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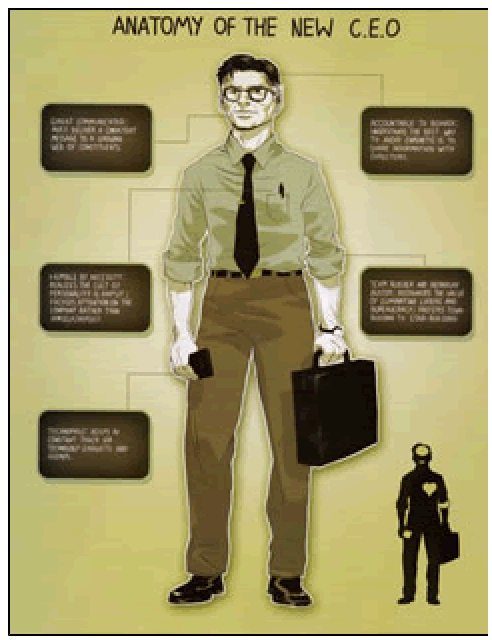
COVER STORY

Rise of the New Breed

The age of the imperial CEO is waning. In its place, a crop of new CEOs—humble, team building, highly communicative—are rising.

BY JUSTIN MARTIN



Upon joining CDW two years ago, John Edwardson had a large picture window installed in his office. Where CEOs have traditionally worked in hushed inner sanctums—far from prying eyes—Edwardson wanted employees to be able to look right in and watch him work. He also outfitted his office with a pair of vintage Bally pinball machines, the better to entice workers to take the unprecedented step of actually dropping by the CEO’s office for a casual visit.

Edwardson, 54, formerly president of United Airlines, has even made a series of wacky wagers, all part of an active campaign to diminish the majesty and mystery of his role as chief executive. CDW is a $4.3 billion Vernon Hills, Ill., company that sells IBM, Hewlett-Packard and other manufacturers’ computers and related equipment by phone and over the Internet. Throughout his tenure, Edwardson has made regular bets that the company can’t achieve certain metrics. When it has, he has responded by shaving his head or growing mutton-chop sideburns. Edwardson doesn’t act like a traditional CEO, doesn’t look like one (at least, right after losing a bet) and he certainly doesn’t talk like one. “Hey, it’s important for me to be visible and accessible,” he says. “I’m trying dream up unique ways of energizing and motivating my co-workers.”

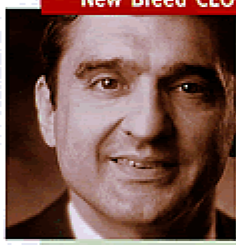
Edwardson is an original, no question. But it’s safe to say that he is also representative of a growing phenomenon. Increasingly, the top spots in Corporate America are getting handed to a new breed of CEO. It’s an ever younger leader, one more often in his or her 40’s or 50’s than 60’s and 70’s.

But the trend is not merely generational. A host of factors have contributed to a new corporate environment, one that has changed the nature of the CEO job, as well as the leaders themselves The classic CEO management mode—distant and hierarchical—is losing out to a new style that’s more open, communicative and collaborative. These team-builders, no longer royalty, are valued as much for their unsullied reputations as their solid track records. They feel at ease with the lates technology and eschew extravagant perks, sporting a humility that would have been considered, well, unseemly even a decade ago. They use the media to communicate with their constituents, n to glorify themselves. “The imperial CEO is dead,” says Peter Crist, a 26-year veteran of the executive-search field.

Of course, skeptics may ask whether the change is merely window-dressing, with the same CEOs simply toeing a new party line to appeal to the more critical masses. The new-breed CEOs aren't, for example, taking more humble salaries. And it's possible that as these modern CEOs age and settle into their jobs, their styles could revert to the more traditional top-down approach.

But the shift in style appears real, at least for now. Arguably, the single greatest contributor to the rise of new-breed CEOs is the fact that the economy has slumped the past several years. Back in the Roaring Nineties, everything was going so swimmingly that companies could virtually run themselves. That freed up many CEOs to focus all their energy externally—on Wall Street and the media. For some of these celebrity CEOs, the closest they came to mingling with employees was when a new issue of *BusinessWeek*—featuring their image on the cover—circulated through the office.

New Breed CEO



JOE GALLI

CEO of Newell Rubbermaid

Age: 45

Career path: UNC/Chapel Hill graduate; gained old economy experience (Black & Decker) and new economy experience (Amazon.com) before assuming current post in 2001.

New breed characteristics: Values speed and flat organizations; eliminated COO job and other layers upon being named CEO.

Then came the wake-up call, economic hard times that have resulted in more than 4 million layoffs over the past three years. Still, work-force reductions have their limits. There's only so much that can be accomplished through cutting, cutting, endless cutting. Enter a new challenge: how to inspire stellar performances from the remaining employees. This is no mean feat given that these pink-slip survivors tend to be overworked and demoralized.

When Tenneco Automotive was spun off from its parent in 1999, Mark Frissora was named CEO. Tough timing: Frissora stepped into his new role at the very moment the company plunged off a cliff, balance-sheet-wise. Almost immediately, Frissora had to start laying people off. The company quickly shed 25 percent of its work force, going from more than 24,000 employees to 19,600. But for Tenneco, the latter number represented a kind of lower limit. There have been no further layoffs the past two years. And Frissora turned to an entirely different set of skills. "What separates me from some of the traditional CEOs that I observed earlier in my career," he says, "is that I have to be a very good communicator."

Today, Frissora finds himself acting as a combination coach, cheerleader and motivational speaker. He has dreamed up a variety of awards for exceptional employees. There's the president's award, which is a cash bonus, as well as EDs, which stands for "execution and discipline" and consists of a little Oscar-like statuette. "In this environment, you have to creative and you have to do more with less," says Frissora, whose company is based in Lake Forest, Ill. "I think today's CEOs have to have good dose of enthusiasm. If you can't articulate that, you're going to have demoralized people."

It's worth noting that $3.5 billion Tenneco Automotive, despite its diminished work force, has post six consecutive quarters of improved earnings. The stock price doubled over the past year.

Squeaky clean, with a knack for complexity

Persistent corporate scandals at companies such as Enron, Tyco and WorldCom have also helpe usher in a new style of CEO. Companies are now selecting the big boss with an eye toward avoiding future crises. According to Thomas Neff, chairman of Spencer Stuart, search firms such his are increasingly being asked to do deep background checks on prospective CEOs. Often this requires subcontracting to an investigative firm such as Kroll. "Today, a CEO has to be squeaky clean," says Neff.

John Hammergren was named CEO of McKesson in 1999, following a financial restatement that shook the investors' faith in the company. Overnight, the giant San Francisco-based health-care firm saw half its market cap vaporize, and CEO Mark Pulido was forced out. For Hammergren, stepping into the CEO's job in the current climate—and under McKesson's special circumstances has been quite a challenge. "The reputation of Corporate America has been sullied," says Hammergren, "and the reputation of CEOs has been tarnished and it makes the complexity of our job even greater."

That theme—the increasing complexity of the

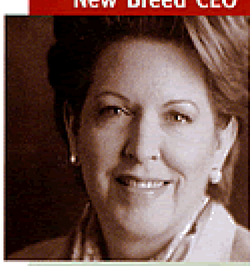
job—is becoming common for most CEOs.
Even at companies untarnished by a recent scandal, a vast web of constituents is demanding eve more contact and consolation from the CEO. Art Collins, CEO of Medtronic, a $7.7 billion Minneapolis-based manufacturer of medical devices such as pacemakers, has long been an avid practitioner of managing by walking around. When he was handed the top job in 2001, he figured he'd try to reach out to as many of the company's 29,000 workers as possible. He holds weekly luncheons with 30 or so employees, representing a cross section of the firm. But he says he finds himself increasingly beholden to other constituents: customers, regulators, physicians, hospital administrators, patient advocacy groups, shareholders, the media—the list goes on. There's no sense fighting it, he concedes, it's just a fact of the job, circa 2003. "Here in the post-Enron/Arthur Andersen era, a greater degree of skepticism exists," says Collins.

New-style CEOs don't court the press with the aim of aggrandizing themselves and becoming celebrities. But it's more necessary than ever—as Medtronic's Collins and others have learned—t have good media relations in order to tell the company's story, particularly when there's a concern or controversy.

Conspicuous symbols of CEO royalty continue to be on the wane. For example, the term "corner office"—once a worthy aspiration—has become a kind of shorthand for one of power's more superficial trappings. Mike Eskew, the soft-spoken CEO of UPS, has no private jet, no limo and shares an administrative assistant with three other people. Like Dell founder Michael Dell, Medtronic's Collins doesn't even have an assigned parking space. "If I want to park closer, I get ir early," Collins says. General Electric CEO Jeff Immelt's style couldn't be any more different than Jack Welch's: Rather than demanding a blizzard of numbers from his direct reports, Immelt prefer to put his feet up on a desk and have a quiet chat.

Truly, CEOs are managing differently today, with less of a sense of entitlement. Harry Kraemer ha worked at Baxter International in Deerfield, Ill., for 21 years. Every day, he makes a point of walkin past the cubicle where he worked in a junior position when he first arrived at the company. "I try t remember how I thought when I was sitting in that cube," he says. "When I make a decision, I try put myself in the mindset of the person I was 21 years ago. My job is all about taking other perspectives into account."

New Breed CEO



CHRISTINE JACOBS

CEO of Theragenics

Age: 54

Career path: Daemon College graduate; worked in hospital administration for 13 years; switched to private sector and, after joining Theragenics, earned MBA at Georgia State. Named CEO in 1993.

New breed characteristics: Tech savvy Black-Berry devotee; expert communicator and team builder

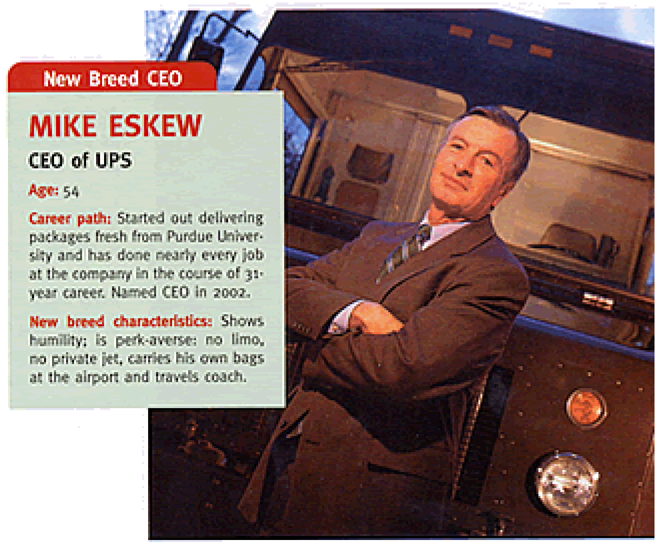
Tenneco's Frissora offers a similar assessment. "This company has a talented group of people. The moment I start talking about myself, they start disconnecting and I lose them," he says. "In today's environment, yo have to check your ego at the door, and make sure it's about the team members and not about you."

That's yet another factor: teamwork. Sure, intensified competitive pressures may be the catalyst behind companies adopting team-based approaches. But there is no doubt that team-oriented companies also demand a different kind of CEO.

Christine Jacobs is CEO of Theragenics, a Buford, Ga., company that manufactures radioactive seeds used in the treatment of prostate cancer (Rudy Giuliani successfully fought the disease using Theragenic's product). To brainstorm new ways to use its radioactive seeds, Jacobs h organized the company into a series of R&D teams. She loves to throw together people with diverse backgrounds: an accountant, say, with a physicist and a guy who runs a cyclotron machine. "It involves employees in the company's future, so that people at all functions and levels are buying in," she says. "Everyone is involved in what's going to make the company succeed. I want the whole company to be empowered. I can't c this alone."

It may be hard to believe, but one of the requisite traits of new-breed CE is humility. Book stores offer abundant titles suggesting that managers emulate Machiavelli, Atilla the Hun and other unsavory but decisive individuals from history. With management style fast changing, look for *Leadership Secrets of Jimmy Stewart* any day now. Says UPS's Eskew: "I'm one of 360,000 peo who work here. I'm also the ninth CEO in 96 years. This company is a whole lot more than me an it's going to be here way after I'm gone. My job is to help keep us on track toward very long-term goals."

As nice as that sounds, skeptics aren't wrong to question the humble-CEO model. Getting to the top, after all, requires blazing ambition and fierce drive, traits that are anathema to modesty. CEC do tend to be silver-tongued and no doubt there are those who are merely doing a canny self-repositioning. It's akin to politicians moving left or right to suit the temper of the times. "I think that for at least some of these guys it's merely a stance," says Leslie Gaines-Ross, a CEO reputation expert with Burson-Marsteller and author of *CEO Capital: A Guide to Building CEO Reputation an Company Success*. "Given the recent scandals and the negative way in which corporate leadersh is perceived today, appearing humble can be the politically correct thing to do."



Not that CEO humility necessarily extends to compensation. Don't hold your breath waiting for someone to say: "I'm just one of 25,000 associates at General Amalgamated. My pay should be on par with everyone else's." A survey conducted by Pearl Meyer & Partners of 200 large U.S. companies found that median CEO pay was $10.8 million in 2002, an increase of 6 percent.

Even skeptics should be aware, however, that besides powerful attitudinal reasons, there are also some structural changes to corporations that truly are causing CEOs to work in new ways. Foremost among them are the board governance and composition requirements spelled out in Sarbanes-Oxley and in the listing criteria of both the New York Stock Exchange and Nasdaq. Companies must now appoint independent directors to head their audit committees, and must have a majority of outside directors on the board. Gone are the days of CE worship when corporate leaders could surround—and arguably insulate—themselves with friends and insiders. Today they're expected to sit on boards that challenge them and aren't afraid to knc them off their perches.

The new CEOs, therefore, have to be exemplars of good corporate governance. Baxter's board consists of CEO Kraemer and 10 truly outside directors, people who have no other professional affiliation with Baxter. Likewise, Kraemer avoids any inter-linking, or the no-no of serving on his board members' boards. In Kraemer's estimation, an independent board keeps him honest and accountable. From a governance standpoint it keeps everything properly aligned: he serves the board; the board serves the shareholders.

While some more traditional CEOs balk at outside director dominance, questioning how personall invested these directors are in the company, new breed CEOs are more likely to align themselves with the corporate philosophies born of today's heavily regulated environment. "You don't want a wink-wink board consisting of a bunch of old college buddies," says Kraemer. "You need a board that will question and challenge and push you."

In search of the flat organization

Another significant corporate structure change: Many companies are getting rid of the position of chief operating officer. Just in the past few months, the COO post has been eliminated at Lucent, Reuters and 3M. This move can have a profound effect on how a CEO manages. It eliminates a layer of management between the CEO and division heads and makes it possible for CEOs to communicate more directly with their employees. In other words, it's a real hierarchy buster.

In 2001, Joe Galli became CEO of Newell Rubbermaid, the $7.4 billion Atlanta company behind such brands as Sharpie pens, Goody hairbrushes, and Levolor blinds. One of his first acts was to get rid of the COO position. "A layer always creates some sort of bureaucracy," says Galli. "We're trying to build an apolitical company that's long on decisions, action and speed; short on bureaucracy, politics and time-consuming procrastination."

It can't be entirely attributed to the lack of a COO, but Galli says that approval times for capital expenditures have been cut by 90 percent. Overall, he's trying to flatten the organization. There once were 11 layers between the CEO and a major customer. Now there are three. "Wal-Mart is a very demanding customer," says Galli. "We owe it to all our key customers to move more quickly."

In the comfort zone with technology

One final attribute of new-breed CEOs is that they are far more tech savvy than their predecessor A recent study—co-produced by Forbes.com and Gartner.com—found that 82 percent of C-level executives check email at the start of each workday, 58 percent do online research and 80 perce use search engines such as Google. There's no comparative study—from, say, five years ago—b it's a safe bet that those numbers were much, much lower.

Today, many CEOs, including General Motors' Rick Wagoner, use electronic devices to communicate with key people in their organizations. BlackBerrys are becoming as ubiquitous among newer CEOs as country club memberships were among the prior generation.

This communication technology— particularly email—is proving to be another consummate hierarchy buster. Getting an audience with the CEO used to require employees to make an appointment, then wend their way through the treacherous territory of the executive suite. Now, it as simple as sending an email. Have a question for Baxter's Harry Kraemer? Just send it to askharry.com, an address on the company's intranet.

Jacobs of Theragenics is a BlackBerry fanatic who deeply values email's power to cut through hierarchy. She has no choice but to move quickly. Theragenic's radioactive seeds are made of Palladium-103, a member of the silver family that has a 17-day half-life. Thus, Theragenics has to be a master of just-in-time manufacturing, creating only enough radioactive seeds to meet the current needs of patients undergoing treatment for prostate cancer. Even so, each day on averag the company loses 4 percent of its expensive inventory. "Everything is so 'now,'" says Jacobs. "Th economy and my particular company are moving so fast. I've made it clear to everyone who work here that they're expected to go at the speed of light. If anyone needs me they can get me any time, they only have to realize, it may be by email. I'm a live-time manager."

So there it is: a new breed of CEO, working smarter and faster, communicating openly and relying on technology. Who knows? As this style gains popularity, maybe it will be just what's needed to push U.S. companies back into high gear.

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