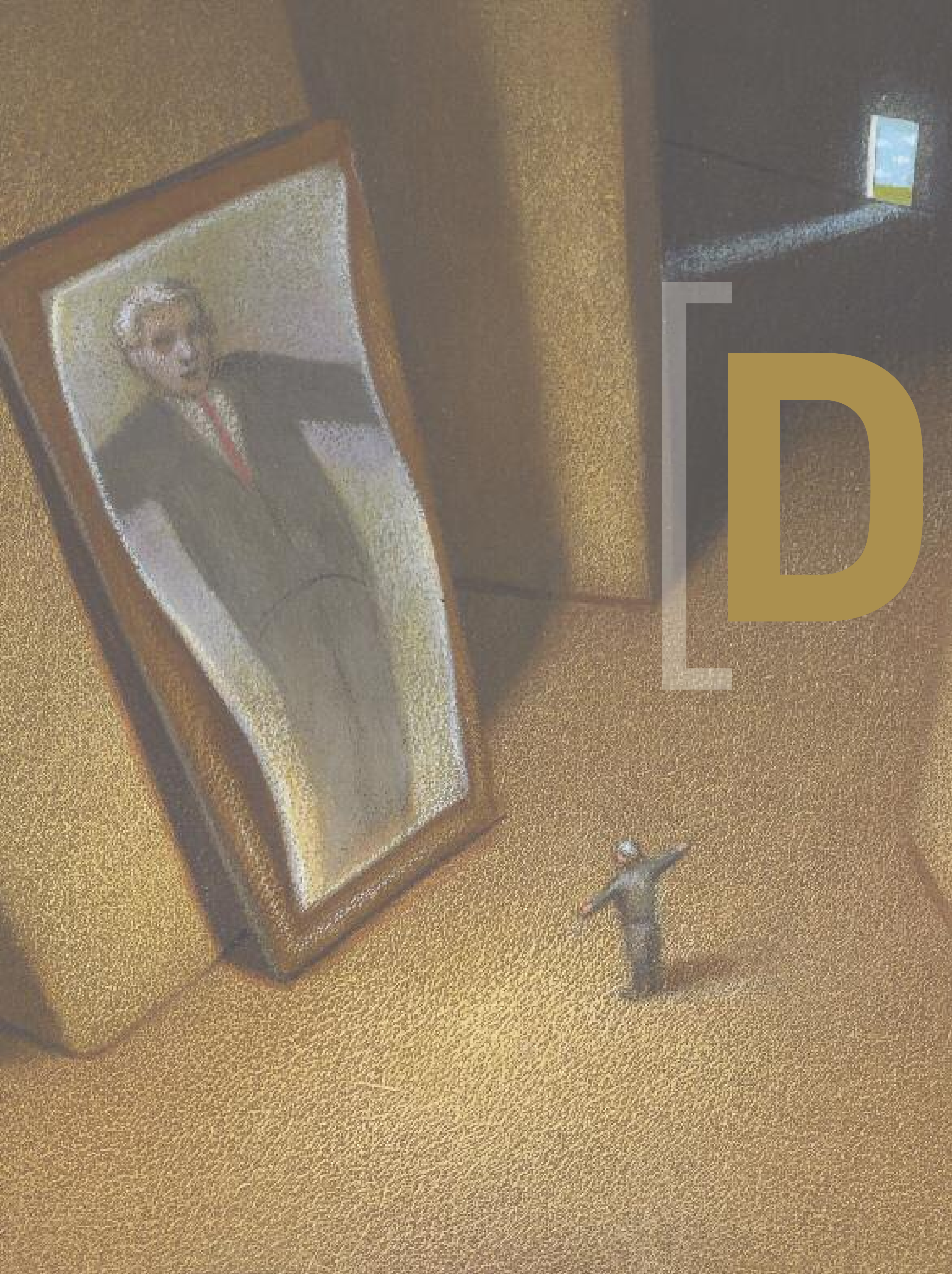

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WHY AMERICANS DON'T TRUST CEOs

They see arrogance, blundering, and "unabashed greed." BY JASON JENNINGS

WHILE RESEARCHING MY NEW BOOK, I attended Sunday worship services at a large church near a hotel where I was staying in the Midwest. As I watched the pastor greet his parishioners prior to the start of the service, he seemed to be a pleasant and mild-mannered clergyman.

But as soon as he started his sermon, his demeanor markedly changed, and in what can only be described as an all-out fire and brimstone assault on business, he proceeded to blame *every* ill of society on "gluttonous" CEOs and the "greedy" businesses they headed. According to him, *every* problem in the universe could be traced directly to them. The longer his sermon continued, the harder the little zigzag vein on his left temple throbbed, and I became convinced he was going to stroke out before he finished. I wanted to jump up and say something but chose to pray instead . . . for his sermon to end.

JASON JENNINGS is author of *Less Is More* and *Think Big, Act Small*. From *Hit the Ground Running: A Manual for New Leaders* (Portfolio). ©2009

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As the service concluded, the pastor made his way to the back of the church and positioned himself to shake hands with his departing flock. I looked for another exit, found none, and realized that the only way out of the church meant I'd be greeting and shaking hands with him. I started mentally searching for some charitable way to let him know how misguided I'd found his sermon. But it wasn't to be.

As the line of departing parishioners slowly snaked forward, I heard one person after another saying, "Right on, great message," "You really hit the nail on the head this morning," and, "Thank you for confirming what I've always believed." I was dumbfounded by what appeared to be universal acceptance and enthusiasm for his message.

IT SEEMS THERE ARE ALMOST AS MANY BUSINESS LEADERS LYING, CHEATING, AND DEFRAUDING PEOPLE AS THERE ARE PEOPLE USING WEAPONS TO COMMIT CRIMES.

Do CEOs deserve such a bum rap? Maybe they do, because, by and large, they haven't done a very good job of polishing their collective reputations.

In the early 2000s, we had celebrity rock-star CEOs, many of whom went on to disgrace themselves and their companies and ended up in jail. Scandal after scandal occurred, and confidence in business plummeted. At the height of the confidence meltdown, a 2002 Golin/Harris Trust Survey reported that two-thirds of Americans held CEOs personally responsible for restoring trust and confidence in business and that only 30 percent thought they were doing enough.

Did CEOs do enough to restore confidence in business? Apparently not. According to the Edelman 2008 Trust Barometer (released prior to the financial catastrophe of late 2008), only 20 percent of Americans trust CEOs to do the right thing for their companies and customers.

As a result of the confidence meltdown in the early 2000s, many CEOs simply went into hiding, surfacing only for required quarterly conference calls with stock-market analysts. They didn't want their paychecks and leadership styles to face any more public scrutiny than necessary. But some CEOs still relished the limelight and never met a camera they didn't like.

Former General Electric superstar Bob Nardelli became CEO of Home Depot in 2000, and, during a six-year tenure highlighted by his headstrong and domineering rule, the company's share price fell 40 percent. When asked by the board of directors to take a modest, albeit symbolic, cut in his $38 million annual compensation and have future bonuses tied more closely to the interests of shareholders, he refused and walked out the door with a $210 million departure bonus. His style was so imperious that when he started coming under fire, he arranged for no directors to show up for the company's annual meeting and, during the lightning-short thirty-minute session, used a digital timer to limit questions to sixty seconds and then shut off people's microphones.

The American mortgage mess that caused the collapse of scores of venerable financial institutions and whose aftershocks will be felt for years in the world's financial markets was certainly caused by the unabashed greed of CEOs.

Real-estate agents sold houses to people who couldn't afford them with the promise that the houses would double in value in a year. They wanted their commissions. Unscrupulous mortgage brokers (who probably had to hold their noses) arranged financing for people they knew didn't have a snowball's chance in hell of paying them back. They wanted their piece of the pie. Equally corrupt financial institutions issued the bad mortgages because they wanted their piece of flesh before offloading them at a profit to Fannie Mae and Freddie Mac, which then packaged them up as bundles of securities and sold them off to other equally greedy firms that borrowed trillions of dollars to buy them (with highly leveraged money), believing there'd always be another gullible buyer somewhere down the road.

While there's more than enough blame to go around, the fact remains that the CEOs of the real-estate firms, mortgage brokers, banks, quasi-governmental agencies, and investment-banking firms could have stopped the greedy conduct in an instant, but their eyes were fixed only on the short-term profits of their firms, their upcoming bonuses, and negotiating mammoth golden parachutes for when the good times collapsed.

Bear Stearns was founded and led with one goal in mind: the pursuit of wealth. When the company's hedge funds, which had taken big bets on subprime mort-

gages, began collapsing, CEO James Cayne failed to take any responsibility and instead began pointing fingers, firing those underneath him, and sold the last of his shares in the company. As Bear struggled to stay alive (it didn't), Cayne was absent more than half the time, playing golf, competing in bridge tournaments, and, according to *The Wall Street Journal*, smoking ganja at the end of his tournament sessions.

Following a single quarter's $8 billion loss, Stanley O'Neal (another imperial CEO) was forced out as chairman and CEO of Merrill Lynch. It was discovered that the company had been making huge bets on the bond market that weren't in compliance with the guiding principles of the company's finance and audit committees. To try to prop up Merrill, O'Neal floated the idea of a merger with Wachovia—without consulting his board of directors. O'Neal's blunders continued to hound the firm long after he'd left, in the form of consecutive multibillion-dollar quarterly losses and the need to sell the once-revered brokerage business at a fire-sale price to Bank of America.

When Daniel Hesse agreed to take the job of CEO and attempt to save Sprint Nextel, a company that under CEO Gary Forsee had become so demoralized and decimated that employees called corporate headquarters "Shawshank" after the prison in the movie *The Shawshank Redemption*, they took bets that the company was in such bad shape that the new CEO wouldn't show up for work. Reeling from a botched merger that Forsee had spearheaded, the company had slashed spending on customer service and was losing a million customers a quarter. During his first meeting with company leaders, Hesse asked who was in charge of dealing with unhappy customers; no one raised a hand. In a meeting with the finance team, he asked who was in charge of creating the firm's earnings projections. No one knew the answer.

Are these just a few isolated cases carefully chosen to set up a straw man, knock him down, and make a point? No. Many more names could be added to the list. According to Transactional Analysis Clearing House—an organization that gains access to case-by-case information under the Freedom of Information Act—some eight to ten thousand white-collar prosecutions occur each year, a number only modestly surpassed by weapons prosecutions. It seems there are almost as many business leaders lying, cheating, and defrauding people as there are people using weapons to commit crimes.

In addition to the CEOs who were taken down by greed and headstrong arrogance, there have been a number of high-profile CEOs whose personality traits mirror what most books on management and leadership have led us to believe what strong leaders should be: straight-talking, hard-charging, tough taskmasters.

Robert Crandall, former CEO of American Airlines, earned his reputation for being a tough, hard-charging leader by demanding that the front lines at American be held accountable for customer satisfaction. But his harsh edict for dealing with any employee who dropped the ball—"Crandall wants to see the corpse"—caused more problems than it solved, leaving an opening for a competitor, Southwest Airlines, to actually become the flying public's favorite airline. Crandall later advised American's employees not to invest in the company, telling them, "An airline is a great place to work but a horrible investment," and added that, "I've never owned any stock in American Airlines or any other airline and urge you to do the same."

Larry Bossidy, former hard-charging CEO of AlliedSignal, is on record as telling people they have to go balls-to-the-wall because, according to him, "incrementalism is a sign of a mediocre mind."

When Carly Fiorina, the steely CEO of Hewlett-Packard, well known for her abrasive my-way-or-the-highway manner, was finally fired after halving shareholder value during her six-year tenure, the company's stock price soared because, as one analyst said, "The Street had lost all confidence in her, and the market's hope is that *anyone* will be better than she was."

Do the requirements for becoming a CEO include having a dictatorial style of rule and the need to always be the center of attention, being imperious in nature and quick to blame others, as well as having a ready willingness to shoot the messenger, unrestrained self-interest, and headstrong arrogance? The priest who gave the sermon to his rapt congregation certainly thinks so, and evidence would point in the direction of two-thirds of people believing it, too. ■