THE WALL STREET JOURNAL.

http://www.wsj.com/articles/companies-manage-with-no-ceo-1481641203

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Companies Manage With No CEO

Watchmaker Richemont announced CEO Richard Lepeu won't have a successor when he steps down in 2017

DPR Construction co-founder Doug Woods, in plaid and third from left, during a management committee discussion at its office in Redwood City, Calif. *PHOTO: JASON HENRY FOR THE WALL STREET JOURNAL*

By **RACHEL FEINTZEIG**

Dec. 13, 2016 10:00 a.m. ET

Are chief executives necessary?

Swiss watch-and-jewelry maker Cie. Financière Richemont SA recently decided its answer, announcing last month that CEO Richard Lepeu won't have a successor when he steps down in 2017.

Richemont joins a rare group of companies operating without a single top boss. DPR Construction and software maker Peakon rely on committees and consensus to govern themselves, structures that their leaders say boost collaboration and enhance decision-making at all levels. Yet leading by consensus can be frustrating at times, and one bossless experiment—a crowdsourced investment fund—failed completely.

The management committee at Redwood City, Calif.-based DPR arrives at decisions together, sometimes after "a lot of argument," said co-founder Doug Woods. He often wished he "could just pound the table and say, 'This is the way we're going to do it,'" but said the company, which has revenue of about $4 billion annually, is better off with consensus.

DPR's 4,000 employees feel free to propose ideas and make decisions on their own. Veteran leaders—like Mr. Woods, now a board member—rotate off its eight-member management committee gradually and continue to advise current members, keeping the direction of the company consistent.

"When you have a CEO that's a very command-type CEO, and he leaves and someone new is brought in, there can be huge changes and oftentimes problems in the organization," Mr. Woods said.

Matt Murphy, who helps lead the company's Texas business, had worked under a CEO before his employer was acquired by DPR in 2013. At his old job, he had to send requests up a chain of command before making a move. "You hoped the message would be the right message by the time it got to the CEO," he said.

Now, he phones members of the management committee for advice on dilemmas, then makes his own decision within hours.

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At Richemont, top leaders of the company's businesses—which include Cartier and Van Cleef & Arpels—will report to executive chairman Johann Rupert, who has described his chairman role as an "air-traffic controller of egos."

"Putting in hierarchy reduces collaboration," said Daniel Rogers, a co-founder of Peakon, a two-year-old human-resources technology company with offices in Copenhagen and London. Leaders there felt that bestowing the CEO title upon one person could breed infighting among junior employees or stall the flow of ideas. Instead, a six-person management team meets regularly to settle big issues facing the company.

Yet, that setup found that longer-term initiatives such as branding slipped through the cracks as the management team focused on immediate matters such as sales numbers. Peakon hired an operations person to keep the management team on track, compile metrics and structure the team's meetings.

Earlier this year, a crowdsourced investment fund called DAO, which stands for decentralized autonomous organization, launched as a fully autonomous business without human leaders. Instead, investors put up digital currency in exchange for special tokens allowing them to vote where to allocate money. The fund raised $252 million in the spring, but shut down in June after a hack siphoned away $55 million. The funds were eventually recovered and investors got all their money back, said Stephan Tual, the chief operating officer of Slock.it, the German tech company that helped write the code for DAO.

Having open-source code, and not a CEO, running DAO saved on compensation costs and eliminated some human bias, Mr. Tual said. Still, the structure could have caused problems down the line.

"We could have seen people arguing for months on end" about where to invest DAO's money, he said.

"Leadership by committee is a dreamy ideal but it's not very practical," said Donald Hambrick, a management professor at Pennsylvania State University's Smeal College of Business. Eliminating the top job can empower and engage lower-ranking staffers, but it helps to have one person in charge when business hits a rough patch, he said.

The top job at Abercrombie & Fitch Co. has been open since chief Mike Jeffries abruptly left the struggling apparel chain two years ago. Last month, the New Albany, Ohio, retailer announced that third-quarter profit dropped 81%.

Simeon Siegel, a senior retail analyst with Nomura Instinet who covers the company, said he's not convinced that hiring a CEO would help much. A spokeswoman for Abercrombie declined to comment on Mr. Siegel's comments and noted that the company isn't actively searching for a CEO right now but plans to appoint one eventually.

"The reality is, a company can thrive or not with having that role absent," Mr. Siegel said.

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