and the formula had been successful for so long, that taking a back seat was always going to be difficult. Investors forgave the company its corporate governance shortcomings until the group's inability to successfully integrate the stores it bought from Safeway indicated a dearth of managerial capacity.

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lieves that many of them don't get at the critical issues that can trigger division. "They don't uncover the hidden agendas, the 'undiscussables', the personal dynamics and the level of challenge that exists," he says. "Board evaluations have to go beyond corporate governance and strategic agendas. They must also identify the more important issue of whether or not the board is able to have the conversations it needs in different areas. Havoc is wreaked by boards' inability or unwillingness to address key issues."

These sorts of conversations require directors to spend time together outside formal board meetings—

Boards are most often in the limelight when they are dealing with major change—and it's at such times that their mettle is most tested. Arun Sarin's problems at Vodafone, where he is CEO, coincided with a necessary period of transition by the company from a fast acquisition-led growth to consolidation. Having to deal with a different set of business dynamics took the board into unfamiliar territory, so divisions were, perhaps, predictable.

Outstaying their welcome is rarely a problem for chief executives in FTSE-100 companies, where average turnover is now down to about 18 months, according to research by Cranfield School of Management. "In a very aggressive stock market you are only as good as your last quarterly results, and that puts huge pressure on executives to keep delivering against very short-term criteria," says Graham Lancaster, chairman of Euro RSCG Biss Lancaster. "Chief executives no longer have the luxury of being able to take a three-to-five-year view, and are impatient for success."

This, some believe, makes them more self-interested and self-serving, rather than having their companies' best interests at heart. "Despite all the formal codes and procedures, long-term interest of CEOs and boards in their business is far rarer these days than it was 20 or 30 years ago," says Scase. "The big bucks they pay themselves just reinforces the impression that they are only concerned with 'number one'."

The ultimate in self-interest is leaking information outside the boardroom—or even going to the press—a course of action that reflects badly on the individual concerned and the organisation, one or both of which will be deemed autocratic or dysfunctional.

One senior PR man recalls a situation where both sides in a boardroom dispute asked him to get their side of the story into the press. "You have to stand up and say you work for the company, not individuals," he says. On another occasion, each side fed their own story to different newspapers and then accused him of the leak.

One way to withstand media intrusion is to build relationships with the media during the good times. "When journalists know that a board is effective, they give people the benefit of the doubt," says the PR man, who points out that Richard Greenbury, the former chief executive of Marks & Spencer, got it all wrong. He treated the press with contempt, and, when he was finally ousted, the press gleefully sharpened their knives.

At the end of the day, a company that has engaged the board, management and staff behind a common vision, mapped its competitors and done scenario planning is unlikely to find a board member sufficiently dissident to leak stories.

"And that," concludes Lancaster, "derives from a mutually respectful, but challenging, relationship between a chairman and chief executive." **D**

Fight club

1 The board at Swiss travel group Kuoni clashed earlier this year over an attempt by its chairman **Andreas Schmid** to push through a merger with First Choice. He didn't disclose the plan to Kuoni's chief executive **Armin Meier** (right), who found out through a leak to the media. Schmid then used detectives to try to find the source of the leak. Schmid resigned in August after Meier said that if he didn't he and the rest of the board would leave instead.



2 Brand director at Topshop, **Jane Shepherdson**—the woman credited with transforming what was a downmarket chain into a brand favoured by A-list celebrities including Madonna, Gwyneth Paltrow and Scarlett Johansson—will leave the company this month after 20 years. The move stems from the lack of autonomy Shepherdson had at Arcadia Group, Topshop's owner, which is run by chairman **Philip Green** (right). While Shepherdson says the move was a year in the making, some media reports have suggested that Green's decision to hire supermodel Kate Moss to design clothing and accessories for Topshop as part of a £3m contract was the last straw in a relationship with Green in which Shepherdson felt her independence had been compromised. Her decision will be a blow to Green, who saw operating profits in his BHS chain slump by over 50 per cent in the year to October.



3 At BP, swift action by chairman **Peter Sutherland** (right) contained a potential battle over the date of chief executive **Lord Browne's** retirement. Browne had been due to retire when he turned 60 in February 2008, but rumours began circulating in the City that he wanted to postpone his departure. Sutherland impressed on Browne the importance of giving people certainty and the pair reached a compromise, which allows Browne to stay on until the end of 2008 so that he can lead the company's centenary celebrations. Browne claimed that there was no tension between himself and his chairman, saying: "We discuss and debate rigorously things that we do." The company closed ranks with insiders maintaining relations were back to normal.



4 At the end of 2005, Marks & Spencer chief executive **Stuart Rose** (right) managed to persuade Per Una supremo **George Davies** to stay on with the retailer a month after he had dramatically walked out. The women's fashion brand, Per Una was bought by M&S in 2004 from former Next boss Davies at a time when it was one of the few lines that was performing well for the retailer. Rose played down the clash, which he likened to "a lover's tiff", and said the pair had resolved their differences "over a beer". Possibly M&S's share price shooting through the 500p barrier helped Davies' decision. In November, the share price hit an all-time high of 702p.



5 The embattled chief executive of Vodafone, **Arun Sarin** (right), has received the backing of new chairman **Sir John Bond** against a group of investors who were demanding change at the top of the company. Sir John has come down on the side of the majority of investors who want to give Sarin time to prove he can reverse the company's fortunes. Sentiment has improved since Vodafone said it would embrace broadband, and shareholders are encouraged by the sale of its Japanese operations and hints from Sarin that he may be prepared to sell Verizon, the company's US offshoot. At the interim results in November 2006, Sarin confirmed that the company is on course to grow revenues organically at between 5 per cent and 6.5 per cent in the coming year.

