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Too green for their own good? Chief executives are getting younger, but did Adam Applegarth's lack of wider business experience contribute to Northern Rock's difficulties?

Wendy Sloane

There was a time when becoming the chief executive of a major business was the pinnacle of anyone's career, following decades in lesser roles in various organisations, attaining sufficient knowledge and hands-on experience to deal successfully with any crisis that might occur.

A recent survey found, however, that chief executives today are, on average, 16.4 years younger than they were 20 years ago. And it showed that many, including Adam Applegarth, the boss of the troubled Northern Rock bank, have never ventured outside their comfort zones in business.

"British business beware. Applegarth's case points out the fact that we now have less experienced leaders facing the ever-changing challenges of the global economy," said David Carter, chairman and founder of the London-based business-mentoring firm Merryck, which conducted the survey last year among 250 companies in America and Britain.

"Our research highlights that 77% of chief executives feel that their business model will not stand up to the future challenges posed by the markets they serve. And the higher up you get, the higher the stakes.

"At Northern Rock, many of the directors, like Applegarth, had never worked anywhere else and seemed to be blissfully unaware of high-level commercial protocols," he said.

"There are a number of things that would lead one to believe there was not enough diverse experience in that business. A lot of people had been around for a long time and if you build someone up from the bottom to the top, often they are very knowledgeable about that institution but lack perspective about what happens in the outside world."

Indeed, Applegarth's CV reads like the Diary of a Northern Rock Lifer. He started as a graduate trainee cashier at Northern Rock in 1983 after studying maths and economics. In January 1996 he became an executive director of Northern Rock building society, and was appointed an executive director of Northern Rock plc in October 1996. In 2001, he became the youngest chief executive of any firm in the FTSE 100 index when he landed the top job at the bank at the age of 39.

Some argue that Applegarth's cloistered background wouldn't have mattered so much if he had sought advice from those who had been there and done it before.

Carter said: "Had Applegarth had the foresight to seek outside help, perhaps he would have shaken up this board, looked at his business model earlier and

accessed the knowledge and contacts that would have helped the business adapt to an increasingly competitive and complex environment.

“He could have benefited from someone who has been a big FTSE top 100 or top 200 chief executive before, he could have understood how to handle a number of things at that level he didn’t have experience of. It all goes back to him not knowing what he didn’t know, which ultimately tripped him up.

“From the outside it looks like there was a lot of recycling of institutionalised thinking in the organisation that was not being tested against best practice in other financial-services organisations,” said Carter. His mentoring firm employs more than 40 retired bosses of major companies in Britain and world-wide, with clients including big names such as Price Waterhouse Coopers.

One of Carter’s mentors-for-hire is Graham Wallace, 58, former Cable & Wireless chief executive, who believes it is inevitable that young bosses have less breadth of experience, both internally and externally.

“Younger chief executives bring some great pluses in terms of energy innovation and drive. The key to making it successful is giving them support in areas where they lack experience,” he said. “For example, we’ve had a long period without a recession in the UK, and that means there are younger chief executives who have never managed through a recession, which takes different skills and experiences than managing through a period of reasonable growth. It’s always a matter of balance: there are advantages to having these guys getting to chief executive position younger, but there will be gaps and you have to fill them, and then you get the best of both worlds.”

Chris Mattheisen became chief executive of Magyar Telekom, the Hungarian telecoms provider, last year at 45 - bringing a wealth of experience to the job. That experience, he said, was the key to getting the job done right.

“The nature of my business is fixed mobile and internet, and I’ve held key senior leadership positions in all those areas prior to my appointment,” said Mattheisen. He previously worked for BT Cellnet (now O2) and Media One International, a former owner of One2 -One, now T-Mobile, among other posts.

“You need to have a lot of well-rounded experience to be effective,” said Mattheisen.

“You can be 60 and have a lot of gaping holes in your background and not be prepared for the job, or you can be 38 and have very solid business judgment. I find that maturity does not necessarily match chronological age, at least not all the time.

“The pressures for younger executives are definitely there because business is moving a lot faster these days than it used to.

“So there is a case for youthful energy at the top, especially in a very fast-moving industry. Industry knowledge from 20 years ago is not always relevant to today, especially in a technology business like mine.”

Northern Rock declined to comment.