



CEO Bashing Has Gone Too Far

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By Alan Webber

The job as some companies are defining it is simply unrealistic. Firing the non-performing CEOs only makes matters worse.

For the past decade, I've been an unabashed CEO basher — with good reason. In speeches and articles, I've argued that we've all been sold a bill of goods when it comes to the American version of the CEO.

Rarely a week has gone by that we haven't been regaled with a stern-faced CEO staring out from the cover of a national business magazine. The message: This guy (it's almost always a guy) is ambitious, tough, decisive, a touch arrogant and a powerhouse in the business world.

Of course, this master-of-the-universe cliché has been easy to debunk. First, it's preposterous. If the 1990s taught us anything, it was that the best companies had the best employees and leaders at all levels, not some superhuman at the top. Second, many of the CEOs gracing magazine covers soon disgraced themselves. Some falls were financial and criminal; some merely marital and moral. But one by one, these titans of industry were revealed as giants with feet of clay.

Now, 10 years later, I rise in defense of the poor beleaguered CEO. The pendulum has swung too far.

The newest report on the tenure of CEOs, conducted by Booz Allen Hamilton and released May 12, indicates that CEOs are about to

join the list of endangered species. According to its researcher, who reviewed turnover among CEOs of the world's 2,500 largest corporations, chief executives now are being canned at a rate four times what it was in 1995. In 2002, nearly 100 CEOs in North America were handed their heads. Europe and Japan also are whacking their CEOs with a vengeance.

The study says the cause is simple: Boards of directors have figured out that they've been paying too much and waiting too long for their CEOs to deliver the economic goods. Their response is to get rid of their CEOs and bring in the next contender. The problem: They most likely will only make a bad situation worse.

CEOs are being fired not for criminal conduct, but for "bad performance" because stock prices don't go high enough, fast enough. But that's a self-reinforcing downward spiral. The job as some companies are defining it is simply unrealistic. Firing the non-performing CEOs only makes matters worse.

Too many boards adhere to the myth of the CEO as an all-knowing, all-powerful, one-man band. They overpay a CEO, who gets the job by overpromising. When the CEO doesn't deliver, the board fires him and brings in a new CEO, who has to overpromise even more. So the spiral only gets tighter.

My suspicion is that boards that adopt fundamentally different expectations of what a CEO can deliver, and how fast, ultimately will do much better than the "new activist" boards.

The best evidence for this alternative approach comes in Jim Collins' best-selling book, *Good to Great*, which carefully correlates economic performance and CEO attributes. Collins found that CEOs who build great teams and put the company's achievements above personal fame are much more likely to produce great results that are sustained over the long haul.

Part of the fix starts with a more pragmatic view of what the CEO's job really is — and what the salary should be. CEOs aren't superheroes: They don't have all of the answers, and they can't run companies all by themselves. The best ones know it. They don't try to be celebrities; they don't write books on their management secrets; they don't confuse their own identities with that of the firm. And they don't expect outsized paychecks.

Instead, they put the company's interests ahead of their own. They try to get the smartest, most talented people on their team and depend on them to provide sound advice and useful support. Nor do the best CEOs and their boards expect instant results. They know that the job of growing a company is a slow, painstaking task. It can easily take a decade for a management team to develop a sound strategy, then build the capability to implement it.

Boards that expect overnight stock-market improvements will find that their impatience only undermines the results they so avidly seek. In fact, the companies that tend to do the worst are the ones that keep changing CEOs — and changing directions.

Since the Booz Allen study appeared, CEO pay has emerged as a fresh topic on the business pages of international newspapers. In the United States, David D'Alessandro, the CEO of John Hancock Financial Services, had his pay package lambasted. This was followed swiftly by an assault on the pay for another presumed CEO "good guy," New York Stock Exchange Chairman Dick Grasso. Then Hollinger International's Conrad Black faced a shareholder revolt over CEO compensation, as did Jean-Pierre Garnier, CEO of GlaxoSmithKline, and William Aldinger III of Britain's HSBC group.

The outcry over pay may force boards to do what they should be doing before they get caught up in a fire-and-hire spiral: establish rational expectations for CEOs, pay them reasonable sums and give them the time and support to build strong, sustainable companies.

Wouldn't it be remarkable if a study five years from now found that boards weren't looking to be more "activist" — just smarter? And that those CEOs with more realistic job descriptions actually were holding their posts longer and also producing more reliable, more sustainable economic results?

To me, that would sound like pretty good business news.

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