This article originally appeared in the Under the Buzz newsletter of the Chasm Group, a Silicon Valley strategy consulting firm, edited by managing director Philip Lay, in October 2002, Vol. 3, No. 10. At the time, its points sparked controversy; its arguments have since been borne out by ongoing developments in the corporate world.

Corporate Politicians—The New Leadership Confluence

James Strock *(James Strock & Co.), author of* Theodore Roosevelt on Leadership: Executive Lessons from the Bully Pulpit*, and* Reagan on Leadership: Executive Lessons from the Great Communicator*, is a frequent writer and speaker on leadership.*

For years, politicians have committed to bring business principles to government.

In a sudden turnabout, in the aftermath of the corporate scandals of the past year, corporate CEO's are having to rapidly learn some of the key skills of effective political leaders.

The extraordinary rise of mass stock ownership in the 1980's and 1990s resulted in an stunning inflow of investment into companies—via stocks, mutual funds, 401(k)s, and the like. With the momentum investing of the 1990s apparently having no losers, remarkably few strings were attached.

The debacles of Enron, World.com, Global Crossing, Tyco, and their compatriots add combustible fuel to the fires of public outrage already left smoldering by disappointing, self-indulgent leaders in political and religious institutions.

The unprecedented mass stock ownership in our society may have several somewhat contradictory consequences.

With as many as 85 million Americans owning stock—compared, for example, with fewer than ten percent of the population at the time of the 1929 crash—the reaction to the corporate abuse of the 1990s has been remarkably conservative. That is, there have not been serious calls to action to nationalize industry and other such extreme proposals that were taken seriously across the world following the abuses of the 1920s.

Instead, the focus has been on reforming corporate governance, holding corporate leaders to their own expressed values and to longtime legal requirements. Thus the Sarbanes-Oxley legislation holds chief executives accountable for financial statements, limitations are imposed to limit conflicts of interest of board members, and so on.

At a time when so many American families' well-being is tied to their stock ownership, the public increasingly recognizes that CEOs hold power comparable to if not greater than many government officials. Inevitably, issues of trust, transparency, shared values and communications will rise in importance.

The transformation of the role of the CEO is perhaps best seen in the recent missteps of GE icon Jack Welch, and Silicon Valley tycoon Tom Siebel.

Welch, of course, has been lauded as an exemplar of the new CEO that arose in the 1990s. The business press, from cable television to traditional publications, presented him as an indispensable, charismatic leader who added unprecedented value to General Electric.

Welch recently attracted attention in an entirely new way, when his estranged wife revealed, in the course of a divorce proceeding, that he had received perquisites apparently valued at millions of dollars in a previously undisclosed post-employment arrangement approved by the GE board.

The Welch arrangement is under investigation by regulatory authorities. Assuming, for the moment, that Welch and the GE board have broken no laws, there was still a massive error in judgment in their arrangement, granting the retired CEO luxury lodging, dining and entertainment. Welch's initial reaction—cursing his estranged wife's effrontery in exposing these in a lawsuit, defending his value to shareholders and the like—was disappointing and revealing. His later commitment to discontinue the arrangement was ambiguous both in scope (was it retroactive as well as prospective?) and in motivation (was it dictated by legal threats from the SEC and others, and by the intensely negative public reaction?). It did not help matters that the divorce that triggered the disclosure followed in the wake of Welch's highly-publicized sexual affair with a *Harvard Business Review* editor during the period of her publication's writing about him, resulting in her ouster for breach of journalistic ethics.

Siebel, founder, chairman and CEO of Siebel Systems, is less well known to the general public. He is, however, well-known in Silicon Valley. Siebel has been extolled by *Business Week* as one of the world's top 25 managers in January 2001, and CEO of the year by *Industry Week* in 2002. Following the terrorist attacks of September 11, 2001, Siebel moved rapidly to combine good business with good government, presenting state and government agencies with software applications intended to improve the nation's intelligence capabilities.

As the summer turned toward autumn, Siebel made news of another kind. He reportedly spent millions of dollars, flying cronies to an international resort, rented as a whole for the occasion of his wife's birthday. This occurred as his company was laying off more than 1000 employees.

By all accounts, Siebel broke no laws. Likely, he and Welch each feel aggrieved. It would not be surprising, if they consider their actions in terms of customary practice among their peers in the 1990s, if they indulged in a bit of self pity, seeing their private lives unjustly exposed to public view.

The Welch and Siebel cases may be harbingers of a significant change. In an era of mass stock ownership, CEOs of public companies are increasingly viewed from the prism of the mass of shareholders, or prospective shareholders. In the age of the internet and 24-7 news cycles, this sensibility is brought to bear with a laser focus.

Had Welch considered his situation from that perspective, he might have immediately—almost instinctively--apologized, acknowledged the arrangement as excessive, its genesis as indefensible, and neither representative of the values (monetary and otherwise) he seeks to advance. Had he simultaneously, unambiguously returned an amount more than sufficient to cover the retroactive and prospective costs to GE, Welch might have set himself into a leadership role in the new climate, as he had in the old.

Likewise, Siebel might have had the good sense to cancel his apparently long-planned birthday extravaganza for his wife. Better yet, had he donated the money to his newly-terminated employees, he might have placed himself—and his company—in a leadership role that would be rewarded in numerous ways.

There is a new bottom line: CEOs' public accountability has dramatically increased. As with any public leader entrusted with major responsibility for the well-being of others, the lines between their "private" and "public" lives will become blurred. The 1990s may come to be viewed as an extraordinary moment, when CEOs were granted immense power without corresponding accountability. Overnight, that has changed. CEOs whose actions do not comport with the expectations of the mass of shareholders or prospective shareholders may negatively affect shareholder value. Instantaneous communication may magnify the consequences.

These tendencies may be reinforced by the simultaneous, accelerating trend of corporations assuming previously private functions—including prisons, roads, mass communications, utilities, and so on. To the extent that private enterprises become "governments in merchants' clothing"--Edmund Burke's evocative description of the British East India Company two centuries ago--they will be held to ever higher standards of transparency and accountability.

In a curious quirk of fate, these trends are coming together in a new leadership confluence during the term of George W. Bush, the first MBA to serve in the presidency. As with the denouement of September 11th in foreign affairs, the ongoing changes in corporate accountability afford him a critical leadership moment as significant as it was unanticipated.
