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Worthington Essay Contest 2013

My Colleagues on the Board,

I apologize for any inconvenience my absence today has caused. I have enclosed my opinions regarding the naming of the road to the new Austin complex.

Given Mycenae's specialization in the collection and manipulation of data it is fundamentally important to maintain its reputation as trustworthy and innovative business. During his 4 years as CEO Cunningham has helped to build Mycenae's reputation and become undeniably linked to it in the public's eye. To maintain Mycenae's reputation, as well as the edge Cunningham's creative leadership has provided, it is essential we retain him as CEO. Consequently, it is my recommendation that we name the road "Ulysses Cunningham Boulevard" locating another appropriate site in the complex to honor Anton Jax.

It could be beneficial to name the road after Cunningham whose name will be recognizable to our clients visiting the complex. There is a precedent for naming private roads after CEOs. Cisco, a technology based firm, has a road at their San Jose complex named after one of their former CEOs, John Morgridge, who has received distinctions similar to Cunningham's. Morgridge played an important role in helping Cisco take off¹ much like Cunningham has been involved in Mycenae's recent take off. While the community at Mycenae would appreciate the dedication of the road to Anton Jax he is undeniably loyal to Mycenae and will not resign if the road isn't dedicated to him.

¹ "John P. Morgridge." *Cisco's*. N.p., n.d. Web. 23 Sept. 2013. <<http://newsroom.cisco.com/execbio-detail?articleId=33773>>

Moreover, we could simultaneously improve employee morale by dedicating another part of the complex such as an auditorium to Anton Jax.

This is a complex decision and I'm sure among our members there will be varied opinions. Of course, on an emotional level I find Cunningham's insistence on taking this distinction from a honorable employee less than commendable, but one has to keep in mind there is a much larger issue at hand: whether to renew Cunningham's contract. Since Cunningham has made it clear his terms are nonnegotiable, and he could easily secure a contract with one of our competitors, failure to meet his terms will effectively guarantee the end of Cunningham's term as CEO. Given the serious repercussions of changes in upper management for any company I feel it is my duty to stockholders to not only discuss how naming this new road after Cunningham could positively benefit the company, but also to elaborate on the potential consequences of not renewing Cunningham's contract.

A likely first consequence would be a drop in stock prices. An examination of 209 cases of management successions found a tendency for stock prices to be negatively impacted by changes in CEO's². Replacing a CEO who has achieved received critical acclaim is especially challenging even under the best of conditions. Over the 13 years following Steve Ballmer's replacement of Bill Gates as CEO of Microsoft the value of the company has plummeted from \$601 billion to \$270 billion. Perhaps this drop in

²² Beatty, P. Randolph, and Edward J. Zajac. "Ceo Change and Firm Performance in Large Corporations: Succession Effects and Manager Effects." *Strategic Management Journal* 8.4 (1987): 305-17. *Wiley Online Library*. Web. 15 Sept. 2013.

value could be attributed to a poor economy but it is indisputable that stock prices actually *rose* after Ballmer abruptly announced plans to retire³. This would suggest that the stockholder's have not seen him as a successful replacement. Ballmer was an internal replacement who had a slow transition to CEO and actually worked closely with Bill Gates before taking over the position⁴. One can only imagine how challenging a transition like that would be without a replacement lined up.

A second daunting potential consequence is loss of client confidence. Given Mycenae's status a company dealing with sensitive information and its interactions with companies as opposed to individuals it is essential to maintain its image as a trustworthy company. It is an undeniable advantage to have someone at the top of the company who businesses have confidence in. In very technical industries it can be challenging to differentiate one company from another and Cunningham has proven very adept at this.

A third possible consequence would be a deterioration of Mycenae's performance while trying to find an appropriate replacement. Regardless of the external effects of Mycenae's public image Cunningham has played an important role internally with management. Finding an adequate replacement would be challenging. If Cunningham decided to join another firm while we searched for a new CEO it could be especially damaging for Mycenae. While Mycenae attracts many talented and creative applicants at all levels of the organization the hard truth is that in this case an applicant's reputation would be just as important as their skill sets. Any candidate of a caliber similar to

³ Clark, Don. "Steve Ballmer's Mixed Legacy." *The Wall Street Journal*. N.p., n.d. Web. 20 Sept. 2013.

⁴ "Microsoft's Stock Slumped under Retiring Ballmer." *Mailtribune.com*. N.p., n.d. Web. 25 Sept. 2013.

Cunningham's would be likely to demand similar terms. No matter how qualified the new CEO might be they would be under relentless scrutiny, constantly being compared to Cunningham's performance.

I suspect that the worst consequences of not renewing Cunningham's contract would be the ones we can't anticipate. Major regulatory changes, even ones that are the result of extensive planning and debate, have many unexpected consequences. We would be effectively throwing the organization into flux until an appropriate replacement could be found. Major changes in organizations often result from periods of instability and create concern surrounding the change⁵. CEO succession occurs at a greater rate in companies that aren't performing well. We've only had Cunningham as CEO for four years. Given that outwardly he appears to be very successful and Mycenae is doing well this change would raise questions about the internal stability of Mycenae as a business. Any doubts about Mycenae's security could result in a major loss of accounts.

Given Cunningham's invaluable contributions to Mycenae's inner workings and public image we should take whatever steps are necessary to retain him as CEO including naming the new road "Ulysses Cunningham Boulevard". Given his unwillingness to negotiate I propose that instead of attempting to sway his position we use our leverage to stipulate additional clauses to protect Mycenae such as non-compete clause and a termination with justifiable grounds clause.

⁵ Havemen, Heather A., Michael V. Russo, and Alan D. Meyer. "Organizational Environments in Flux." *Organization Science* 12.3 (2001): 253-73. *Informs*. Web. 18 Sept. 2013.

Again, while I'm sure we're all in agreement that Anton Jax is a deserving member of the Mycenae community, examining the situation objectively from a business standpoint the only logical option is to name the road to the new complex after Ulysses Cunningham.

Sincerely,

H. Juno

A handwritten signature in black ink, appearing to read 'H. Juno', written in a cursive style.