



ISSN: 0976-3376

Available Online at <http://www.journalajst.com>

ASIAN JOURNAL OF
SCIENCE AND TECHNOLOGY

Asian Journal of Science and Technology
Vol. 11, Issue, 01, pp.10662-10664, January, 2020

RESEARCH ARTICLE

RANT OR GRANT? (ETHICS AIN'T EASY)

*Manoj Kapur

Pursuing DBA from S.P. Jain School of Global Management, India

ARTICLE INFO

Article History:

Received 25th October, 2019

Received in revised form

09th November, 2019

Accepted 27th December, 2019

Published online 30th January, 2020

ABSTRACT

The dilemma short case dwells around Ms. Ria, who is elected to be the only Independent Female Director at Deliance Plc. Even though there is a separation of roles of Chairman and Chief Executive (CE), virtually the CE is running the Board. Most of the important matters are decided by the CE and any opposition is silenced. One such incident is narrated when Deliance Plc is in talks to acquire Fumes Plc. Ria has several things going through her mind about gender equality in the boardroom, societal/social expectation of women, the authority to foster shareholders interest, etc. The dilemma addressed whether she should continue with Deliance plc or join SKM Co (another company).

Key words:

Dilemma short case, Corporate Governance, Conflict of interest, gender equality, societal pressure

Citation: *Manoj Kapur, 2020. "Rant or Grant? (Ethics Ain't Easy)", Asian Journal of Science and Technology, 11, (01), 10662-10664.*

Copyright © 2020, Manoj Kapur. This is an open access article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

INTRODUCTION

1st June 2019 – Another bad day at office

“What are you ranting about?” asked Trevor. The words pierced Ria’s chest like a dagger. Ria joined Deliance plc, a listed company, as the first female Independent Non-Executive Director¹, 6 months ago. “You should consider yourself very fortunate to obtain this role with this rapidly growing tech company”, Trevor added. But something was amiss with Ria as she displayed a stone face to him. “Consider over what I said today and we shall talk later”, Trevor concluded.

Gender equality in the Boardroom is a matter of debate for many ages as stated by Prillerman, Y. (2019). In 2003, Norway said it would shut down publicly traded companies if they didn't have boards that were at least 40 percent female. California requires publicly held companies based in the state to have at least one woman on their board by the end of 2019. However, it is just a start and Rules are for Public companies. Private Companies are still dealt with on Best Practice Basis.

Deliance Plc, was a UK based listed company and had been performing very well in the recent years. The latest trading update statement was met with much approval by market analysts and the company’s share price rose accordingly. On the face of it, everything appears rosy. Trevor Kasey, the Chief Executive Officer, was recruited by the current Chairman, Andy Stark,

three years ago and by all accounts was a big favorite with the analysts. Trevor and Andy had previously worked together at a much smaller non-listed company which was not subject to Corporate Governance Principles. Later in the afternoon, looking at her Nespresso, Ria was perplexed by Trevor’s tone. A call from her phone caught her attention. It was Rosy, her best aide she always confided in. “Hey Rosy?” queered Ria as she answered the call.

“Hey Ria, What’s-up and why are you sounding so low?” asked Rosy.

“It’s the same thing I had told you before. The more time I spend in this company, the more I am concerned over the way it is run. Andy appears to be Trevor’s ‘poodle’. INFACT, the Board is run by Trevor (*read Chief Executive*). Even though the role of Chief Executive and Chairman appears to be held by separate persons and hence in accordance with the requirements of the Combined Code², are effectively held by the same individual...” Ria replied.

As per the Combined Code on Corporate Governance, there should be a clear division of responsibilities at the Head of the company for running of the Board and the Executive responsibility for the running of the company’s business. No one individual should have unfettered powers of decision.

“Did you attempt to speak to Andy and tell him about your restlessness? I am sure he will be able to give you answers about your anxiousness...” Ria cut Rosy’s apprehension

*Corresponding author: Manoj Kapur

Pursuing DBA from S.P. Jain School of Global Management, India.

before its completion, “Ohhh that ‘POODLE CHAIRMAN’... There is no debate in the board meeting.

It is more like a “YES BOSS” drill rather than a meeting to discuss serious strategic initiatives. And yes, I was right... Ben left because he was one of the few Directors to have challenged Trevor. But Andy made him leave and gave the media statement that he was a trouble maker and did not fit into the Board”. Ria replied angrily.

“Calm down Ria”, said Rosy as she tried to console her friend. “What happened today?”.

“Rosy, I confronted him today as I had concerns that the board agenda/ papers are sent 2 days before the Board meeting.” Rolling her eyes up “This doesn’t give me sufficient time to thoroughly review them. Day after tomorrow is the meeting and there is an item in the agenda which talks about Deliance purchasing a major competitor in India. All I wanted was some clarification and Trevor said STOP RANTING...”, Ria stopped for a moment, “I have been GRANTED a role to look at shareholder’s interest and if I am not doing my role, why grant me these powers?”. Ria said with a sobbing voice and continued, “Sometimes I just feel like quitting. As it is, I don’t contribute much to the decision making. So, what is the point to continue. I am sure I can make something out of my career. While my husband, Harry is supportive of my decision, I don’t want to burden him further by staying at home again. I still remember when our daughter Kyra was born and Harry had to work double shifts just to meet our ends. But the work is getting out of hand and it has started to affect me personally...” sighed Ria in a heavy voice.

“Now don’t sob Ria. Deliance needs you as much as you need Deliance. Remember what Harry said to you when you were about to join Deliance – *You are a champion*. How can you quit on Harry? Quitting is not an option for a champion like you. Think of the days when you gave your CFA examination. You were juggling family with studies and how difficult times those were? If you were able to manage those times, I am sure you will be managing current situation as well. Additionally, as you said you have support of Harry as well. My best bet would be to talk to Andy and other Directors and I am sure there will be some results³.” Rosy advised trying her best to coax Ria.

³Should Ria raise her concerns to other Board members? How will she approach them? How should she frame her questions about ethics? What alternative would she have to propose?

Frustrated and not sure if her friend was trying to understand the plight, Ria sighed, “All Right Rosy, let’s see I will try to touch base with Andy before the board meeting”.

2 June 2019 – Perspectives

“Honey, it is past bed time. Switch off your laptop and let’s sleep”. Harry advised as he was softly massaging Ria’s shoulders. “Is something bothering you Ria? I can see that you have been heavily stressed for the past 1 week.”

Smoldering over Trevor’s statement, Ria replied, “Harry, you are already aware of the weak governance at Deliance. In light

of this debacle, today, I received a call from SKM Company and they are potentially looking to hire me as the CEO. They have given me an offer but I am not very keen to join them. Given the fact that I am a Director in my current role, becoming a CEO would be a downgrade for my career. However, if Deliance continues with its weak governance strategy, I am left with no choice. I am here to portray my skills; not sell my soul. SKM will give me the opportunity to steer the company, make major strategic decisions and manage the overall operations and resources of the company. SKM is not listed, so the legal governance requirements would also be minimal. Additionally, I will be able to devote time to you and Kyra. Both professionally and socially it would be useful to me. But, I don’t want to proceed without having a consensus with you. What is your opinion?”

“Hmmm... that is very mystifying”, sighed Harry. “I can see that there are pros and cons of both decisions. I would only suggest to listen to your heart. I will support you in all aspects⁴” Harry continued, “the world is full of bad people; it is upto us to see and bring out the good in other people...”.

⁴Research from Stewart Friedman, Wharton practice professor of management and director of the school’s Work/Life Integration Project and Tiwari, G. (2020), finds that men and women today have a greater understanding of the challenges associated with juggling work obligations with family life. People see more choice, freedom and realistic ways of pursuing lives that fit with the roles they want to fill in society.

While the words from Harry were reassuring, it did not answer any of the questions Ria wanted an answer of.

3 June 2019 – The D Day

Previous 2 days, Ria tried to contact Andy, but was not able to. She thought she will try to speak at the Board meeting itself.

Andy welcomes all Board members to the meeting. After brief discussion points, Trevor says, “Now the most important agenda item is that Deliance is possibly looking at acquiring Fumes PLC from UK...”

Ria as well as others are *shocked and surprised* - both by the location of the target company - but even more by what it is likely to cost⁵.

⁵Given her previous interaction with the CEO, how must Ria handle the situation? Would it be wise to confront Andy and tell him about the roles and responsibilities of the Chairman?

Trevor proceeds to give a power packed presentation on the advantages and disadvantages of the proposed target. His talk consists of an overview of the Fumes PLC, the likely cost of acquisition and strongly highlights the benefits of “doing the deal”.

“But Trevor, don’t you think the risks attached to the deal are significantly downplayed. Further, the price mentioned is £150 million and since it will be paid in US Dollars it is very significant for Deliance” Ria argues.

Anticipating resistance, Trevor is quick to respond, “Ria, Deliance has performed very well in the recent years. Also, we have Andy on our side to clearly set strategic tides...” Trevor gives a griming look at Andy.

“... but to finance this deal considerable debt capital will be required and the company’s level of gearing will be significantly increased...” Ria was quick to respond sensing a pride in her actions “... and what about shareholder’s interest, return on equity and market sentiments...?”

Intuiting greater defense Trevor jumped into the conversation and started his explanation, “there will not be time to do a great deal of due diligence, because the value of the pound is falling against the US dollar by the day” A fact he repeated several times to give added impetus, “By the day, and the longer We as a board spend withering, the higher the price will become”.

Trevor then issues his rallying cry to the board:

“Gentlemen and Lady, the proof is in the proof. Cometh the hour, cometh the man – this is the time for this board to show its mettle and deliver true shareholder value.” Andy nods by providing his consensus and applauds loudly, followed by the rest of the Board, it is like sitting in the House of Commons as roars of “Hear, Hear!” echo around the table. That is from everyone except you – and this is noticed by all of the other Board members and especially Andy and Trevor. “Why are you looking frozen Ria? At this moment in time there is no room for non-believers in this Board.

We stand at the most crucial point in this organization’s history and time is of the essence.” Trevor grinned. Confused, Ria responds, “Trevor, don’t you think, Andy – the Chairman, should address this to me as well as the Board. I am not surprised to acknowledge that you are the first person to question my apparent lack of enthusiasm for the proposed deal”.

Trevor repeats ominously: “Are you with us?”

Baffled, Ria has mixed negative feelings going through her. Immediately, her reminiscence goes back 6 months ago when she was elected to be the only Independent Female Director at Deliance. Was it tokenism, best practice gimmick or symbolic legal requirement? Should her fate be similar to Ben who was touted as trouble maker or should she voluntarily resign? Would Harry think of her as a Quitter? Should she raise her concerns for the potential acquisition or keep mum and confide with other board members? Should she continue ranting about granting more autonomy or just resign? Is it possible to succeed without “getting the hands dirty?” Ria ponders.

Ria could clearly listen to the clock ticking on the wall behind Andy. Unsure about the future, she contemplates whether she should continue with Deliance PLC or join SKM.

REFERERNCES

- Prillerman, Y. 2019. Gender Inequality in the Workplace: A Qualitative Study (Doctoral dissertation, Northcentral University).
- Pearce, J. A., & Zahra, S. A. 1991. The relative power of CEOs and boards of directors: Associations with corporate performance. *Strategic management journal*, 12(2), 135-153.
- Tiwari, G. 2020. Challenges of Work Life Balance Faced in Private Sectors. Available at SSRN 3517341.
