Some chief executives can, and do, slip up

Loose comments from bosses can have unintended results, writes **Chris Hughes**

Apparently carefree comments by Stuart Rose prompted Marks and Spencer to issue a formal statement about whether it would bid for J Sainsbury, the rival supermarket, yesterday. But the M&S chief is not the first boss to have opened his or her mouth without appearing to be thinking about the consequences.

Bid situations in particular are a minefield for chief executives. The UK Takeover Panel is quick to pounce on any comment made to the media by company representatives that could affect the share price of a target.

Chief executives generally face a dilemma in such situations. They may be interested in joining an auction for a rival company, but do not wish to drive up the price of their prey by declaring their hand. At the same time, they may wish to flag to their own shareholders that they are considering such a move.

Sir James Crosby struggled with the problem in July 2004, when the HBOS chief said any UK bank wanting to trump Santander's bid for Abbey would encounter "real difficulties". That created the impression HBOS had no intention of bidding. But days later, HBOS had to clarify it was indeed in early stages of reviewing a bid.

Likewise, Richard Harvey, the outgoing chief executive of Aviva, gave the impression he was unwilling to raise his £17bn ($33bn) bid for Prudential in March last year. The following day, Aviva issued a statement - at the Takeover Panel's request - that it had not ruled out raising its offer.

"The Takeover Panel and the Financial Services Authority have become more willing to take you to task on these things. You need to either speak in code, or steer away from the subject altogether," says one City public relations executive.

Such slips may be excusable in the heat of a takeover battle. But it is harder to forgive thoughtless comments about the products they sell. These can have 'serious consequences for shareholders.

"Doing a Ratner" has continued to be a failing among chief executives ever since Gerald Ratner told an audience of directors in 1991 that his jewellery chain sold earrings costing less than a prawn sandwich and volunteered that its decanters were "total crap". The Ratners company later plunged into multi-million pound losses, prompting the departure of Mr Ratner the following year.

Few chief executives have come close to emulating Mr Ratner. But some have been strangely honest about their product. Matt Barrett, then-chief executive of Barclays, told MPs in 2003 he would not borrow money using a credit card because it was "too expensive". And Dianne Thompson, Camelot chief, reportedly said players of the UK lottery would be lucky to win £10.

Other bosses have been excessively candid about their customers. Topman's brand director, David Shepherd, told Menswear magazine in 2001 that the company's customers were "football hooligans".

"Very few of our customers have to wear suits for work. They'll be for a first interview or first court appearance," he told the magazine. Arcadia, Topman's parent, later said the comments were deliberately exaggerated. Staff can also bear the brunt of chief executives' loose tongues. In 2002, Keith Whitson, then-

Fonte: Financial Times, USA, 2 Mar. 2007. Companies International, p. 21.