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OFF THE SHELF

In Praise of the Decisive C.E.O.

By STEPHEN KOTKIN

DURING this season of economic alarm and political choice, “Judgment” (Portfolio, $26.95), by Noel M. Tichy and Warren G. Bennis, could not be more timely. Americans live in a democracy, cherish checks and balances, and remain skeptical of concentrated power. But many also seem to hope for a savior-leader — whether in the form of a United States president, a Fed chairman or a corporate titan.

This book is a valentine to that savior-leader, especially to the all-deciding C.E.O.

Executive assistants, please hide those knowing smiles.

The authors, two long-in-the-tooth leadership gurus, slide back and forth between business and war. They favor men of action, they say, not men of mere words. Approvingly, they quote Cato, the Roman politician, to the effect that “when Cicero spoke, people marveled. When Caesar spoke, people marched.” They neglect to add that when Caesar spoke, people also died. (And later, Rome fell.)

“With good judgment, little else matters,” Mr. Tichy and Mr. Bennis contend in the book. “Without good judgment, nothing else matters.”

So how does one judge good judgment? There is no A for effort. “The only thing that counts,” they insist, “is winning or losing.” And that’s gauged by, you guessed it, the stock price. Something smarter might be expected when business school eminences distill a lifetime of learning on a vital topic.

The authors say that compared with other researchers, they “have come at judgment in a less systematic way,” that is, “mainly by ‘hanging out’ with leaders.” Their Rat Pack method produces “representative anecdotes,” they assert.

The results resemble a management consultant’s miscellany: whatever jobs they happened to land, those are the cases we get to read about. The book even slips in decision-making at nonprofit organizations — although there are no stock prices to measure their success.

Crucially, Mr. Tichy ran the Leadership Development Center of General Electric (and has written about the era of the G.E. chief John F. Welch Jr.). This new book, too, often goes to that bottomless G.E. well.

The argument? Men of action, it turns out, need words.

Winning C.E.O.’s, the authors affirm, frame and relentlessly narrate an apt story line about the company.
They also pick very good people, and fire their blunders fast. Strategy matters, the authors note, but forming the team comes first.

And crises test not snap-decision prowess but rather prior preparation. The best C.E.O.’s gear up to make a major call before it becomes necessary, or impossible, to do so. Malcolm Gladwell is wrong, they say: judgment is a process, not an intuitive blink.

Compelling stuff, enriched by nuanced attention to even a good decision’s sometimes unpredictable aftermath — and the need for “redo loops.” But the authors’ well-told, if scattershot, stories often do not illuminate the line between great and mundane judgment.

They return again and again to W. James McNerney Jr., the G.E. veteran who was appointed chief executive at Boeing after it became embroiled in a Justice Department inquiry alleging illegal use of a competitor’s documents.

The authors champion him for settling with the Justice Department (for $615 million). But was fighting a realistic option? Even after settling, he was called before the Senate. Was it such a leap when Mr. McNerney made a virtue (a Boeing integrity campaign) out of a necessity?

Another example: A triage nurse diverts staff members from a cardiac-arrest patient who appears to be 80 years old, sending them to help a pregnant teenager who has been shot. The elderly patient dies; the teenager and her baby survive. A tough job, certainly, but was the nurse’s decision a great call or an obvious one?

Thanks to the authors’ access to Jeffrey R. Immelt, now General Electric’s chief executive, the chapter on today’s G.E. proves informative, but by their own main criterion his inclusion seems unwarranted, since his strategic bets “have not paid off in terms of stock performance.”

Perhaps their best case involves A. G. Lafley, the chief executive of Procter & Gamble, because under him market capitalization grew from $74 billion in 2000 to $200 billion in 2007. (P.& G. swallowed Gillette.) Mr. Lafley picked Deborah A. Henretta to run the company’s baby care business — a move the authors celebrate as a great call because Ms. Henretta understood the centrality of the consumer and of branding.

But so sure was Mr. Lafley of his judgment, the authors observe, that he didn’t line up other key players, and his appointment of Ms. Henretta hit an immediate wall of resistance. He spent considerable time consulting with all the parties, but after the decision was made.

As this example demonstrates, Mr. Tichy and Mr. Bennis are really writing about learning. Judgment entails not just wide experience and the right values, but also the ability to acknowledge and correct mistakes and — an even harder task — to put in place channels of communication that cut through and across hierarchies.

GREAT leaders, the authors show, seek and gain self-knowledge, learn to teach their point of view and make those around them into their teachers. It’s that old Welch-era G.E. “operating system.”
Too bad circumstances often gum up the works. David C. Novak, the chief executive of Yum Brands, explains to them why McDonald’s can succeed by offering seven types of food under one roof, and yet Yum customers would not go to Yum’s KFC for a pizza or to Yum’s Pizza Hut for fried chicken. Mr. Tichy and Mr. Bennis expect Mr. Novak, as the leader, somehow to hurdle this multibranding barrier to higher growth.

Luck can break the easy way, too. Managers at Best Buy learned that they had a female customer base and started hiring some women. “Best Buy,” a senior executive of the company tells the authors, “has the numbers to show that the more women they have per store, the higher the sales.”

The book concludes with an encomium to the leader of New York City’s new academy for principals, part of a continuing experiment in improving the public school system under mayoral (C.E.O.) control. It remains puzzling how Mr. Tichy and Mr. Bennis measure management success here — clearly, not via market cap.

Throughout, they write about “empowering frontline people,” but they seem hung up on finding that single Great Leader. And that improbable quest can cost a fortune.