

## The Third Opinion

**Chairman Rx: The Need For Perspective**

Saj-nicole A. Joni 10.27.06, 10:00 AM ET

Leadership is a human act, fraught with mistakes and errors of judgment. But when grave mistakes in judgment seem embarrassingly obvious in hindsight, how do we explain them? For the recently dismissed chairman of Hewlett-Packard's board of directors--and all the people affected by her failures--this question is more than academic.

In an effort to find and silence a longstanding boardroom leak, Patricia Dunn appears to have approved a wide-ranging surveillance program that gathered private information about HP board members and various journalists. The probe included a technique known as "pretexting"--which in plain English means lying and pretending to be someone else in order to obtain their phone records. According to reports, the program also included undercover surveillance, videotaping and other unseemly practices.



The attorney general of California, the U.S. Securities and Exchange Commission and the Justice Department will eventually determine if there was a breach of law. What is already abundantly clear is that this was a colossal breach of judgment, and a profound failure of leadership: A good and seasoned executive got so caught up in getting to the bottom of a mess that, along the way, she created an even bigger one. Illegal or not, how could Dunn, and the people advising her, fail to have grasped the implications and potential consequences of this kind of investigation and behavior?

To be sure, Dunn had a serious problem on her hands. She was asked to lead a fractious board of powerful and independent people who had been deeply divided for a long time. She believed that the leaker was undermining the board's credibility and creating a major distraction. And the responsibility to deal with the problem was hers; as chairman, she was charged with leading the board and its activities.

Like many other executives with big responsibilities, Dunn was faced with a crisis that required tough decisions. She appears to have followed the counsel of a small group of inside advisers who helped her along a disastrous path. Apparently, not one of them stood up to raise a red flag.

Every executive relies on information, expertise and advice from trusted insiders and outsiders. And all executives are vulnerable to the same kind of blunders made by Dunn if they fail to have a few key people in their inner circle who are sufficiently seasoned, wise and "out of the action" to counterbalance the insider thinking and bubble mentality that sometimes takes over at the rarified top.

Ralph Ward, publisher of the online newsletter Boardroom Insider, emphasizes the need for a board that relies on an outside network of advisers and perspectives. "Companies must select board members with broad networks and a skillful habit of accessing their network for perspective on tough and sensitive calls. That's why you have a board leader or board chair. They involve the directors and encourage other perspectives. And that's when the magic starts to happen."

Great leaders surround themselves with the very best talent and create a dynamic environment where these people have a stake in the outcomes of the leader's decisions. All these people, insiders and outsiders, are "second opinions."

The "third opinion" is where you seek people with the requisite expertise, highly different points of perspective and no vested interests in the outcomes of your decisions. As we see from Dunn's case, her apparent failure to have cultivated an inner circle that includes third opinions contributed to the difference between superior results and disaster. It's the leader's job to build this balance into their inner circle. They must find a person capable of acting as a sounding board, a person (or persons) who will risk getting thrown out over telling the unvarnished truth, if necessary. Because as much as we would all like to think otherwise, in the midst of complexity and crisis, we are all vulnerable to group-think, lack of perspective and ambition.

This is particularly true when you are facing highly charged and complex issues inside your areas of expertise. According to Stanford Law Professor Robert Daines, this was potentially a compounding factor for Dunn. “These issues were pointed for her. She saw herself as a ‘governance person.’ That the leaks continued on her watch despite her requests that they stop was like adding insult to injury.”

Susan Stautberg, president of PartnerCom, a New York company that assembles and manages corporate advisory boards, argues that today’s companies need to seek directors who offer more than the standard view from the clubby penthouse of their own executive suite.

“What companies are looking for today is leaders who have not only expertise, but also world-class judgment on a broad range of issues,” Stautberg says. “Judgment comes not only from an individual’s experience, but also from their ability to cultivate networks that give them broad access to the experience and wisdom of others. It’s not enough to have a big Rolodex of golfing buddies--it’s about the quality of thinking and the habit of seeking wide-ranging exploration and sensitive dialog.”

Despite the real damage done by this error in judgment, Ward is hopeful about it serving as a wakeup call to other boards. “This is, and will continue to be, a topic of discussion around boardrooms over the next several months, and that is a golden opportunity for boards to think about their own policies and commitments,” he says.

One of the most disappointing aspects of the entire affair has little to do with phones, privacy or pretexting. It is the very real possibility that Patricia Dunn has unwittingly given credence to negative stereotypes about women in positions of power. While no longer talked about in polite company, an age-old fear is that women make things more “personal” than men--that they seek the inside scoop, delve into secrets, fight back on a personal level and take professional failure personally. This is a myth, and it should remain mothballed with every other outmoded stereotype.

Patricia Dunn, like every other executive before her, was faced with a crisis that required dispassionate thinking, tough decisions and impeccable judgment. She made a terrible decision, but not because of her gender. Her failure was one of judgment, perspective and leadership. And it can, at least in part, be traced to a leadership style that excluded objective third opinions--the very opinions that could have saved her and HP from this unnecessary mess.

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