There's Something Wrong with the Chairman

by Charles B. Wendel

He had always been a strong leader. He had demonstrated achievement after achievement, significant accomplishments from his college years onward. And then, something happened.

This leader had built a NYSE company, one that Wall Street respected and supported. The company had generated the year-over-year growth the Street demanded. His employees, whom he managed closely and challenged directly, almost uniformly respected and admired him. He made sure they were both well compensated and their successes highlighted.

I remember one meeting in which he handed out envelopes to his employees with their stock option rewards telling them they were all millionaires. In another case he included a borderline top performer in an annual rewards trip even though the employee generated numbers that just missed the stretch target. He commented, "I want to encourage him and including him will do that."

He was also a demanding but wonderful client. He caught every typo and challenged conclusions for logical inconsistencies and any failure of analytical rigor. He made me a much stronger and self-demanding professional. I both did not want to disappoint him and, maybe even more, did not want to face his wrath if he thought our work failed his standards of quality. I never forgot the one time I relied on an employee to present an analysis that I should have vetted in more detail. Despite my years of working with him, he eviscerated me in front of his team. After that, one senior team member came over and hugged me. The Chairman himself took me aside and told me I still had credibility with him but never to let that happen again. I made sure it did not.

But after years of success two things happened. The economy changed, making the continued call for quality growth perhaps impossible to achieve. In retrospect this may have resulted in the company breaking lending rule one. It took on too much risk to a relatively small number of borrowers. You know what happened.

In addition, whether coincidentally or not, over a year or two something was happening with the Chairman as well. He made some personnel moves that may not have served his company well while satisfying himself. Wall Street's push for growth and personal ego resulted in acquisitions that both changed the culture and failed to add quality earnings. In addition, something physical happened. A stroke? I am not sure that anyone knew what had happened, but he was not the man, not the leader he had been.

Where was the Board during all this? Where was the executive team? For that matter, where was the consultant?

The Board followed the Chairman's lead until they no longer could. Busy with their own careers and long accustomed to good results and fun offsite meetings in resort locations, their natural tendency was to go along with whatever the Chairman recommended. As for the employees, the Chairman had helped to build many of their careers, plucking them from rival companies and giving them increased responsibility. His leadership and success had guided them. He provided them with good salaries and the belief that they could achieve real wealth. None of them was going to rock the boat. And the consultant? He too had benefited from the Chairman's largess.

He too accepted the Chairman’s response that “I’m fine,” and never pushed further, lest he jeopardize his role with the company.

No profiles in courage to be found anywhere.

The end of the story: company closed, jobs lost, stock options worthless, promised millions in wealth evaporated, for many their best job ever gone. Not addressing the issues around a weakened leader may have killed a company. Many banks face a similar issue and, as with the story I am recounting, are failing to face up to the situation or to act to resolve the problem. This problem will not get better without action. But few want to address these sensitive issues.

Just imagine the potential problems if our country faced a similar challenge.

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