

Out-of-Control Boss

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Zoltan Mehmet founded and runs a \$25 billion software services company – Revelaugur (NASDAQ: RAUG). In 30 years, he has built the company into a global powerhouse. Although Revelaugur is a public company, there is no doubt Mehmet is in charge. He has shed several presidents of Revelaugur over the years, and there is no known succession plan, if he ever decides to step down from chairman and CEO. The board of directors has apparently taken the position that as long as Mehmet continues to increase revenues and earnings, directors will bow to his wishes and ignore his behavior.

Mehmet makes no apologies for himself and his views. He has called competitors “liars.” He has started public feuds with industry leaders, and he pushes positions with the intent to win. It is difficult, if not impossible, to stand up to Mehmet when he speaks his mind. He has been known to write a blast at another company, send it to the VP of corporate communications and order the VP to publish it as is. The VP of corporate communications dared not argue with him.

Mehmet and executives around him are known for aggressiveness. They have run afoul of the law in the past for unethical and anti-competitive practices, but that has never slowed the firm’s growth. Mehmet has bought out a number of competitors over the years, and today his firm is one of an oligopoly of three. The Department of Justice stopped Mehmet when he tried to bid for the number two firm because he would have achieved a monopolistic market share. Mehmet’s response was to cut the price of his services in order to run the number two firm out of business. His approach had success, but it sparked another Justice Department investigation and hearings on Capitol Hill into the company’s practices.

Mehmet went to the Congressional hearings determined not to back down, and he didn’t, contrary to advice from his public affairs firm. Mehmet lectured a Congressman who challenged him and told members of the House Energy and Commerce Committee that they had no understanding of the software services industry. This sparked news stories nationally, diatribes in blogs, venting in forums, angry Tweets, abusive language on Revelaugur’s Facebook page (that was removed) and glee among competitors who thought Mehmet had finally overstepped bounds.

Janice Fielding is the latest VP of corporate communications for Revelaugur. She succeeded a professional with White House experience who had run afoul of Mehmet the year before. Fielding has been approaching her job and relationship with Mehmet with caution. She has yet to gain his confidence and isn’t sure she ever will. Mehmet does his own media relations and calls reporters without

telling her. Frequently, she learns he had given an interview when she sees it on a web page or in print.

Mehmet is known for being abusive to the media and has called reporters “idiots” for disagreeing with him. Reporters are afraid to stand up to him because Mehmet will contact their editors and complain that the reporters did not understand the software services industry, had misquoted him and weren’t up to beats they were on. Mehmet would then freeze the reporters out and order his executives not to talk to them. Since Revelaugur was too large to ignore, there was a wary standoff with the media.

Fielding had been unable to salve the media’s feelings about Revelaugur because she never knew what Mehmet would do or say next. Instead, she had her staff inform them about Revelaugur’s products and services and avoid, if possible, questions about company plans, its vision of the future, and insights into the industry. These she left for quarterly earnings calls and the annual financial analyst conference when Mehmet would voice his opinions in answer to financial analyst questions. She had these digested for the media.

Fielding felt she had found a workable solution for her department until another public outburst from Mehmet in reaction to a Congressman’s charge that Revelaugur had become a monopoly and was unfairly destroying competitors. Mehmet accused the Congressman of being in the pocket of a competitor. The stock declined five percent on worries that the Justice Department would sue the company for monopolistic practices.

Fielding was called to a confidential meeting with the IR manager, the CFO and general counsel. They expressed their worries and asked Fielding what she might do to soften Mehmet’s accusation in the press. Fielding told them there was little she could make happen. She suggested a quiet talk with the lead director.

The CFO and general counsel did talk to the lead director who expressed concern and who said he was going to talk to Mehmet about the remarks. Meanwhile, Revelaugur’s stock continued its decline, and there were rumblings of shareholder suits. Three days after Mehmet’s accusation against the Congressman, Fielding was called to Mehmet’s office along with the CFO, the IR manager and general counsel. Mehmet was uncharacteristically calm.

“So I stepped into it this time?”

“I’m afraid so,” said the general counsel.

“What do we need to do to get the stock stabilized?”

“You need to lower your profile,” said the CFO. “We’ll contact the analysts and smooth things over.”

“I’ve got our lobbyists checking the mood in DC,” said the general counsel. “They think now that the Justice Department will delay action unless the Congressman pushes. We need a way to explain your remark.”

“There’s nothing to explain. He’s in their pocket. He’s got 15,000 of their people in his district.”

“Was there a need to say it?” asked Fielding.

Mehmet glared at her.

“If Justice comes after us, I want it to be known that Justice is working for a competitor.”

“Could it have been said in another way and less offensively?” Fielding responded.

“How?”

“Perhaps, the Congressman is worried about 15,000 jobs in his district, as he should be, but he needs to pay more attention to market dynamics.”

“Sounds wishy-washy.”

The general counsel came to Fielding’s defense and was seconded by the CFO and IR manager.

“There is no need to antagonize Congressmen and the Justice Department,” said the general counsel. “We’ve just come out of one investigation and we don’t need another.”

Mehmet was silent. Fielding spoke up.

“May I suggest that anything further you say about this situation and the Congressman be examined first by the general counsel and myself. We might be able to rephrase it to be more acceptable.”

“I don’t want anyone messing with my words.”

“We tied up outside counsel and my department for nine months on the last investigation. It cost us millions. The next one could cost us our market position,” said the general counsel.

“I understand,” said Mehmet. His face showed he was uncomfortable with the position he was in.

“You can continue to say what you want about competitors,” said the general counsel. “We need to settle Justice down.”

Mehmet agreed. There the matter rested. Nothing more was said about the Congressman or the Justice Department, and discussion died away in columns, blogs, Tweets and forums.

It was on a Thursday at 10 am a month later that news broke from the Justice Department. Justice had launched an investigation into Revelaugur for monopolistic practices, and it would propose sanctions on the company. At 10:30 am, Fielding received an e-mail message from Mehmet. It instructed her to release the following remarks without change:

The Justice Department is proceeding in complete ignorance about the software services industry. There is no justification for this investigation and none for sanctions. The market will decide winners and losers and not petty bureaucrats in Washington. We will fight sanctions every step of the way, and we will not give in to competitors who put the Justice Department up to this.

Fielding called the general counsel and read the statement to him on the phone. There was a pause.

“We need to talk to Zoltan,” said the general counsel.

“What do we say?”

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Questions for Discussion:

1. Should the statement go at all? If so, rewrite it to be more acceptable.
2. What should the general counsel and Fielding say to Mehmet?
3. Does Fielding have enough credibility with Mehmet to get him to change his mind? Does the general counsel?
4. If you were in Fielding’s place, what would you do?