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The 10 worst corporate boards in the world

By **Steve Tobak**

(MoneyWatch) **COMMENTARY** CEOs are human. They're allowed to make mistakes. Their mistakes may cost you your 401K and your job, but hey, that's life.

Besides, that's why we have boards of directors -- to fire bad CEOs, hire better ones, oversee strategy, and generally keep executives from running companies into the ground and destroying billions in shareholder value.

At least, that's the theory.

Over the past decade or so, a handful of boards have distinguished themselves by failing to do their jobs so spectacularly and consistently that they turned once great brands into corporate laughingstocks.

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Although most of these boards have presided over monumental losses in market share and shareholder value, that's not the sole criterion for my assessment. After all, there are all sorts of economic, market, and competitive factors that can cause even strong companies to crash.

These are the 10 boards of the past 10 years that I think demonstrated extraordinary incompetence in performing their primary function: recruiting competent CEOs to run their companies and keeping them from doing really dumb things, like engaging in ridiculously high-risk mergers.

1. Sony (SNE)

In 1997, a Harris poll named Sony the most respected brand in America. The following year, president and chief operating officer Nobuyuki Idei was named Fortune's Asia Man of the Year. It's been downhill ever since. In the name of media "convergence" and a perceived need to control entertainment content, Sony lost its focus and its leadership in consumer electronics, ceding the market it once dominated to the likes of Apple (AAPL) and Samsung. When things began to fall apart on Idei's watch, the board passed the chief executive baton to Howard Stringer, who more or less stayed the course as the company spiraled downward. Billions in losses and plenty of layoffs later, Sony shares are trading at their lowest level in decades, with no bottom in site.

2. Kodak (EK)

About nine years ago, Kodak's board hired Antonio Perez as CEO, paid him well, and then watched quietly as he failed to cut costs and turn around this relic of a company. During his tenure, revenues have plummeted, the company has bled billions in red ink, and its share price has declined by over 99 percent. And yes, Perez is still in charge, even after Kodak in January filed for chapter 11 bankruptcy protection.

3. Hewlett-Packard (HPQ)

Since hiring "rock star" CEO Carly Fiorina in 1999 and backing her controversial acquisition of Compaq, HP's board has done exactly one thing right: hiring Mark Hurd as CEO. But after Hurd executed one of the most successful turnarounds in history, the board fired him over a sex scandal that never took place. Then it hired Leo Apotheker, who had previously been fired by SAP for nearly destroying the German software giant, even though most of the board had never met him. That turned out to be a disaster, and Apotheker was fired just 11 months later. As legendary venture capitalist and former HP director Tom Perkins summed up the episode, HP must have the "worst board in the history of business."

4. Bank of America (BAC)

Perhaps the worst managers of investment capital over the past five years or so have been the big banks (Ironic, don't you think?) No wonder everyone's got it in for Wall Street. And Bank of America's acquisitions of Countrywide Financial and Merrill Lynch stand out as some of the worst strategic decisions in corporate history. Since then, it's been one mess after another: souring loans, taxpayer handouts, outrageous executive bonuses, WikiLeaks, layoffs, lawsuits over mortgage-backed securities, and questionable practices surrounding foreclosures, credit card interest rates, and lending. The brand may be permanently tarnished.

5. Sprint Nextel (S)

Near the peak of the Internet bubble, federal regulators put the kibosh on Sprint's $120 billion merger with WorldCom. So near, yet so far. Today, Sprint is worth a relatively puny $9 billion, owing mostly to its disastrous 2004 merger with Nextel and chronic failure to turn things around ever since. Three CEOs, plus one board of directors, equals the perennial No. 3 company in a two-company U.S. telecom market. Not a great place to be. The stock is trading eerily close to its IPO price -- from 1985.

6. Alcatel Lucent (ALU)

When Alcatel and Lucent merged in 2006, their boards hoped their complementary businesses would outweigh their cultural differences. Not even close. Instead, the marriage of French Alcatel with American Lucent was a train wreck. After more than $8 billion in losses, the board dumped CEO Pat Russo in 2008 and brought in former British Telecom (BT) CEO Ben Verwaayen. That appears to have been a good move, but that's really not saying much. Profitability remains elusive and the stock is trading near all-time lows, down 99 percent from its peak.

7. Research In Motion (RIMM)

Hard to believe, but it was only nine years ago that a little-known Canadian pager company launched the BlackBerry and ignited the smartphone craze. Five years later, RIM was on top of the world. Then came the iPhone, Google's (GOOG) Android platform, and the birth of the tablet computer. The market went nuts for these new devices, which came packed with features like multitouch displays, virtual keypads, and tons of third-party apps. Meanwhile, RIM's board of bean-counters and their co-CEOs did virtually nothing while the company lost the market it helped create -- and over $70 billion in market value.

8. Nokia (NOK)

The world's dominant mobile phone maker for 14 years, Nokia once seemed unstoppable. But under former CEO Olli-Pekka Kallasvuo, the Finnish giant more or less blew an early lead in smartphones at the worst possible time -- during a global market shift. The board ousted Kallasvuo and appointed Stephen Elop as CEO in 2010. The former Microsoft (MSFT) executive made a controversial move to abandon Nokia's popular Symbian operating system in favor of the Windows Phone platform. How's all that working out? Last quarter, Nokia's revenues plunged 30 percent, smartphone sales were down 50 percent, and the company lost a whopping $1.7 billion. The stock is trading at a 15-year low.

9. Yahoo (YHOO)

Was it really just five years ago that Yahoo's board got rid of Terry Semel and drafted co-founder Jerry Yang to turn around the Internet portal even though he'd never run a company before? Seems like an eternity, especially for former chairman Roy Bostock, who has since resigned, and of course, Yahoo shareholders. Then came the company's dunderheaded rejection of Microsoft's $33 a share acquisition offer; a stampede of talent to exit the Internet firm; the hiring and firing of feisty, but ineffectual, CEO Carol Bartz; and a seeming indifference for anything resembling corporate strategy. The board then hired Scott Thompson, who resigned after three months when activist shareholder Dan Loeb broke the news that Thompson didn't have one of the degrees on his resume.

10. RadioShack (RSH)

If I had to pick one company that's been chronically mismanaged for ages, one company that has no business being around that I can see, one company with zero strategy, one company that with just about the worst customer service you can imagine, one board that hires every new CEO with the promise that something good will come of it but nothing ever does, that company has got to be RadioShack. If you invested $1,000 in RadioShack when it went public in 1982, today you'd have $700. If you tracked the Dow-Jones industrial average instead, you'd have $15,000. The stock is down almost 90 percent over the past decade. "The Shack," indeed.

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