

# Machiavelli in the boardroom

*It may not be stilettos and poison rings, but new CEO/princes face real boardroom dangers.*

BY BETSY ATKINS

**I**N MY CAREER as a company founder, venture capitalist, and corporate director, I've met many business leaders, thinkers and doers. All have offered good advice on launching, managing and monitoring an enterprise. But many of these leaders are a bit shy on sharing insights on a tricky, but important, aspect of leadership — how the savvy chief executive manages his or her board of directors. So, I thought I'd check in with one particular long-time acquaintance on high-stakes career management in the real world. Niccolò Machiavelli, 15th century Italian diplomat, courtier, and author of *The Prince*, thoughtfully answered my email (on parchment, no less) on how our modern boardroom princes should use *realpolitik* to survive and thrive:

"Thank you for your query, Betsy, and for the information you thoughtfully included. If the longevity of CEO

positions today has truly declined to 4.5 years, it would seem that the overthrow of sovereigns now is even more common than in the time of the Medicis (albeit less deadly).

"There seem to be various factors in making the modern chief executive short lived. The most frequent cause of CEO turnover is company under-performance relative to peers (though there seem to be many exceptions to this rule). The board of directors then may lose confidence in the prince, particularly if shareholders are raising a din outside the castle gates.

"However, the board of directors of the enterprise may bring less democratic impulses to their governance role. CEOs of companies which feature a separate board chair, particularly a founder or emeritus chairman, are especially vulnerable. This powerful, independent boardroom leader's views carry great weight with the other directors, and he can be mercurial in his support or opposition to the chief. Though a founder may have been the incoming CEO's sponsor or mentor, he can prove fickle if the founding legacy seems at risk, and do a turnabout to lead a boardroom rebellion.

"While the founder or emeritus chair may claim the highest of motives for such a revolt, we often find the replacement CEO to be *none other* than the founder or emeritus chair himself. Indeed, it is quite possible that *any* of the princelings gathered around that board table may in fact be seeking your crown. The ideal director is a current or recent CEO with fresh experience, mentoring ability, and the perspective of a business leader who's 'been there, done that,' in the current phrase. This makes them

estimable board members — and likewise ideal "interim" CEOs. Recent figures show that about one-fifth of U.S. CEO turnover finds the job taken by a current board member. Novice CEOs, in particular, may face directors who are not thinking 'How can I help this CEO do a better job?' but rather 'I should be the one doing this job!'

"Thus, the new CEO/prince faces real boardroom dangers. However, there are a few tactics he or she should exercise that will help. First is to announce that you'd like to 'refresh' and 'renew' the board to make it a stronger partner in governance. Encourage board evaluation and director succession planning — which, of course, will lead to some board turnover. Even two or three new board members can help reshape the board's perspective and better align it with your own vision. Of course, it will not harm your cause if these new members not only share your strategic goals but are allies.

"Board renewal and best practices should shift membership in other ways. Even if a founder or emeritus chair is your current supporter, governance 'best practice' seeks to retire such veterans from the board. Done right, the board will seek the good governance benefits of the founder's retirement — and relieve you of a potential threat.

"I should note, however, that the modern board of directors, particularly those of public companies, no longer accepts their past status as lapdogs for a powerful chief executive. Poor performance will lead any board today toward rebelliousness. My era offered the handy leadership tools of the Borgias to enforce discipline — stilettos and poison rings. CEOs now must survive through less exciting measures, such as solid EPS and share price. However, that should *not* mean ignoring political boardroom realities that can help improve his odds." ■

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Portrait of Machiavelli by Santi di Tito, late 16th century.