TenStep, Inc.

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Andy Grove - The Self-Anointed Guru of Corporate Governance

Andy Grove turned Intel into a powerhouse of the computing industry. He now wants its board to be a role model of corporate governance for the business world.

Wharton named Andy Grove at Intel as the most influential business leader in the past twenty-five years. The story of how Gordon Moore (the thinker), Bob Noyce (the publicity genius) and Andy Grove (the go-getter) joined talents to propel Intel's meteoric rise is an important part of business history. During the eleven years that Grove served as the CEO, the value of Intel's shares grew twenty five times. Under Grove, Intel innovated continuously, fought competition from AMD, gritted its teeth and bore the after-effects of the dotcom crash and built itself a reputation for excellence. In 2003, Intel reported a profit of USD 5.6 billion on sales of USD 30.1 billion.

Grove is much more than just an emblem of dynamism. He has a larger than life, multi-faceted persona - Hungarian refugee turned exemplary student turned manufacturing specialist turned manager turned CEO turned cancer-research advocate turned professor turned speaker. Grove is one of the few practicing business leaders to have contributed as much, perhaps more, to management literature as any top-class academic. The concept of strategic inflection point (a moment when the existing paradigm in an industry undergoes a permanent change), something that is at the core of the IT industry, is his brainchild. But now, Grove has found a new calling - corporate governance. And he is, as he admits, 'gotten religion' about it.

Why are boards so passive?

Grove's serious concern about boards and their working started during one of Intel's own crises in 1994. Dr. Thomas R. Nicely, professor of mathematics at Lynchburg College, Virginia, found a tiny flaw in the Pentium chip and wrote to Intel about it. Not getting a proper response, he wrote an e-mail describing the bug along with mathematical explanations to a few people. It received some publicity, and consumers demanded that Intel replace the chips in their computers. Initially, Grove stubbornly believed that Intel didn't have to replace the chips. After all, Intel didn't sell the chips directly to consumers. It sold them to computer makers. But soon, he was convinced that Intel was responsible. For years, Intel had been marketing its chips with the famous 'Intel Inside' campaign. That created trust and a certain level of expectation among consumers. Intel replaced the chips, and the whole exercise made the company poorer by about USD 450 million.

Throughout this episode, Grove noticed that Intel's board of directors had a passive attitude, agreeing to whatever he said and proposed. *But aren't boards supposed to guide and advise, rather than put in their signature to whatever the management says?* Another incident that made Grove determined to take a closer look into his own board happened in 1997. Grove stepped down to let Craig Barrett take over as the CEO. Grove was to become chairman, but he came to know that many board members didn't think he'd quite fit the role. They felt that Grove's aggressiveness and involvement in every issue would come in the way of a chairman's duties.

OK, I'll Learn

Grove took it up as a personal challenge. It was Grove who admitted that throughout his stint at Intel, his toughest challenge was to keep reinventing himself. Ahead of him was the task of controlling himself and playing facilitator. Simply put, he had to learn to keep quiet and be a spectator in the very room he once dominated. Grove started observing how inadequately informed many board members were. Some of them were ex-CEOs. But in the boardroom, they would hardly talk and so, wouldn't bring in the outsider perspective they were supposed to bring. Grove understood that it's human mentality. No one wants to put a spanner in the works.

Back to School

Fortunately, for Grove, many of the existing board members retired due to the 72-year age limit and he could rope in younger members. All members were expected to start learning more about Intel's business; it's processes, competition, future plans, etc. They were made to visit at least one (preferably more) Intel site a year and report back what they learned - something new the company didn't know. Remuneration wasn't especially big. Still, Intel's board members responded to Grove's initiatives. Grove wanted the board to create the "x factor" - a spirit of knowledge sharing and collective sense of purpose.

Governance experts now consider Intel's board to be one of the best in the world. And Grove remarks that there is a positive change in the overall functioning of boards. He says that earlier, boards could be described as "*an advisory body to the CEO; selected by the CEO, working for the CEO, doing a certain amount of rubber-stamping of the CEO's actions, giving a bit of advice if things were going well - for most practical purposes, acting no different than a group of consultants or scientific advisers. Corporate governance is, or should be, exactly the other way round. The CEO is selected by, retained by, renewed by, and supervised by the board.*"

Grove believes that the real test of a board's effectiveness can be measured by the continuity they bring to the company. *The goal is to ensure that the success of a company is longer lasting than any CEO's reign, than any market opportunity and than any product cycle. So, you're looking for the board to act as a gyroscope, to stabilize the company over time.*