

## “Boards and CEOs”



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The recent Open AI events made me think about this topic. Here are my lessons:

1. The list of CEOs fired by boards is common in America, less so in the East, and even less in India. You see some famous names on this list: Jack Dorsey of Twitter, Steve Jobs of Apple, Travis Kalanick of Uber, Jerry Yang of Yahoo, Bob Nardelli of Home Depot, Joseph Antonini of K mart, Doug Investor of Coca-Cola, Durk Jager of P and G, Carly Fiorina of HP and more.
2. There are three or four reasons why boards fire CEOs - poor results, gender discrimination, boys club, sexual harassment charges, ethical lapses.
3. Boards typically react to investors and the share price when they decide to change a CEO. Boards are not connected strongly with internal work and the mood of the organization. So, many times boards change popular CEOs only to rue it later.
4. What's the data on CEO change? The data shows that a change in CEO rarely produces better results and worse, the share price doesn't recover. This simply means that the company has more fundamental issues than the board imagined, and a simple change of CEO doesn't change fortunes. Boards typically get an outside CEO in 40 % of cases.
5. To me a CEO firing is a self-goal, it leaves deep and lasting scars in the organisation which the board never realises. By definition, a board cannot deal with an internal company crisis. The role of a board is to hire and fire the CEO and ensure that they are acting in the best interests of the shareholders and stakeholders.
6. When results are poor or signals come to the board, then boards have a dilemma, " Do something or Do the right thing?" Most boards get stuck in the "do something" trap. They do this because media commentary and analyst commentary keep asking the question " What's the board doing?"
7. When the Nokia board changed the CEO, the Finnish leaders on my team were distraught as the company had moved from appointing a Finn to appointing an American. One of them cried in the meeting when the announcement came. This move changed Nokia's direction, culture, and destiny. The culture became sycophantic, the past was to blame always, and the new initiatives

were months away and failed miserably. The new leaders never understood the Nokia culture and band-aid solutions did not work. I saw first-hand the most disheartening mood of the employees around the world.

in recent times, Nike, GAP, McDonald's, Heinz, E-Bay, and GE have changed CEOs. Except for Nike, none of the others fared well or better.

So, boards must think this through carefully before shooting the CEO. There are many more variables to consider and that is something a board is not qualified and equally does not have the patience for.

The tech CEOs who are fired get immediate offers and move on despite their contracts. Sam Altman, and Mark Hurd of HP are examples.

I think we will see more of this in the next 18 months as results are getting tighter on Wall Street.

Enjoy

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