

On the Move: Slater & Gordon seeks to replenish board



by Joanne Gray

A shake-up on the board of troubled law firm Slater & Gordon has seen the appointment of former Allied Domecq, Brambles and BHP Billiton human resources executive Tom Brown following the departure of three directors. But experts said the Slater & Gordon board, which is expected to report a full-year loss of more than \$1 billion this year, may have trouble attracting high-calibre turnaround experts with a new research which reveals that working for a scandal-tainted company can hurt your pay packet.

Research published this week in Harvard Business Review shows that executives with scandal-tainted companies on their resumes pay a penalty on the job market, even if they clearly had nothing to do with the trouble. Overall, these executives are paid nearly 4 per cent less than their peers. The same trouble could extend to directors.

Greg Robinson managing partner of executive recruiters Blenheim Partners said the Slater & Gordon board may look at hiring a board member with a track record as a turnaround specialist or a former chief executive.

Risky business

The HBR article, How to Survive a Company Scandal You Had Nothing to Do With, by Boris Groysberg, Eric Lin, George Serafeim and Robin Abrahams, cites a case of a European headhunter finding it hard to place an executive that had once worked for a bank that had recently experienced a scandal, even though the executive had left the company a decade before the trouble started. The headhunter's client, a managing director, resisted meeting the candidate for some time. "It's too risky," he finally said. "Even though the guy has been out of the bank for 10 years, I cannot consider him for this search."

A high proportion of professionals are vulnerable to this kind of bias, the article states. "In our sample of job changers, 18 per cent of the executives had worked for a company that had been involved in a financial scandal. Because the scandal effect is lasting, even a company you left long ago could have an impact on your current and future job mobility. You can't control this risk, but you can and should plan for it."

The study found that the financial impact from scandals are the most stark for those in finance-related careers, who could see their salary 10 per cent lower than other finance executives.

Gender effect

Professor Groysberg said there was also a gender effect. "Women are hurt more by the scandal effect than men are: They receive 7 per cent less in compensation, whereas men receive only 3 per cent less. The greater visibility of female leaders may account for this: It's easier for a company to hire a reputationally challenged worker who will remain in the back office than one who will be high profile.

Transparency and full disclosure with recruiters is crucial, and candidates should also understand the role that recruiters can play in backing them, it states. Candidates may also have to take a "rehab job". "Candidates from stigmatised companies need to seek a lower-level job which you can do with one arm tied behind your back," said one recruiter quoted in the article. "You look so compelling compared with the next person who might do it that you're almost guaranteed to get the job. Inevitably it's at a lower level of compensation."

In other board moves last week

Aurizon: The Queensland rail group has appointed Rio Tinto's former iron ore boss Andrew Harding to replace Lance Hockridge as CEO from December 1, 2016 in what has been described as a "captain's pick" by the relatively young new Aurizon chairman Tim Poole.

Energy Resources of Australia: Joanne Farrell has been promoted to the Rio Tinto executive committee and has consequently advised her resignation as a non-executive director. Zara Fisher has been appointed as a non-executive director, changes are effective August 29, 2016.

Hills: CEO, Grant Logan, has advised the board of his intention to retire on September 1, 2016 after just 15 months at the helm following the departure of Ted Pretty, who attempted to transform the company into a high-tech healthcare technology and security business. David Lenz, who has been promoted from within, has been appointed CEO and plans to quickly meet Woolworths executives to contain the fallout as the Masters hardware chain is shut down by December, after Woolworths took over the manufacturing, distribution and marketing of 240 Hills clothesline and garden products including the iconic Hills hoist backyard clothesline.

Information on appointments supplied by Blenheim Partners