ARTHUR W. PAGE SOCIETY
FOUNDED 1983

JOURNAL

What Keeps CEOs Awake at Night?

18TH ANNUAL SPRING SEMINAR
APRIL 3–4, 2003
ST. REGIS NEW YORK HOTEL, NEW YORK CITY

THE PAGE PHILOSOPHY

Arthur W. Page viewed public relations as the art of developing, understanding and communicating character — both corporate and individual.

This vision was a natural outgrowth of his belief in humanism and freedom as America's guiding characteristics and as preconditions for capitalism.

The successful corporation, Page believed, must shape its character in concert with the nation's. It must operate in the public interest, manage for the long run and make customer satisfaction its primary goal. He described the dynamic this way:

"Real success, both for big business and the public, lies in large enterprise conducting itself in the public interest and in such a way that the public will give it sufficient freedom to serve effectively."

THE PAGE PRINCIPLES

Page practiced six principles of public relations management as a means of implementing his philosophy.

• *Tell the truth.* Let the public know what's happening and provide an accurate picture of the company's character, ideals and practices.

• *Prove it with action.* Public perception of an organization is determined 90 percent by doing and 10 percent by talking.

• *Listen to the customer.* To serve the company well, understand what the public wants and needs. Keep top decision-makers and other employees informed about public reaction to company products, policies and practices.

• *Manage for tomorrow.* Anticipate public reaction and eliminate practices that create difficulties. Generate goodwill.

• *Conduct public relations as if the whole company depends on it.* Corporate relations is a management function. No corporate strategy should be implemented without considering its impact on the public. The public relations professional is a policymaker capable of handling a wide range of corporate communications activities.

• *Remain calm, patient and good-humored.* Lay the groundwork for public relations miracles with consistent, calm and reasoned attention to information and contacts. When a crisis arises, remember that cool heads communicate best.

Page recognized an additional truth: A company's true character is expressed by its people. This makes every active and retired employee a part of the public relations organization. So it is the responsibility of the public relations function to support each employee's capacity to be an honest, knowledgeable ambassador to customers, friends and public officials.

ARTHUR W. PAGE SOCIETY
FOUNDED 1983

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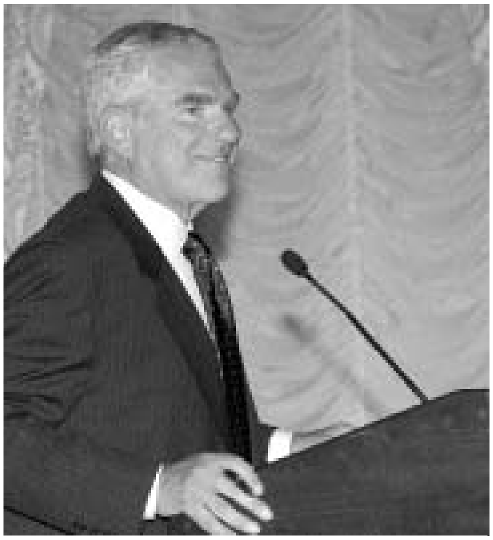
A VERY BIG WELCOME FOR SPRING SEMINAR 2003

When they began planning the 2003 Spring Seminar, Judith Muhlberg and Richard Edelman had the additional challenge of wrapping the Seminar around a very important occasion – the kickoff of the Society's 20th Anniversary year. The end result – or bottom line, if you prefer – was an unmitigated success.

A record number of members and guests came to hear "What Keeps CEOs Awake at Night?" and to raise a glass to Arthur W. Page at the gala Thursday evening dinner in the Roof ballroom at the St. Regis New York. Sign-ups for this Spring Seminar started early and continued at full tilt until the registration reached nearly 180, about a third of them guests of members. (This is the only Page forum that permits guests.) The dinner, which was chaired by Ron Culp, was a huge success. The ballroom was packed with almost 300 members and guests. It was a night to remember for the Page Society.

The day programs were also memorable as a lineup of top presenters probed some of the important areas of concern for



David Drobis welcomed the biggest crowd ever for a Spring Seminar.

Richard Edelman kept the program moving as co-chair and moderator.

The chair of the Annual Conference, Chris Komisarjevsky invited the members to San Diego, September 14-16.

CEOs and public relations leaders. The planning committee wanted to focus on what may be the most important role of the public relations officer, that of counselor to the CEO. The co-chairs, Muhlberg and Edelman, believed that at a time when CEOs are under scrutiny, the chief communications officer needs a healthy measure of both judgment and circumspection to do his or her job. That's what the finely orchestrated program was designed to do, help public relations officers be more effective counselors.

In his welcome to the Spring Seminar, President David Drobis said, "I can think of no more significant and timely issue (for us to discuss) than that suggested by the Seminar theme. These are, to say the least, interesting times for CEOs and public relations people alike."

Drobis also noted that the very first Spring Seminar in 1986 dealt with similar issues but with a much smaller audience. It had only 30 participants.

It's very clear that the Arthur W. Page Society has come a long way in its first two decades.

Pictured at the reception are Catherine Bolton, PRSA, and members Betsy Plank and Maria Russell.

Lou Thompson, NIRI, and Dave Senay, Fleishman-Hillard, were among the guests at the Seminar.

Chris Komisarjevsky and Tom Mattia chat with Hall of Fame member Harold Burson.

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FACING REALITY: WHY CEO REPUTATION MATTERS

LESLIE GAINES-ROSS

DRAWING ON HER EXTENSIVE RESEARCH BACKGROUND, A RECOGNIZED EXPERT ON CEO REPUTATION EXPLAINS WHY REPUTATION IS MORE IMPORTANT THAN EVER.

Leslie Gaines-Ross knows whereof she speaks when she talks about CEO reputation. In her role as Burson-Marsteller's chief knowledge and research officer, she has directed landmark research in CEO and corporate reputation, becoming one of the most widely recognized experts on CEO reputation and how CEO reputations are built, maintained, enhanced and defended.

The problems of recent years have put a new focus on CEO reputation, Leslie Gaines-Ross told the Seminar.

"The past year's terrorist attacks, plunging stock prices and (the sight of) CEOs walking off in handcuffs has certainly brought about a whole new set of assumptions about CEOs," Gaines-Ross said. "And many of those assumptions are not at all pretty."

In these trying times, she continued, CEO reputation matters more than ever. With three CEOs departing their jobs every business day, it is obvious, she said, "that who is sitting in that corner office, in that top slot, really does count." And whereas CEOs in recent years could grow their businesses by relentless acquisitions and touting of new technologies, Gaines-Ross said, "Today it's a lot harder and CEOs are faced with greater decisions than ever before."

The reputation of the CEO is important, she said, because it represents "the collective esteem by which significant others, inside and outside the organization, hold for the chief executive officer and, as a consequence, hold for the company."

Research by Burson-Marsteller in 1997, the first comprehensive study of CEO reputation, showed that 40 percent of a company's reputation could be attributed to the CEO. The percentage increased with each succeeding study until by 2001, it was 48 percent. "There seems to be resounding agreement," Gaines-Ross said, "that the CEO's reputation does matter in how a company is perceived."

Another reason why CEO reputation matters, Gaines-Ross explained, has to do with the valuable payoffs that flow from a good reputation. "It drives the best and the brightest to want to join your company," she said. "It raises capital. And, lo and behold, it really does help in giving the company the benefit of the doubt" when there is a problem.

A good CEO reputation matters to key constituencies such as top executives, financial analysts, the media, and government, Gaines-Ross said. But it also matters to customers and employees and, with the rise of the Internet, to new constituencies "that care about what CEOs are doing and their reputations."

A favorite story, Gaines-Ross said, concerns the CEO of a major bank who spends his days dealing with regulators, a hostile press and militant unions. But it gets worse when he goes home at night. "There," he says, "I have this whole other constituency, my wife, and she is demanding that I place more women in senior positions in the company."

While CEOs are getting pressure from many places and many sources, Gaines-Ross said, they also have to live with the fact that the CEO job has become something of a revolving door. "Nearly two-thirds of all major companies have replaced their CEOs in the past five years," she said. "The average CEO tenure is now four to six years, depending on what study you look at. And European CEOs are twice as likely to depart their jobs as U.S. CEOs."

Research by Burson-Marsteller, Gaines-Ross said, shows that a new CEO has about 15 to 18 months to prove him or herself. "CEOs really need to develop good reputations," she said, "because it serves as collateral for putting their strategies in place and developing long-term solutions."

But great CEO reputations are not accidental occurrences, Gaines-Ross said. They're built over the long term and they depend on certain drivers of reputation that go beyond financial performance, important as that is.

CEO reputation is a wealth-creating asset, Gaines-Ross said.

The first driver of reputation is credibility, Gaines-Ross said, which means consistent truthfulness and delivering on promises. She cited the example of New York Mayor Michael Bloomberg who put his post-election "promises" on his Web site and then provided commentary on how he is doing in meeting those commitments. "The fact that he was willing to put his promises on the record," Gaines-Ross said, "is an interesting example of credibility."

Ethical leadership is another driver. Gaines-Ross explained that this means following higher standards and being accountable for the decisions that are made within the organization. It follows that communicating well is another essential element of reputation. "CEOs need to provide an unambiguous roadmap that will guide employee decisions, customer decisions and ultimately guide the whole organization," she said. "In short, CEOs must be tireless communicators."

What Makes A Good CEO Reputation?

- Being Credible
- Ethical Conduct
- Communicating well internally
- Having quality senior management
- Motivating and inspiring employees

Having a high-quality management team is yet another driver of CEO reputation, Gaines-Ross said. "Company success is really built on the talent and values of that top team."

But it's also critical that employee constituencies are motivated and inspired. "CEOs must be the Pied Pipers of organizations," Gaines-Ross said, "whether it's in global Webcasts, town meetings, or small group meetings."

Looking ahead, Gaines-Ross said there are some questions about CEOs that need to be considered. The first is whether or not there will be enough qualified people to fill the top spot. "A recent Burson study found that among Fortune 1,000 senior executives, 54 percent said they did not want to be a CEO," Gaines-Ross said. "This is double what it was one year ago." And when you couple this reticence to be CEOs with the severe demographic shortage of people between the ages of 35 and 44 in the executive ranks, it is, in Gaines-Ross' opinion, a serious problem.

A new breed of CEO is also being defined, Gaines-Ross said, one that is quite different from the CEO of past years. Instead of the Celebrity CEO, she said, "We are seeing what I call the small-"c" celebrated CEO. These are the CEOs who are celebrated within the organization by dint of their strong leadership, their discriminating vision and their force of character. While these CEOs are focusing on fundamentals, it is a focus on fundamental, bedrock values."

She also believes the job description of the CEO needs to be rewritten so that two people are running the organization. Citing a number of companies where this is happening such as Intel, Southwest Airlines and Dell, Gaines-Ross said one of the pair takes on a much broader external role while the other assumes the internal role, running the day-to-day operations. "What's good about this arrangement," she said, "is that you have a built-in checks and balances system because the two people have to work things out together."

The CEO must also become the company's first citizen, Gaines-Ross said. "CEOs can no longer avoid some of the larger socioeconomic and political issues of the day. As corporate social responsibility becomes a more legitimate, permanent feature of the business landscape, companies can no longer thrive in isolation."

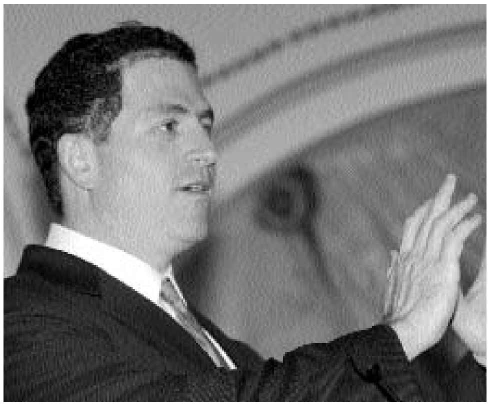
Finally, CEOs must provide meaning in the workplace. People thrive on community, Gaines-Ross said, and it's up to CEOs to capture the spirit and character of the organization. This is one of the things that will help restore trust in corporate America.

REBUILDING CREDIBILITY AND TRUST: A CEO'S VIEW

MICHAEL DELL

IN GOOD TIMES AND BAD, THE KEY TO MAINTAINING TRUST AMONG KEY CONSTITUENCIES IS HONEST AND OPEN COMMUNICATIONS.

To hear Dell Corporate Communications Vice President Elizabeth Allen tell it, Michael Dell is the perfect boss. To hear him describe his approach to running one of the world's most successful computer corporations, you gotta believe it.



Michael Dell credited public relations for playing a big part in the success of his company.

Dell was a 19-year-old college dropout when he founded his company in 1984 with an initial investment of $1,000 and an unprecedented idea for the computer industry: Sell computer systems directly to customers. "When I started," Dell said, "I didn't have a lot of credibility." With the Japanese dominating the computer business, "I had to go out and tell my story to anybody who would listen and try to convince them that this was a good idea."

Dell said he very quickly learned the value of public relations. The company was built, he said, using public relations to create relationships with customers, analysts, investors and the press and, internally, to create "a focused, high-performance team that could deliver great results."

The company's success in overcoming challenges, Dell said, is actually a reflection "of our culture, which has been one of taking risks, contrary approaches, direct dealing in all aspects of the way we do things, lots of access, and, of course, a commitment to customers."

One of the early challenges that the company faced was to convince people that Dell wasn't a mail order company. "We're a direct company," Dell said. "We design things. We manufacture them. We sell them directly. Essentially, we had to define a new category and explain what that meant in terms of delivering value."

To accomplish this, good communications was essential. "We had to set policies and develop clear messages throughout all of our communications about what the direct model really meant," Dell said.

But in trying to stake out a new position, Dell also challenged the industry. "Instead of just inventing technology for technology sake," he said in a 1990 speech, "the industry should be listening to the customers."

That was the Dell approach from the beginning. They were one of the first – if not the first – high tech company to hire a general consumer PR agency. "We wanted to think about how we could tailor our message for broad consumer audiences," he said.

It wasn't an easy sell. "We hit the wall a number of times," he said, "and had to reevaluate our strategy and set different priorities." When they had to exit the notebook computer market at one point, they re-launched their new, improved version with a major company-wide press event that became a model for future product introductions. They gave everyone on an American Airlines flight from New York to San Francisco one of their notebook computers to demonstrate that their new battery would hold up coast-to-coast.

On another occasion, when they launched their server business, Dell said, "We created this event called the Great Torch Event which was kind of modeled after the Olympic torch run. We made our employees into heroes because they were perceived as doing great things on behalf of our customers. It was very inspirational as well as educational."

Events such as this, with lots of hoopla and fanfare, he said, help get "our teams really fired up about what it is we are doing."

Despite some bumps in the road, Dell Computer Corporation did very well. By 1992, Michael Dell had become the youngest CEO of a company ever to earn a ranking on the Fortune 500. His reputation continued to grow as the company's sales over an 18-year period ballooned from $6 million to more than $35 billion, making Dell Computer Corporation one of the most preferred computer systems companies in the world. Not bad for someone who has just turned 38.

Dell explained that for most of its history, the company has been focused on the business market. "Our business is about 85 percent businesses and institutions and about 15 percent consumer," he said. "We have about twice the market share among large companies as we do small companies and about twice the market share among small companies as we do consumer."

Dell said that, going forward, the PR role will be even more important and challenging.

And while the small business and consumer segments are growing faster, Dell said, "Our real growth emphasis right now is in the enterprise with servers and storage and services."

Asked where his drive came from, Dell said, "I like to win. I like to have fun, and, you know, we're having a great time. I couldn't see myself doing anything differently. I ask myself, what's the full potential of this business? I know it's a lot more than what we're doing today."

Dell told the seminar audience that they are in a challenging environment. "The advent of the Internet has changed the speed at which communications occur," he said, "and you have all sorts of new constituencies out there to contend with. You also have new regulations and disclosure requirements that present some very unique challenges."
In response to a question, Dell said the scandals of the past year and a half were, in his opinion, the result of people getting "caught in a little lie, then a little bit bigger lie and, all of a sudden, you've got a huge lie. Everyone felt forced to come up with better and better results, and the way these companies decided to do it was obviously not the right way to do it.

"These are pretty basic things that we should have learned early on," he said. "Don't lie, don't steal, don't cheat, and tell the truth."

Going forward, Dell said, the PR role in business is going to be more important than ever. "The rate of change in the world and the number of unpredictable events," he said, "are going to challenge all industries to either succeed or fail at a faster rate. This is a huge challenge for communications professionals. Whether it's employee loyalty, customer loyalty or investor loyalty, PR and IR functions will play an absolutely central role in the real guts of what's important in today's business."

A rapt audience hung on to Michael Dell's every word as he told how he turned the Dell Computer Corporation into an industry powerhouse.

Ward White got a laugh from Dell's answer to his question.

THE CHALLENGE OF LEADERSHIP IN OUR TIME

LEON PANETTA

IN BUSINESS OR GOVERNMENT, EFFECTIVE LEADERSHIP IS DEPENDENT ON PUBLIC TRUST; MAINTAINING OR RESTORING TRUST INVOLVES THREE THINGS: ACCOUNTABILITY, TRANSPARENCY AND INTEGRITY.

Leon Panetta may be the ultimate insider, moving seamlessly from private to public sector and back again. Throughout his long and distinguished career in both camps, he usually had the ear of those in charge and a discerning eye for how things work.

He is also a firm believer in keeping his perspective and, as he puts it, "his compass straight." During his 16 years in Congress, he commuted back to his home district on the Monterey peninsula of California almost every weekend. "I think it's important for anyone who works in Washington to get the hell out of town once in while," Panetta said, "so that you don't lose your perspective about what's happening in the rest of the country."

Corporate governance, Leon Panetta said, is all about restoring trust.

He had a different kind of perspective when he became President Clinton's chief of staff – a 24/7 kind of assignment that kept him tied to the Nation's capital. Panetta told the President he would do the job only through his re-election in 1996 and then he wanted to go back to California. "I've often said that in 30 years of political life of one kind or another, I could be accused of an awful lot," Panetta mused. "But one thing I cannot be accused of is having a bad sense of timing for when to get out of Washington."

That sense of perspective is being put to the test once again, this time in the private sector. As a member of the Board of the New York Stock Exchange, Panetta co-chaired the Corporate Accountability and Listing Standards Committee that proposed new standards and changes in corporate governance.

"The issue of corporate governance," Panetta said, "is all about restoring trust." While the series of scandals in the corporate sector is more the exception than the rule, he said, the reality is that when it happens it weakens the trust and credibility of all corporations.

But it goes beyond that. Panetta quoted Alan Greenspan, who said, "The continuing fallout from corporate scandals will affect the stock market and the demand for products." It doesn't help that we are dealing with a fragile economy that is impacted by uncertainty about global events, soaring deficits, and the continuing problems in the technical sector.

"Corporate governance is clearly one of the issues affecting our economy," Panetta said. "My sense is that it will be a number of years before this settles down." It will take that long, he said, for the laws and regulations and corporations "to adjust to the concerns that are out there."

The task of restoring public confidence and meeting investor expectations, Panetta said, falls equally on corporations, financial services firms, lawmakers and industry regulators. "All of us have a responsibility to try to confront this challenge," he said, adding that "the goal of this public/private partnership in dealing with this challenge involves three things: accountability, transparency and integrity."

Panetta said the country is going through "the most dramatic overhaul of business practices since the New Deal." The New York Stock Exchange recommendations call for independent directors, limits on payments to directors, shareholder voting rights, and CEO certification of compliance with the new listing standards. Congress, with Sorbanes-Oxley, imposed new requirements on CEOs, the creation of an accounting oversight board, and new disclosure requirements, among other things.

Within the next few weeks, Panetta said, "we'll see a $1.4 billion global agreement on the issue of research analysts and investment banking conflicts of interest." And beyond that, "within the next month and a half," the NYSE and National Association of Securities Dealers will issue their report on proposed changes in the IPO process.

The challenge of restoring public confidence involves accountability, transparency and integrity, Panetta said.

All of these new regulations and reforms are needed, Panetta said, "but they are raising concerns in the business community as to exactly what they should do." What is an independent director and how do you find qualified, knowledgeable people who can ask the questions that need to be asked? What is the responsibility of the audit committee and how do you find people with the right kind of financial background to do that job? What is the quality of the disclosure that is required and how much disclosure should we provide? "Those are the kinds of questions that need to be resolved," he said.

"There is also a fundamental shift in the center of gravity between CEOs and boards of directors," Panetta continued. "Boards of directors are going to be much more involved, much more questioning, much more active in challenging what goes on within a company."

At the same time, he said, "CEOs are going to have to recognize the cultural changes that have taken place. CEOs are going to have to be the managers of their corporations – not rock stars. They're going to have to be more involved in the day-to-day operations. There have to be levels of compensation based, not on comparables, but on how the CEO did in terms of improving the productivity of the company. And there has to be a focus on long-term stability instead of the obsession with earnings and meeting targets."

Panetta acknowledged that these changes are not easy to put in place.

John Cox had a question for the speaker.

He also recognized that laws and interpretations of laws are subject to change. But one thing should remain constant, he said. "For those of you who have the capacity to provide guidance for the image that your company presents to the country, it is essential that you always stress accountability, transparency and integrity."

Having been in Congress, Panetta said, "I know you cannot legislate these things. But you can't ignore dishonesty and incompetence. You have to do something to protect the interests of the public and that involves trying to improve enforcement of the new laws and regulations."

Another question was posed by Hunter Smith.

Ultimately, Panetta said, to restore trust in corporate America, "CEOs and boards of directors must make the decision that it is in their best interests to operate with integrity, transparency and accountability. There has been a fundamental change in the business ethics of this country and that has to be recognized."

In conclusion, Panetta said there is no question that we have the strongest free market system in the world. "But just as our democracy is dependent on trust, so is our economy. That trust has been badly damaged. It is now our common responsibility to do everything possible to restore that trust."

REPORT ON THE CEO SURVEY

JEEP BRYANT, DON WRIGHT

WHEN ASKED WHAT KEPT THEM AWAKE AT NIGHT, CEOS HAD A BROAD RANGE OF CONCERNS BUT ALSO SUGGESTIONS FOR HOW PR COULD HELP THEM DEAL WITH THOSE CONCERNS.

To bring some additional CEO voices into the discussion, the Spring Seminar planning committee asked Don Wright, co-chair of the Page Society Research Committee, to frame a pre-Seminar survey based on the theme of the meeting, "What Keeps CEOs Awake at Night?" Planning committee member Jeep Bryant, who worked with Wright on the survey, said, "We wanted to see if we could get some candid answers to the question and also gain some insight into how they believe the communication function could help them rest easier." They got both.

Jeep Bryant gave the report on the survey of CEOs done prior to the Seminar.

Wright explained that the study involved personal interviews with the CEOs of 16 companies that represented "a fairly good cross-section of business interests. The interviews were conducted by the chief public relations officers of each company." He added that to protect the confidentially of the CEOs, they would not address, in this briefing, specific things that were said by certain individuals. However, many of the participants said the same thing so there was a degree of consensus.

Bryant led a brief discussion of the survey results. When the most frequently mentioned CEO concerns, which ranged from reputation to global business opportunities (see box) were displayed, he said, "it is possible to see public relations opportunities in every single one of these issues. But a few strike right at the heart of what we do." That included building reputation, re-establishing trust and confidence, the challenges of successful marketing in organizations today, and managing and worrying about potential ethical issues.

The verbatim comments, Bryant said, provided some interesting perspectives. This was one: "The lousy environment – the economy, terrorism, impending war with Iraq, global tensions, corporate misdeeds, credit defaults, stock market in the dumps – it's dangerous out there." Another, less threatened, view was: "The biggest challenge I face is creating an organization that is capable of learning and changing." This prompted Bryant to comment, "A communications challenge is obviously wrapped up in that. It also points to the partnership that we need to have with our human resources colleagues."

The CEOs in the survey had a number of reasons why the concerns they expressed were high on their agenda. "Many of these issues," Bryant said, are seen as having "a significant impact on virtually every part of the company's business." They also have a potential financial impact.

Referring to earlier discussions about the importance of financial performance for CEOs, Bryant said, "Our CEOs thought that top line growth is a key ingredient in creating interest in their organization – interest from customers, employees and investors." There was also a recognition in their comments, Bryant said, that some CEOs are "grappling with the very viability of the business. Will we be around for generations to come?"

In one of the verbatim comments, a CEO said, "The fact that we have little ability to influence or manage these issues forces us into a reactive mode." Another said, "It's complicated, involving multi-faceted/interconnected matters because it's hard to influence the behavior of people you can't control." Obviously the CEO job is not an easy one.

Don Wright was the architect of the study of CEO concerns.

"When we asked, what are the five most important opportunities or issues that concern you," Bryant said, "we found we had opened a wide window into the minds of the CEOs. Many of the issues mentioned spoke directly to the work involved in the communications function." They included making the company attractive to investors and shareholders, Wall Street's short-term focus and improving communications with sales forces.

But they also listed such things as pension liabilities, health insurance costs, a changing regulatory environment, and corporate governance issues – all gut issues that every CEO has to deal with.

So what is the role of public relations in dealing with the issues that CEOs are concerned about? Bryant ran down the list: "PR is vital to framing the issues. PR provides critical input. PR drives sales. PR helps people understand the challenges and opportunities for change. PR helps us build our brand and our reputation. PR serves as the eyes and ears of the company."

To which Bryant observed, "Perhaps we could add that we aspire to be a major part of the brain and heart as well."

Bryant concluded by thanking the members "who got your CEOs to sit still long enough for these questions. I know some of you ended up having to do it on the run or on the plane."

The companies participating in the research were Aetna, Air Products and Chemicals, Inc., Allstate Insurance, Alticor, The Boeing Company, Cephalon, Dow Corning, Electronic Data Systems, GE Commercial Finance, ITT Industries, Michelin North America, Northwestern Mutual, Pepsi Bottling Group, PNC Financial Services, Siemens, and Verizon.

What is the most important business-related concern that is likely to keep you awake at night?

- Reputation
- Innovation
- Re-establishing trust and confidence
- Challenges of successful marketing
- Personnel issues
- Achieving growth in a declining economy
- Potential ethical issues
- Civil justice reform (tort reform)
- Potential ("What more must we do to become all we possibly can be?")
- Global business opportunities

THE STORY BEHIND THE STORY: THE COLLAPSE OF ENRON

BETHANY McLEAN

THE TRUTH, IF SOMEONE LOOKED FOR IT, WAS BURIED IN DENSE FINANCIAL STATEMENTS. AND WHEN SOMEONE DID LOOK, A HOUSE OF CARDS CAME TUMBLING DOWN.

As Jim Finn observed in his introduction of Bethany McLean, the journalist credited with breaking the Enron story did so by examining the company's numbers and doggedly pursuing the answers to the questions they raised for her. Ironically, it took the rest of journalism 10 months after the publication of McLean's March 2001 *Fortune* article, "Is Enron Overpriced?" to catch up.

Bethany McLean described her early questioning of Enron's stock price.

Speaking at the Page Society's Spring Seminar about the article she wrote, the young writer said she wanted to share "some thoughts on how the business world and the journalism world have changed in the aftermath of the Enron scandal." Her appearance provided the audience with a preview of her book, *Enron*, which will be in bookstores in September.

A source who is a short-seller of stocks suggested McLean take a look at Enron's financial statements. As a former analyst at Goldman, Sachs, McLean has a comfort level with numbers not shared by all business journalists. She noticed that the company had a very low return on invested capital, about seven percent, and she asked herself, "Why would you put your money in a risky company that was earning a seven percent return when you could put it in a Treasury bill at that time instead?"

She saw that "the company generated almost no cash flow," she said. "Its earnings were going straight up nicely, quarter after quarter, meeting Wall Street's expectations, but there was almost no cash flow. And as everyone knows, you can't run a business without cash."

There were also disclosures in the statement of what she called "this odd entity that Enron did business with, the related party that was run by a senior officer at Enron...It was impossible to decipher what the company was talking about with these disclosures, but nonetheless, it was there," she said.

She was further struck by the "astounding hype surrounding Enron's stock price," she said. In late 2000, early 2001, "Enron's stock was then...around $80 or $90 a share, trading at about 60 times' earnings, and Jeff Skilling was saying publicly that the company should be valued at $126 a share. You don't stumble across that level of hype and explicit predictions for a stock very often."

She began making phone calls to portfolio managers and found that "the skepticism with Enron really was right under the surface." And then, when she spoke with top management at the company, their reactions and evasive

McLean was introduced by Jim Finn.

answers convinced her and her editors that there was more to the story.

When her article appeared, it did not include anything about the partnerships, something she now calls "a huge error of judgment. But," she said, "I thought at the time, if the board has signed off on these and the accountants have signed off on these, and it's disclosed in Enron's financial statements, then maybe I'm crazy for making so much of this or for thinking this is odd...I was obviously really naive about the corporate governance issues involved."

Later, in August 2001, Skilling resigned and the next month Enron announced third-quarter earnings and took a big write-off for the various partnerships. "That's when everything started to come out," she said, and criticism began to be leveled "at basically every party even tangentially involved in the Enron story, from the board to the accountants to the Wall Street analysts, to the press."

Aside from the generous investment banking fees that were paid for favorable ratings, she said, the analyst community was loath to admit that it didn't understand what was going on. "It's a modern-day version of the Emperor's New Clothes," McLean said. "And in retrospect I think it's a huge lesson to all of us, that if you don't understand something, maybe there's a good reason for it."

This is part of the reason why she is skeptical about much of the new legislation aimed at making Wall Street ratings more fair. "I don't think you can legislate independence of thought," she said.

She believes that some of "the criticism of journalists in the wake of Enron for not doing enough hard-hitting stories on companies' financial statements...is fair." Many journalists feel it's not necessary to understand finance in order to write about business, an attitude she deplores. And furthermore, "numbers aren't always fun...Personalities are much more fun. It's much more exciting to go write a profile of a company, to talk about their aspirations, to talk about what clothes the CEO wears..."

Enron's partnership arrangements puzzled McLean, but she didn't write about them.

McLean doesn't envy the job the investigators have to unravel all the facts concerning Enron. "In the big picture," she observed, "it's clear that Enron was a fraud, by any definition. Its financial statements had nothing to do with reality, and if that's not fraud, then what is it?"

But pinning down the actual fraud will be difficult because most people at Enron will say they followed the rules. "And I think," she said, "what that really speaks to is the danger of basing ethics on rules and believing that that alone addresses the question of right and wrong."

The company's culture "played a huge role" at Enron, McLean said, "It was an extremely hypocritical culture, because Ken Lay would often talk about the company's system of ethics, and he spent a great deal of time on the

Matt Gonring was among those asking about the corporate culture at Enron.

visions and values task force, speaking about the importance of ethics." But attitudes among many there, she said, "was 'if it's within the rules or if we can twist the rules to get to a point where we think this is allowable, then we'll do it...' If anybody had ever stepped back and said, 'But is this right?' Is this fair play? Does this present the true economic picture of what we're doing? Is this the right thing to do for the people of California?' (then) Enron would have ended up in a very different place — and that's all culture."

Were people knowingly manipulating things, she was asked, or was the culture so strong that they actually started to believe it? "I think...most people believed it and...they saw it as being creative," she said.

If she had been at Enron, how would she have handled a call from a journalist like herself? McLean was asked. ""I think the great way to always diffuse the press is to address questions openly and honestly," she said. "I think Jeff Skilling would have diffused me if he had said, "Oh yeah, but you know, here's why our cash flow is low...I don't know how he could have explained that...but if he could have made it sound reasonable, instead of telling me I was out of line, I would have thought, maybe I don't have a story here."

As for the public relations function at Enron, McLean said, "They believed every story, no matter what it was, could be spun. Even as Enron was going downhill in the final months and these details of these partnerships run by Andy Fastow were coming out in the press, Ken Lay believed it was all a PR issue and that the PR department should be able to fix it...I think you guys can do a great deal, but I don't think that responsibility landed on Enron's PR department."

Investors were willing to overlook clear signs of problems at Enron because they wanted the stock to go up, she said, and she doubts that similar situations couldn't arise again. "I believe that the market is ruled by fear and greed," she said. "Right now, fear is out of whack relative to greed, but I think that will change again in the next bull market, and I would guess there will be another Enron. And thank God for that," she joked, "because I'm all for full employment for journalists."

Jill Totenberg was another questioner.

FROM EXECUTIVE SUITE TO SHOP FLOOR: BRIDGING THE COMMUNICATION GAP BETWEEN LEADERS AND EMPLOYEES

ALISON DAVIS

"THEY JUST DON'T GET IT." AN INTERACTIVE SESSION EXPLORES WHY THE MESSAGE SENIOR LEADERS WANT TO COMMUNICATE IS NOT ALWAYS HEARD BY EMPLOYEES.

Alison Davis has spent 20 years working with major corporations, tutoring them in how to reach, engage and motivate employees so they can help their companies succeed. Now CEO of her consulting firm, Davis & Company, she is a firm believer that getting employees engaged requires communications that are as accessible and understandable as possible. And when the message doesn't meet that test? To quote the famous line from *Cool Hand Luke,* "What we have here is a failure to communicate."

Alison Davis led a discussion of how to close the communications gap between CEOs and employees.

Davis's presentation at the Spring Seminar didn't make a communications gap between CEO and employees seem as dire as what was about to happen to Paul Newman's famous character. But there are consequences, nonetheless, when the CEO can't get his or her message across.

"The CEO survey that you did before this Seminar," Davis said, "shows that chief executives are very interested in communicating with employees. What we want to do today is get you involved in coming up with some ideas about what CEOs should expect employees to know and what employees want to hear."

Telling her audience to form, in place, three- or four-person sub-groups, she asked them to take a few minutes to explore the question, "What do CEOs want employees to understand?"

The feedback came quickly and enthusiastically. The first group response: "The CEO wants them to understand the game plan, why we're playing this game, and what is each employee's role." Another response was, "How have changes impacted the company and what else needs to change?"

There was a shift to strategy in some responses. When you try to drive people to a common goal, how do you achieve a balance so everyone can express his or her views? How do you build loyalty throughout the organization? How do you build support for corporate goals and values? How are we doing?

Davis then shifted the discussion to "What do employees need?" Using a Davis & Company research report, "Listen to Me," to set the stage, Davis said, "Employees have a marvelous ability to communicate what they need and want. Our studies show that, above all else, employees want the straight story."

Davis said their research shows that only 33 percent of employees believe that communication at their company is accurate and truthful. "When a company isn't telling the truth," she said, "they're often not perceived as lying; it's just not the whole truth."

The timeliness of the communication is also critical, Davis said, since it influences whether the employees believe the messages are credible. Hearing about something after the fact makes employees wonder what is really happening.

And when they don't get the whole truth in a timely fashion, Davis asked, what do employees do? They turn to the grapevine and external media to get additional information.

"Technology has changed how employees view news and get information," Davis said. They can turn on the television or go on the Internet and "know immediately what is happening in the world," she said. "As a result, expectations about the timeliness and availability of information has gone way up. But internally, you've not kept pace."

Davis worked the room as she got her audience involved.

This prompted some in the audience to question how much information employees can handle. Isn't there a danger that they can miss the real message because of information overload? Or worse, get panicked because too much information is shared?

Davis agreed that a cascade of information doesn't work. "But I firmly believe that employees can handle just about anything," she said. "Just don't send the managers a Power Point of what was said in a senior management meeting," she said. "You have to define what is important and then let (the manager's work group) relate it to what they must do. But remember, managers can't communicate what they don't know."

Employees want to understand the corporate strategy, Davis said, but more important, they want "to understand what it means to them personally." Only 58 percent of employees in the Davis survey say they understand their company's business goals and strategy. "At one company," she said, "88 percent of those surveyed said they wanted more information about the company's business strategy."

Who should provide that information? Davis said only 35 percent of employees surveyed say senior leaders provide them with important company information. But 61 percent say their manager regularly communicates company information relevant to their job.

It's not that CEOs and other senior leaders aren't good communicators, Davis said. "They are. But they are also perceived as abstract and far away. The immediate supervisor is the one who can provide information and, more important, explanations."

Eliot Schreiber offers his perspective.

Another problem, Davis said, is that values that are crafted by upper management are not really values, they're goals. "And frequently," she said, "they don't communicate what employees perceive to be their values."

Managers need to know that communications is a key part of their job, Davis said, "it's not an add-on. They also have to be equipped to be good communicators. They need the skills. They need good information. And they need measurement of their performance."

A subgroup works on an exercise.

Managers meeting with employees in small groups is the best way to communicate, Davis said, "especially if it's an emotionally charged message. People need to develop an understanding of the message. It can't be just words from on high."

Although she understands it doesn't always work that way, Davis also believes that face-to-face communications with the CEO are best if they are unscripted. "They come across as more credible and genuine," she said.

A big part of the problem is listening, Davis said. "Is someone really listening to me?" she said. "Do I get a chance to ask questions?" Clearly, communications is more than just giving out information.

In closing the session, Davis said she has talked to a lot of people in corporations and she is "heartened by how smart and committed people are at all levels in the organization. When you make information accessible to these people in a way that is meaningful to them and helps them succeed, it's amazing how powerful and valuable that can be in terms of morale and trust in the company.

20TH ANNIVERSARY GALA DINNER

A highlight of the 2003 Spring Seminar was the official kickoff of the Arthur W. Page Society's 20th Anniversary year, which took place at a gala dinner in the St. Regis Hotel's rooftop ballroom. Close to 300 participants were on hand to help the Society launch the nearly year-long celebration in which a number of events are planned, including a birthday party marking the 120th anniversary of the birth of Arthur W. Page in September.


Page Society President David Drobis opened the gala dinner with a toast.

The record turnout at the April dinner was the result, not only of the Seminar's record registration for an outstanding program, but also because of invitations extended to associates and other friends of the Society. They were welcomed by members who had purchased tables for the occasion, the first time the Page Society has sold tables for a dinner. The proceeds will help fund a variety of anniversary activities.

Another first for the occasion was the addition of the Page Society toast, a tradition at the Society's Annual Conferences, in which glasses are raised to salute our forebears and current leaders. Page President David Drobis led the gathering in toasts to Thomas Jefferson, Arthur W. Page, the President of the United States and to the men and women who were then fighting in Iraq.

In his after-dinner remarks, Drobis commended Ron Culp and his committee for making the dinner such a special occasion. He went on to say, "I think Arthur Page would have enjoyed this Seminar because it is focused on the responsibilities of corporate leadership, something about which he felt very deeply. Page firmly believed that to enjoy success, a business must conduct itself in the public interest and in such a way that the public will give it sufficient freedom to serve effectively."

Page also believed, Drobis said, that in addition to operating in the public interest, large enterprises must manage for the long run and make customer satisfaction their primary goal. "Sounds easy," he noted, "and yet many companies have lost their way in recent years because they concentrated on the short term and took their customers for granted."

Page, he pointed out, "also thought that public relations should involve developing, understanding and communicating character – both corporate and individual. In his mind, a company's true character is expressed by its people. And that makes every employee a part of the public relations organization."


Ron Culp introduced his committee members and the evening's guest speaker.

But perhaps most important for the public relations profession, Drobis said, are the six principles that Page articulated to reflect his management philosophy. Those principles have been embraced by the Page Society "as guidelines for the practice of public relations. And they are the principles," he said, "that we have encouraged everyone who considers himself a public relations practitioner to adopt."

Case Study winners Megan Van Aelstyn and Kathryn Huang with their faculty advisor, Jim O'Rourke, and Jack Felton.

Drobis then called on Jack Felton, president and chief executive officer of The Institute for Public Relations, to introduce this year's winners of the Case Writing Competition in Corporate Communications. Along with the PRSA Foundation, The Institute is a partner with the Page Society in this two-year-old project in which business school students are invited to submit original case studies that are focused on corporate communications and the practice of public relations. In the call for entries, the future business leaders are encouraged to consider how the Page Principles might apply to the case studies they are working on.

Political consultant Mary Matalin was the featured speaker.

From its modest beginning, the project has seen a three-fold increase in the number of entries, with 19 submissions from 10 colleges or universities. Cash prizes were awarded to five cases, all of which are reprinted in a Page Society's Journal and on the Society's Web site.

Felton presented the Grand Prize-winning award of $5,000 to Kathryn Huang and Megan Van Aelstyn of the Mendoza College of Business at the University of Notre Dame and $1,500 to their faculty advisor, Jim O'Rourke. The winners also received engraved Jefferson cups as commemoratives.

Dinner Chairman Ron Culp then introduced the evening's featured speaker, Mary Matalin, renowned political commentator and former White House counselor. The Republican strategist reminded the audience that her husband and Democratic counterpart, James Carville, was a speaker at the Page Society's 1998 Annual Conference in Naples, FL.

Touching on the "new historical epoch," we're living in, Matalin compared the changes the public is demanding to the Page Principles, "not the least of which," she said, "involves truth and transparency." In political campaigns, she believes, people are going to be looking at candidates for "real programs and real solutions."

Matalin said we're in "a new historical epoch."

Since 9/11, she thinks "the American people are saying 'Don't spin us anymore.' This is real...and these are real problems." She added that people are looking for "serious, credible candidates. You can't be inauthentic."

The world has changed, she said. "Everything is different now. We need to be more committed to universal values that all nations commit to. And we need to be globally committed because of security concerns. We have to do what we are doing."

The Page Society's anniversary year will see the introduction of several initiatives, including publication of a book, *Letters to Our Shareowners*," consisting of essays written by leading CEOs, and a video program, "The Page Principles in Action," which features seasoned professionals in discussions about public relations challenges. Anniversary-related planning is being spearheaded by Ed Block and Jack Koten.

Anniversary Dinner Committee

Ron Culp, chair	Rich Jernstedt
Dick Badler	Jack Koten
Tom Buckmaster	Curt Linke
Harold Burson	Bill Margaritis
Peter Debreceny	Tom Mattia
Bob DeFilippo	Jim Murphy
Harris Daimond	Dave Samson
Richard Edelman	Debra Sanchez Fair
Steve Harris	Vicky Shire
Fred Hill	Kirk Stewart

NEW RULES – NEW WORLD

RICHARD BREEDEN

DRAWING ON HIS RICH EXPERIENCE IN GOVERNMENT AND BUSINESS, A FORMER SEC CHAIRMAN DISCUSSES THE NEW RULES OF THE GAME AND THE IMPACT ON CORPORATE OFFENDERS.

Richard Breeden held a series of government positions during three administrations, those of Presidents Reagan, Bush and Clinton. His last job, which he held from 1989 to 1993, was chairman of the U.S. Securities and Exchange Commission. He proved to be a tough, no nonsense regulator. Now he is a tough, no nonsense corporate monitor of WorldCom, Inc., overseeing the largest corporate fraud and bankruptcy case in U.S. history.

Richard Breeden talked about the new corporate governance rules and his role in overseeing the WorldCom bankruptcy.

Breeden said he was fascinated by the Seminar theme, "What Keeps CEOs Awake at Night?" "Back when I was chairman of the SEC," he said, "I would have hoped that the SEC would have been on the list of things that were keeping CEOs awake."

Breeden said his model for the SEC was to have the corporate community "see us as a huge, bigger-than-life, Siberian tiger that hadn't been fed in a long time. It is an agency that is not there to be Mr. Nice Guy, to be a hand-holder and counselor. It's an agency that in its best tradition is there to knock the lights out of people who don't get it right."

Breeden is a strong advocate for independent directors.

It should be noted that, during his tenure, the SEC brought more than 1,200 enforcement actions against false or misleading financial statements, misleading disclosure, inside trading and other abuses.

While corporate governance is on everybody's mind these days because of the recent corporate scandals, Breeden said, it is not a new concern. "What is new," he said, "is that the frauds were happening, not just in start-up or marginal companies, but in Fortune 100 companies."

So what happens when government tries to fix or adjust governance, as it is doing now? "It becomes an exercise of rules and regulations," Breeden said, "and then the rules get turned into checklists. We are now a world awash in checklists of good corporate governance...with crowds of lawyers reading the checklists to outside directors." In his opinion, checklists have a very limited utility. They can make sure you are operating within the rules, but "checklists by themselves are not able to produce good behavior."

He cited, as an example, the new requirement that at least 50 percent of the Board be independent directors. "At WorldCom," Breeden said, "they had a board that was all independents except for the CEO and chief financial officer. Yet, as a group, they failed to stop Bernie Ebbers from thinking it was his company and he was free to do with it what he wanted.

Why this happened, Breeden said, was that the Board was extraordinarily passive and extremely detached from the business. "They weren't involved enough," he said, "to suspect and smoke out what was happening."

Breeden, by the way, thinks Boards should be 100 percent independent except for the CEO. But he acknowledges that being an independent director is not an easy job. "On the one hand," he said, "nobody likes to be the skunk at the garden party. But you also want to be something more than a doormat."

Ann Curley and Jeep Bryant engage in conversation with Richard Breeden.

Areas where an outside perspective can be critical, Breeden said, include preventing self-dealing, preventing unethical practices, being alert to how aggressively a company is pushing the accounting envelope, being alert to poor disclosure, trying to be the risk assessor, and controlling excessive compensation. "An area where most boards of directors should get a failing grade," he said, "is runaway executive compensation."

Turning to his role as a court-appointed corporate monitor, Breeden described how he is the eyes and ears of the Court that is overseeing the WorldCom fraud and bankruptcy case. His role "is a unique example of corporate governance," he said, "different from anything we've seen."

Breeden is responsible for ensuring that all fraudulent activities, self-dealing and financial abuse at WorldCom have been halted. He also has the job of recommending new systems of corporate governance and compensation. His monitoring powers include the right to see any and all documents within the company, sit in on any meeting, and approve all hiring.

WorldCom is the reigning champion when it comes to restatements, Breeden said. "The company has announced publicly at least $9 billion in restatements to its profit and loss statements," he said. "When you look at the last publicly reported balance sheet, it showed assets of $104 billion. We recently announced restatements in the balance sheet that will bring the total assets down to $22 billion."

WorldCom was an acquisition machine, Breeden said, but it didn't integrate those companies. "So they had very fragmented systems, lax controls and an internal culture that created blind obedience to the senior officers. If you are told to dig a hole, you will not ask how deep."

The company, Breeden said, also represented "one of the grossest abuses of corporate governance in history," the $408 million in personal loans to Bernie Ebbers. "Interestingly, it was done by two people within the company," he said, "the head of the compensation committee and the head of the audit committee, who got together...to protect Bernie and to protect the stock price."

Breeden added that, "There was a mindset on the board that worried about Bernie's welfare and didn't worry about the company and the shareholders." They also had a personal stake in seeing that the stock price was maintained because they were substantial shareholders, many owning a million shares of stock.

PRSA President Reed Byrum had a question for the speaker.

To restore credibility in WorldCom and keep it in business, some harsh measures have been taken. Most of the officers and the entire Board have been replaced. "In all, about 100 people have been fired," Breeden said, "people who were involved in the fraud or who should have seen it and stopped it."

In addition to a review of internal controls, Breeden said, a sweeping program of education and training is being put in place that will "teach our 59,000 people enough about accounting, disclosure and ethics to participate actively in creating a new corporate culture at WorldCom. There will also be a governance review that will give them a set of bylaws, articles and standards for behavior."

WorldCom has one of the largest communications networks in the world, Breeden said, and despite some opposition from other telecommunications companies "it is going to survive."

One of the most important steps, he said, was bringing in a new CEO, Michael Capellas. He will receive no stock options and will not be allowed to engage in the sale of stock while he is running the company. He has also signed a pledge, Breeden said, "that he will personally pursue integrity and transparency and will make it part of his personal agenda in running the company." All of the top officers have also signed the ethics pledge and eventually all employees will be required to sign one.

"We hope that, over a period of time, we can create at WorldCom a culture of truth-telling and high ethical standards in everything they do," Breeden said. "We don't see that as inconsistent with running a successful business. Good ethics is good business and that's what we hope to prove in the long run."

JOURNALISTS ON JOURNALISM: CHANGES, ISSUES AND PERSPECTIVES

JOHN BYRNE, DAVID GREISING

TWO VETERAN JOURNALISTS DISCUSS CHANGES IN THE MEDIA AND PROVIDE PERSPECTIVES ON CORPORATE LEADERSHIP.

John Byrne, David Greising and Richard Edelman face off for questions from the audience.

Richard Edelman knows a good thing when he sees it. As moderator, he dispensed with opening statements and seized on an interactive mode for this session that featured two distinguished journalists giving their take on the current business media scene.

John A. Byrne is a senior writer at *BusinessWeek* and the author of 57 cover stories at the magazine, as well as eight books on business, leadership and management, most recently the best-selling *Jack: Straight from the Gut.* David Greising is the *Chicago Tribune's* front-page business columnist and a former *BusinessWeek* writer. He is the author of two books, including *I'd Like the World to Buy a Coke: The Life and Leadership of Roberto Goizueta.*

Edelman started the question-answer session by asking both journalists if they thought that certain elements of the business press were responsible for the stock market enthusiasm of the 1990s and whether attitudes have changed since the economy has weakened.

"There clearly has been a bit of a wakeup call from what happened in the aftermath of the bubble bursting and the corporate scandals of last year," said Greising. While not wanting to "broadcast-bash," he said he did think there was a distinction to be made between over-enthusiastic TV anchors and the "more sober" print media. "At the same time," he added, "we, I think, didn't have as much sophistication in our reporting as we could have, and that's something that newspapers and magazines around the country are really trying to address now in a number of different ways." At his paper, for example, the entire business staff went through a financial accounting course in the past year with professors from the University of Chicago.

Byrne said, "The truth is the media made rock stars out of CEOs. And I think through the '90s, as the markets became more democratized and more people became interested in business news, business journalism largely responded by trying to make it much more accessible to greater numbers of people."

During the boom of the '90s, there was, in many quarters, he said, "a suspension of the natural skepticism that journalists bring to a story." Now, however, Byrne wonders if the pendulum has swung too far in the other direction. "CEOs are not the anti-heroes of our society even though picking up a newspaper or magazine today may lead you to that conclusion. I think CEOs have done themselves a disservice by hiding and being fearful of speaking out."


Byrne said the major job of the CEO is to restore faith and trust in the system.

Now is the time to talk to the media, Byrne said, because "the major job of the CEO in our country today is to restore the faith and trust in the system...I think we need some people out there who have a little more courage to come out and tell the story of what a good business does in a productive economy."

An audience member challenged Byrne on that point, saying too often reporters call at the last moment with all the research done and offering to give the company a chance to plug in a quote or two, rather than providing an opportunity for a real dialog. Even if you're dealing with an aggressive reporter whom you perceive as being unfair, that's no reason to completely shut down, Byrne said. "I think that's not in your interest." Especially in a declining economy or when the story concerns unpleasant news, Byrne said it "is your responsibility...to make sure that reporter knows your company's position and to try like hell to make sure that reporter gets it in the story. If the reporter doesn't get it in the story, I wouldn't hesitate to call up his editor, to write a letter, to raise holy hell."

Greising added, "I wouldn't assume that because you feel that you've been invited into this dialog late in the game...that you can't affect the tone of the story or, who knows, even kill it possibly, depending on how good a job you do at communicating your version of things." There may be some instances, he said, "in which you just say it's not worth responding, but I can't think of anything in my own experience or those I'm aware of where the company didn't help itself somehow by engaging in a thoughtful way in a story." Even something that may "be perceived as a negative story (could turn out to be) not as bad as it might have been had you taken a pass on participating."

In response to a question, both journalists denied that their writing is directed to support their publication's editorial position. As the writer of an opinion column, Greising said he enjoyed "writing columns that aren't in sync with our editorial pages' stance. And I think a lot of columnists feel that way because it (shows) that we are independent-minded. As far as the news columns are concerned, Griesing said, "I think it tends to be the other way around, frankly...some publications excepted, the editorial pages of


Fran Emerson with a question for the journalists.


Byrne and Greising agree that "imbedding" business journalists would benefit everyone.

The corporate scandals were a wake-up call for journalists, Greising said.

Jim Simon had another question.

newspapers and magazines tend to follow the news coverage more than the (reverse)."

Byrne said he likes to think his job "is to do fair and accurate journalism...not a whitewash (but) not a hatchet job either. I don't think that there's (some) sort of agenda that permeates the mindset of everyone on the staff."

Greising raised the issue of "imbedding" journalists as the Defense Department did during the war in Iraq and that led to positive coverage for the military. He wondered whether companies would consider taking the risk of doing something similar with the reporters who cover them. "Companies, oftentimes, are loath to give access when I think access would certainly serve us (all) well," he said.

Byrne agreed, saying "access almost *per se* makes for a good story...Our readers don't get inside companies; they don't get on the factory floor nearly enough. They don't get in the key strategic meeting where a company sets a course that two years down the road is going to make the difference between success and failure.

"I think if you engaged somebody who covers your company and said, 'Listen, we're interested in doing something different where we're going to give you unique access,' you would very quickly arrive at something that both of you would find to be of interest...there are very few editors who won't say yes to that," he said.

If, as the two said, the new model for a CEO is a lower-ego type and not the kind of subject that makes good press, how do they plan to cover them? "That's a great and very pragmatic question," Greising said, "because the fact of the matter is that the scandal stories of last year were engrossing reading...but we're at an interesting time in the business cycle that, I think, makes a bread-and-butter business story much more interesting than it was at the top of the bull market."

A story on the CEO might be a hard sale these days, he said, but because of the stress in the economy, companies "are doing things they wouldn't have contemplated before. These are interesting stories, and you can tell the CEO story through what the CEO is doing rather than what the CEO is saying."

Byrne pointed to a recent *BusinessWeek* cover story on IBM and its new leader that included, in addition to Lou Gerstner, his top management team. "I think that (type of) journalism is as compelling as the more single-focus leader kind of story," said. However, he added, "Every academic study shows that at least 15 percent of the effectiveness of an organization can be traced to the top leader...so "to the extent that leadership matters, we should be in there analyzing and evaluating, thinking about the capability of that leader...and making the judgment over whether or not that leader can drive the company forward. That's his job (and for the reporter) that's as important as looking for the footnotes in the 10(k)."

CEOs should be great role models because they have a great story to tell, Byrne said. "Business is a terrific thing," he continued. "It provides meaningful employment, productive employment, for lots of people. It provides meaningful life. Even the business journalists who write the bad stuff know that."

CONVERSATION WITH A LEADING CEO

MARILYN CARLSON NELSON

THE CEO OF ONE OF THE LARGEST PRIVATELY HELD COMPANIES IN THE WORLD TELLS WHAT IT IS LIKE TO LEAD A WORLDWIDE ENTERPRISE IN THESE UNCERTAIN TIMES.

When she was invited to speak at this Spring Seminar, Marilyn Carlson Nelson said it was the Page Principles that convinced her to accept. "I was struck," she said, "by how the values that Arthur Page stood for were so similar to how we tried to build our company."

Marilyn Carlson Nelson has been an advocate for issues facing women in business.

Carlson Companies, which she leads as chairman and CEO, is the parent of a global group of integrated companies focused on consumer services and corporate solutions. Nelson's father, Curt Carlson, started the company with a $55 investment in Gold Bond trading stamps and gradually expanded into travel agencies, hotels, restaurants and other related businesses. When Nelson became CEO five years ago, Carlson Companies was one of the largest privately held companies in the world.

"Carlson Companies may not be that well known," she said, "partly because we have spent more time speaking to you through our various brands." Those brands include Carlson Marketing Group, Regent International Hotels, Radisson Hotels and Resorts, Country Inns & Suites, Results Travel, Cruise Holidays, and T.G.I Friday's. All told, Carlson-related brands employ some 190,000 people in 140 countries around the world.

If Carlson Companies isn't a household word, the chairman and CEO comes close. Nelson is a regular on *Fortune's* list of the Most Powerful Women in Business and has been selected by *BusinessWeek* as one of the Top 25 Executives in Business. Last year, she was appointed by President Bush to chair the National Women's Business Council.

As the leader of a worldwide enterprise, Nelson is acutely aware of the complexity and interrelatedness of today's world. "The times we are living in," she said, "can only be described as really seismic in nature, truly ground-shifting and perhaps more so than any other time in the post-war period."

Nelson believes "each of us sees the world through a different lens. Just yesterday, I inquired about an executive who was supposed to be transferred from Canada to the U.S. I asked what happened to that promotion and was told he had turned it down. His reason: 'It's not the right time. I don't want to raise my children in America; it's too violent.' I asked myself, what is it that causes other nations to see us so differently?"

Nonetheless, Nelson believes everyone can be part of the solution, promoting understanding, improving relationships, becoming more inclusive and showing more leadership.

Growing up in the business that her father started, Nelson said she learned what it meant to be a woman in a man's world of business. "My father," she said was a product of his time when it came to the idea of women running large companies." She also saw first-hand some of the hidden problems faced by businesses, "particularly small businesses which is what Carlson was for the first third of its life."


Nelson believes corporations should stress long-term stewardship.

Nelson said one of her passions at Carlson is "to create a new meritocracy where men, women, people of all colors have a truly equal playing field. When I became CEO five years ago, less than 20 percent of the executives were women. Today over 40 percent of our executives around the world are women."

Since being named the chair of the National Women's Business Council, Nelson has gotten further into issues facing women in business. There are over nine million women-owned businesses in the U.S., representing 38 percent of all business, and Nelson said, "They actually hire more people than the Fortune 500 combined."

One of the issues keeping women business owners up at night, Nelson said, is the cost and accessibility of health insurance. "Of the 42 million people in this nation who are uninsured," she said, "6.3 million are working in women-owned businesses. And nearly half of them are in small businesses."


One of her passions, Nelson said, is to create a meritocracy where men, women and people of color have a truly equal playing field.

It's urgent, she added, that we find a way to fill that gap between the insured and the uninsured.

Coming from a family-owned business that is preparing for a third generation of family leadership, Nelson said she sees herself as the link between the past and the future. "We look at the future more in terms of long-term stewardship," she said, "working transparently and honestly with all of our constituencies, including our family."

It's sad, Nelson said, that, in some cases, American business has been anything but transparent or honest. The extraordinary pressure on CEOs to make the numbers has taken its toll, she said, pointing out that between 1998 and 2001, one in three American companies changed their CEO. "Can we really expect long-term stewardship from short-term stewards?" she asked.

Pointing out that it takes years to build or change a culture, Nelson said, "We need to develop more patience, look at a more balanced scorecard of our performance, reward real progress and not financial creativity. We've all seen very clearly what happens when our expectations are unreasonable."

Nelson said that all businesses, like all of America, were tested as never before on September 11, 2001. "The attacks of that date hit Carlson squarely in the stomach," she said. "The necessary shutdown of American airspace and the terrorism scares since have dramatically impacted the travel and hospitality industries."

Nelson noted that their Regent Wall Street Hotel, just blocks from the World Trade Center, became a rescue center for emergency workers, dazed New Yorkers and tourists. "Our travel call centers," she said, "were flooded with calls from stranded travelers and fearful friends and relatives trying to locate loved ones who had travel plans that day."

Since 9/11, Nelson said, "The real and lasting damage has become even more apparent." Travel and tourism is a $555 billion industry with ties to many other sectors. When people are no longer renting cars, it has an impact on Detroit, not to mention the two major rental companies that filed for bankruptcy. When tax revenues from travel and tourism begin to dry up, it hurts the cities and states that rely on tourism. Since travel and tourism is one of the largest employers in 29 states, retail businesses feel the pain as much as the travel industry.

Jack Koten and Jim Murphy greeted the speaker on her arrival.

While Congress has recently funded a public/private partnership to promote travel to the United States, Nelson said, "for years, America has spent nothing on promotion of itself overseas and has steadily lost market share because of it."

As a result, Nelson said, "The only America most people see around the world is the one depicted in television and the movies." The best way to show the real America and what we stand for, she said, is to have people from other countries come here.

"We need to have international guests visit America," Nelson said, "and meet the real people who live here. They need to meet the Americans of Main Street in addition to the Americans of Wall Street. They need to discover the people and values of Elm Boulevard, not just Hollywood Boulevard. The fact is, people of the rest of the world want to believe in America."

Sharing the real America with others, Nelson said, will help us through these challenging times and make us "stronger than ever with a clearer, more honest understanding of ourselves and our neighbors."

In closing, Nelson said, "We can come out of this with a renewed commitment to a world order where people and information and goods travel freely. Where men and women of all races have equal opportunity. And where our corporations are respected for enhancing the well being of all stakeholders."

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