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[ESSAY]

## The CEO's New Clothes

By Linda Tischler

**MANAGEMENT STYLE.** It sounds like a GQ headline for a feature on Zegna suits. But wander the lushly carpeted halls of America's boardrooms, executive suites, and headhunters' offices, or peruse pointyheaded workplace journals, and you'll find "management style" on everyone's lips.

Why? Consider the failed CEO class of 2005. Most of them didn't do anything to draw Eliot Spitzer's gimlet eye. Morgan Stanley's Philip Purcell, Hewlett-Packard's Carly Fiorina, and Disney's Michael Eisner, to name a few, were put out to the curb by their boards ostensibly because of failed strategies, shareholder lawsuits, and missed earnings. Look deeper, though, and you'll see that it was really their management styles that tripped them up.

Purcell was an autocrat who treated his own employees with contempt. Eisner was smart and creative, but also paranoid and unwilling to share power. And



while Fiorina was great on the hustings—the queen of the keynote—she was so inept at minding business back at the mothership that her successor, the consummately hands-on Mark Hurd, is being heralded as the “anti-Carly.”

Fiorina and her ilk certainly didn't lack management style. It's just that their styles have fallen out of fashion. Boards have been burned too often by self-proclaimed titans whose personalities so dominate an organization that they shut out alternative or challenging points of view. So charisma is out. Imperiousness is so five minutes ago.

Autumn's hot look for bosses is the ability to rally the troops behind the organization's mission and objectives. Heard of it? It's called leadership.

Boards are increasingly looking for CEOs who can demonstrate superb people skills in dealing with employees or other stakeholders while delivering consistent results. “I think leadership is more important than strategy, and I say that as a former McKinsey guy,” says James Citrin, senior director at executive search firm Spencer Stuart, who has placed such high-profile CEOs as Terry Semel at Yahoo and Ed

Zander at Motorola. “Strategy is important, but the same strategy executed by two different leaders will have dramatically different results.” The new model, says Sydney Finkelstein, professor of strategy and leadership at Dartmouth's Tuck School of Business and an expert on why leaders fail, is someone with “the highest ethical standards, who can lead by example, and who can build a strong effective team around him or her. Those are the hot buttons now, rather than the cowboy riding in to provide the magic answer for the company.”

Fortunately, it turns out that such soft skills can lead to hard numbers. Raj Sisodia, professor of marketing at Bentley College, Jag Sheth, of Emory University, and writer David Wolfe recently completed a study of companies they call “Firms of Endearment” (which will also be the title of their upcoming book). Unlike most

students of corporate exceptionalism, Sisodia, Sheth, and Wolfe began their research by winnowing down a list of several hundred top firms based on a human-performance screen. How did they treat suppliers, environmentalists, and their communities? How good were their CEOs at inspiring employees? After doing detailed case studies on 60 of these firms, they came up with a list of 35 that had the best records.

When the authors turned to financial performance, they found that the public companies in their sample returned 758% over 10 years, versus 128% for the S&P 500. Over the past five years—a particularly tough

period during which the S&P lost 13%—these firms returned 205%.

In each case, these organizations are led by CEOs who inspire respect, loyalty, and even affection, rather than fear. They are, if you will, “Aquarian CEOs”—farsighted, tolerant, humane, and practical. And they have the courage of their idealistic convictions, even when it means staring down myopic criticism from Wall Street. The businesses they run, it turns out, are the kind we like to cover. Among them: Costco, Whole

Foods, Best Buy, Toyota, and JetBlue.

Is this model a new classic? Or like the untucked striped shirts and low-rise pants that currently overwhelm the fashion landscape, will it be an embarrassing management fashion of the week, an appealing but transitory look that gets knocked off the runways by some kick-ass SOB with a take-no-prisoners strategy for dealing with China, Wall Street, and tree huggers alike?

Sisodia argues that this change is more fundamental, an outgrowth of a tectonic shift in the culture, and he's right. “People are expecting more from the companies they're working for, more from the companies they're doing business with, and more from the companies they're buying from,” he says. And if these too-good-to-be-true paragons can also deliver the goods, it'll be the best change in management style since casual Friday.

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