

The Clash of Corporate Agendas

*The Demand for Short-term Results
versus
the Need for Long-term Leadership*

David Spivey, Director of Leadership Programs
University of Texas at Dallas

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Gallery of Hired Guns



Hired Guns Don't Make Good Father Figures!

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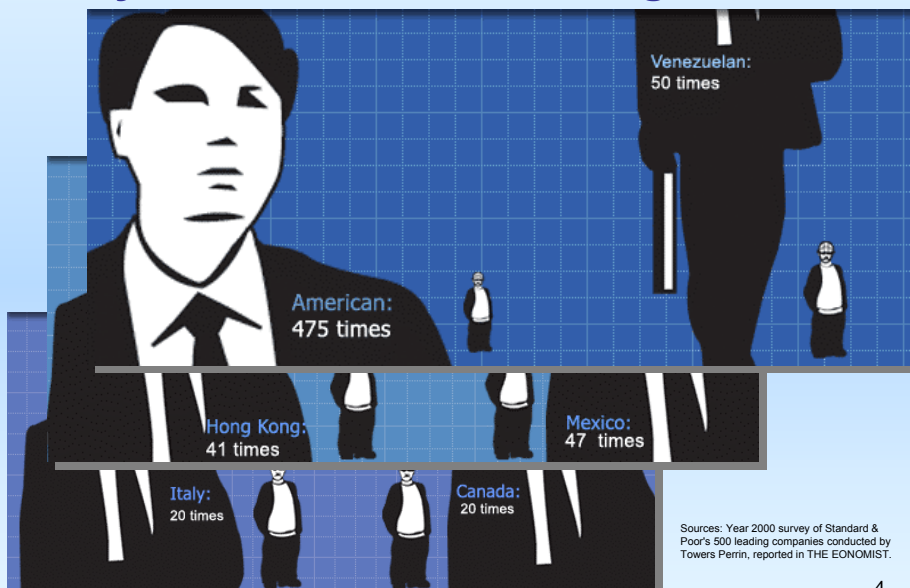
Hired Guns... Big Egos, Big Paychecks, Bad Results:

- More than 1000 CEOs left office in both 2001 and 2000, 5X increase (*Challenger, Gray & Christmas*)
- One third of largest 700 US companies now headed by outsider (*Spencer-Stuart study*)
- Downsizings of 1980s & 1990s axed “future CEOs” left smaller pool of candidates
- Limited supply = increased market prices

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Pay Ratios: CEO vs. average worker



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And yet, it continues...

- **“No shred of evidence that the extreme compensation of executives has improved company performance. None!”** *(Peter Drucker)*
- **Boards & search firms have developed “co-dependent relationships”** *(HBR)*
- **Only 36% of board members think companies are doing “effective job” of management succession** *(Korn/Ferry 2001)*
- **Only 3% of top US managers agree their company develops managers effectively** *(Helen Handfield-Jones, co-author “The War For Talent)*

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- **Researching leadership practices & development in area organizations**
- **89% admit moderate/high need to improve 10 key leadership competencies**
- **Only 11% currently highly effective in developing leadership capabilities**

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THE WALL STREET JOURNAL.

"...Misstated the Facts"

"...Inappropriate Accounting Practices"

"...Overstated Revenues"

"...Improper Personal Gains"

Bloomberg

"...Inflated Earnings"

abc News

"...Misappropriated Funds"

FORTUNE
Gates@ work

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Changes are coming

The "politically correct" solutions...

SEC's Harvey Pitt:
Prosecutions, Audits, CEO guarantees

Congress/McCain:
Shares held until departure, limited options exercised

Pres. Bush:
CEOs accountable, Increased jail time

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The Overlooked Stakeholders: Workers

The “Right Stuff”

Integrity, Honesty, Values

Walk the Talk

“Having a good leader whom people within the organization model is key to having a strong, consistent culture.”

(Cheryl Dahle, Senior Editor, Fast Company)

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Some get it right...



“the right thing to do for our employees... would have been breaking faith... cutting jobs should be the last thing a company does rather than the first.... your employees are the most valuable asset you have.”



**Ned Barnholt, CEO
Agilent Technologies**

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Some get it right...

Viewed ship through crew's eyes

"It's Your Ship" – shared purpose

Communicated constantly

**Achieved highest scores, saved \$,
100% reenlistment, 22 months**

Method "bucked" culture & tradition

**Largely unsupported by senior
officers - until overwhelmed by results**

"Best Damn Ship In The Navy!"

(Wm. J. Perry, former Sec'y of Defense)

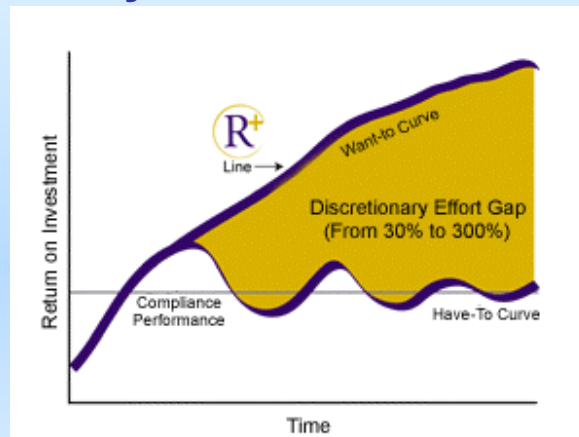


Michael Abrashoff

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Aubrey Daniels International

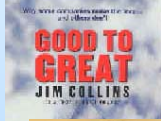


**"Executive Leadership produces or
inhibits extraordinary performance"**

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Jim Collins, from “Good To Great”



- Studied 1435 cos, identified those that outperformed by 3X over 15 years
- Best 11 companies: 7X over market
- “Committed-to-excellence process & framework”
- “No connection: money & mastery”
- “Direct relationship between ABSENCE of ‘celebrity-CEO’ & sustained performance”
- “Years of lurching back & forth – no momentum, steady downward spiral”

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- Human Capital Index study
- Well-led companies 3X greater shareholder value than average
- Cause/effect: leadership BEFORE results

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- **Institute for Strategic Change study**
- **Stock price of companies perceived to have good leadership grew 900% in 10 yrs.**
- **vs. just 74% companies w/o good leaders**

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- **"Leadership is essential competency"**
- **Virtually all 100 cos: leadership development is the TOP training priority**
- **"...if you were forced to pick the one (factor) that makes the most difference, you'd pick leadership." *Thomas Stewart, Sr. Editor***
- **"100 Most Admired" also leadership-focused**

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The Solution: Reward the Right Things

- Employee retention & loyalty
- Higher productivity
- Reduced operating costs
- Increased customer satisfaction
- Growth in market share
- Improved management skills
- Succession-plan & leadership development

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Questions?

***Please contact me for continuing
updates on our research***

***Your ideas and suggestions are
appreciated!***

**David Spivey, Director of Leadership Programs
University of Texas at Dallas**

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