

FORTUNE

'I Was Baffled:' Management Experts Try to Make Sense of Theresa May's Unconventional Brexit Ultimatum

By KATHERINE DUNN March 29, 2019

When Theresa May offered to sacrifice her own future as prime minister on Wednesday in order to push her deeply unpopular Brexit deal through the U.K. Parliament, some of the country's top experts in management strategy were watching in astonishment.

"I was baffled," said Michael Smets, a professor of management and organizational studies at Oxford's Saïd Business School. "It's a very unusual move, and unheard of in business. Who would do that, and why?"

"It's basically her last card; her very last thing she could have offered," said André Spicer, an expert in organizational behavior at CASS Business School at the University of London. "It smacks of desperation."

All those interviewed for this story had the same response: May had not only played what many perceived to be her "final card"—she had played a card few in the world of politics, never mind in business, would ever think to slap down.

"It's completely different from, 'I'll go if you pay me off,' which happens every day in the business world," said Randall Peterson, academic director of the Leadership Institute at London Business School. What is truly unusual about May's case is that she's using her own departure as the carrot to push through a vision Parliament has already said it does not want.

May gets out of 'the way'

On Wednesday, May told the Conservative Party that she wouldn't "stand in the way" of a desire for a new leader once a second phase of Brexit negotiations begins. In return, she said, her Brexit deal must pass.

It was a sort of reverse ultimatum: Back me, and I'll quit, rather than back me, or I'll quit.

The offer was quickly rebuffed by members of the Democratic Unionist Party from Northern Ireland, who are allies of May's Conservative party in her coalition government. A Parliamentary vote later in the day on a number of potential Brexit options failed to produced any consensus.

The U.K. was due to leave the EU this Friday, March 29, a date that had been set in stone for two years. But instead, May will be facing Parliament yet again, to try to force her Brexit deal to pass a third time. If the deal does not pass, Britain's fate in the EU remains utterly uncertain.

Her offer to resign upon the deal's approved still stands.

A reputation 'killer'

None of the experts in management strategy, from the U.K.'s top business schools, could recall a comparable offer from a CEO to self-combust to push a vision or corporate strategy through at a major company.

"If you go down the May route, you absolutely kill your reputation," said Tim Morris, professor of management studies at Oxford, who co-wrote a report on CEO behavior with Smets. "There's nothing left for the future."

"What we were actually fascinated by is that the world of business would never allow a CEO to end up in the situation that [May] is in," added Smets.

Before it would get to that point, the board would revolt, shareholders would flee, and a hostile takeover would likely kick in, they said.

CEOs often take the hit of resigning—framed as for the greater good—as part of a mergers and acquisitions deal, where the executive leadership is changed as part of a restart, Morris and Smets said. Or an executive might spin being pushed out to look more positive. But those moves typically come with large financial compensation and, usually, a shot at still having a career later on.

A Faustian bargain

While a large, publicly traded company might prevent a Faustian bargain like May's, where family and legacy are concerned, some of the same trade-offs can apply, experts said.

“Such a scenario could conceivably happen in a family firm in which the family-member owners disagree on strategic choices,” said Thomas Roulet, an expert in organizational behavior at Cambridge Judge School of Business. “The CEO may agree to step down in return for other family members accepting a certain key strategic move.”

Some of the experts saw May's pledge as an act of benevolence for the sake of the United Kingdom in a time of political infighting—“You have to put the idea above yourself, and that's pretty darn hard to do,” noted Randall.

Others said the legacy tied to finally pushing Brexit through is its own sort of payoff for May: a place in the history books after two draining years of negotiation and dysfunction.

That said, most agreed that regardless of her pledge, the prime minister's time is nearly up.

“Knowing when to quit is a vitally important part of strategy for any leader,” said Spicer. “And most people quit too late.”