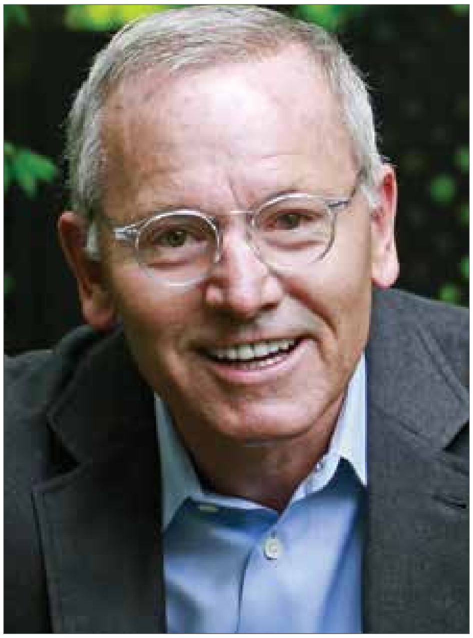
Bullying: One of the greatest risks to the organization

The CEO often is the CBO (Chief Bullying Officer), but more and more common are activist shareholders who bully boards and CEOs to force change that can run counter to the sustainability of the enterprise.

BY ANDREW FAAS

Rarely a day goes by when there is not a story in the media about abuse of power, inappropriate behavior, and corruption and greed on the part of leadership in every segment of our society worldwide. Whether it is business, industry, government, military, police services, education, law, social services, health care, sports, journalism, media or religion, none have been immune.



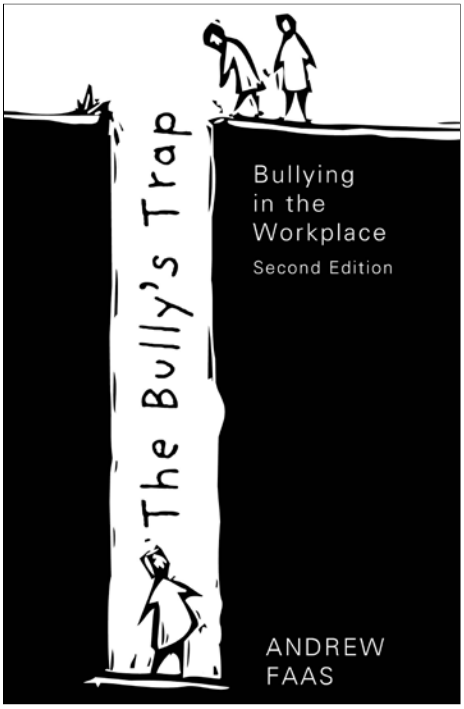
Where this occurs in organizations, there almost always exists a culture of bullying and fear.

In my book *The Bully's Trap*, I assert that, just as boards are responsible for protecting and growing enterprise value for the shareholder, they must also be responsible for ensuring that all other stakeholders are free and safe from bullying, because bullying is one of the greatest risks to the organization.

Volkswagen has suffered a huge loss in its brand and reputation value, which has translated into a huge loss in its enterprise value that could be fatal. Most assume that the emissions scandal is the cause. I argue that the cause is the result of a culture that has condoned and encouraged wrongdoing. Even more problematic is bullying employees to engage in and/or witness the wrongdoings, and threatening severe retaliation against those in a position to expose the situation. It is interesting to note that the scandal was reported following a power play at the board level, which exposed a severely fractured, negatively political and dysfunctional board.

The scandalous frauds and abuses, which have become the norm, usually reveal gaping holes in the checks and balances that should be in place to keep organizations honest, and to safely protect stakeholders. Poor corporate governance has ruined organizations, and threatened economies and governments. This has resulted in calls for board reform.

Andrew Faas is a management and board advisor who focuses on organizational transformation. He is a former senior executive with Loblaw Companies Ltd. and Shoppers Drug Mart, Canada's largest retailers, and now heads the Faas Foundation, which focuses on health care, education and medical research. He is the author of *The Bully's Trap — Bullying in the Workplace* [Tate Publishing 2015], which provides a provocative insight into the dynamics, impacts and costs of bullying in the workplace (www.andrewfaas.com).



Some CEOs not only bully those under them but also the boards over them.

More and more common are activist shareholders who bully boards and CEOs to force change that often runs counter to the direction, strategy and values of the organization, and may not be in the best interest of other stakeholders and the sustainability of the organization. In what I refer to as the continuum of bullying, most of the bullying starts off at the top and is usually the result of focusing on short-term vs. long-term results. If the board wants to focus on the short term, they usually bully the CEO into compliance, who in turn bullies his or her direct reports, who bully theirs. Most of these bullied bullies, and in turn their targets, become bullies at home. In turn, most of the children of these bullied bullies develop social disorders resulting in what I believe to be the biggest social issue of our generation.

In their book *Money for Nothing* [Free Press 2010], John Gillespie and David Zweig describe the failure of corporate boards and expose the flaws of a dysfunctional system. While the focus of the book is on shareholder rights, the authors recognize the other stakeholders by advocating, "In modern economic thinking boards should monitor the interests of employees, customers, suppliers, creditors and the communities and the environments in which a firm operates, because these interests can be critical to increasing the long-term value of the shareholder investment."

A *New York Times* article, "Paying a Price for Integrity" by Jim Dwyer, tells the story of Patrick J. Foye, the executive director of the Port Authority of New York and New Jersey. Foye, rather than being supported by David Sampson, the chair of the Port Authority, was retaliated against by him because he did the right thing in putting a stop to the politically motivated actions now known as Bridgegate. The article reported that Foye "under oath told a story that provided the first clear view of near gangsterism at the top levels...."

The August 2013 suicide of Pierre Wauthier, the CEO of Zurich Insurance, has highlighted the risk of a toxic culture. In a suicide note, Wauthier said that the chair of the board, Josef Ackermann, "had created an unbearable working environment." The suicide resulted in Ackermann leaving Zurich, and gave rise to other questionable activities and practices at Zurich.

In analyzing organizations that have had reversals of fortune, and those that have gone down, a major factor has been the profile of the CEO. In most cases, the CEO was also the CBO (Chief Bullying Officer). Many have argued that there was no way to see the subprime mortgage crisis coming. We now know there were those who did, and who blew the whistle, but were not heard because of the CEOs who would not allow voices of dissent to be heard. CBOs view the organizations they run as extensions of their narcissistic selves. These CEOs not only bully those under them but also the boards over them.

Lehman Brothers and AIG are two examples of companies that could have survived and prospered if they had had the benefit of a strong board and better governance. On a much larger scale, the global financial meltdown could have been avoided had there been better governance.

A ruthless abuser of power

As a board advisor, the most bizarre and outrageous case I have ever encountered was a CEO who spied on all of his board and executives to find dirt on them. At one retreat, he facilitated prostitutes to service select members of the board and executives, all of which was recorded. All of this was done to extort from them their blind loyalty and obedience. The CEO made sure that everyone he had something on knew he had this card. Those who were clean and did not succumb to the pimping were aggressively bullied to the point that most of them quit. Gaining absolute power, he ruthlessly used and abused it. Where it not for the courage of an executive who became aware of this and blew the whistle, this monster would still be wreaking havoc.

Notwithstanding all of the board reform that has occurred since the financial meltdown, relatively little has changed in how boards function. Unfortunately it is still an old boys' club where there is not a proper balance of power and control, checks and balances. I assert that if there were, we would not be hearing the almost daily horrendous stories in the media about abuse of power, corruption and greed, which continue to put our economies and society at risk. ■

The author can be contacted at andrewfaas3@gmail.com.