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The Transparent Leader

Herb Baum with Tammy Kling

THE BRANDS

HOW TO BUILD A GREAT COMPANY THROUGH

 HarperCollins e-books

PARENTING LEADER

STRAIGHT TALK, OPENNESS, AND ACCOUNTABILITY

HERB BAUM

with Tammy Kling

*To all those who go through life as “goody two-shoes.”
God bless you.*

“Surround yourself with the best people you can find,
delegate authority, and don’t interfere.”

—RONALD REAGAN

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Special thanks to my friend and business associate Steve Blum, whom I've known more than twenty years. Steve has seen my management style in action more than anyone and has played an important part in shaping the way I do business. He was a tireless supporter of this book and was absolutely certain that my leadership philosophy of openness, integrity, and a no-holds-barred approach to communications would be of interest to other executives and business leaders. I hope readers will find this to be the case.

Thank you to Tammy Kling, my co-author, a former executive in corporate America and the author of several books, who, along with Steve and me, came up with the concept for a book that would help others lead transparently. Tammy made this book a reality during one of the busiest years of my life, and I am grateful for her intelligence and her listening and translation skills.

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FOREWORD

When I first reflected on what it means to be a transparent leader, I'll admit, I didn't think of nearly all the angles Herb covers in this book. I agreed to share my thoughts on transparency while envisioning a few paragraphs on the Internet and how that channel has moved us at lightning speed from an era of "hiding in the Ivory Tower" to one of open access, chat rooms, and message boards. In this new environment, ideas and opinions are shared, no holds barred, and there's nowhere to hide!

But while the Internet may have eased transparency, it did not create it, nor is it the sole driver behind living as a transparent leader. Herb offers the three principles every successful transparent organization should practice. Summed up in five short words, Herb inspires us to *tell it like it is*. And nowhere was this mantra more necessary than in the airline industry during the aftermath of 9/11.

On September 10, 2001, out of all of the airlines operating in the United States, America West had the least amount of cash for its operating size. With a government-imposed cessation of flying for four days following 9/11, and the understandable concern among passengers about the safety and security of air travel, this meant America West had the shortest amount of time to live. Those words are difficult to write even today, but imagine having to say them in front of 13,000 employees, numerous state and local government officials, and our nation's Congress. Perhaps most painful was admitting to the nearly 20 million people who travel with America West each year that we might not be there for them in the future.

I had only been CEO for ten days on September 11, 2001, and certainly hadn't planned on being in this situation. But faced with it, we relied on the values that had worked in the past. We came clean—describing our situation with brutal candor to all who would listen. Once we did, an amazing thing happened. People we'd never dreamed of asking for help started calling to offer assistance. (Not surprisingly, Herb Baum was one of those people, which is how Herb and I met . . . thanks again, Herb.) Our employees pulled together, the communities we served rallied to support us, and our key suppliers came through with critical financial assistance. In the end, we secured the funds needed to keep our airplanes flying and our people employed, while ensuring our customers retained their option to conduct business in person or to visit family and friends.

No matter how painful, telling the truth was the right thing to do then. It remains our philosophy today and guides every decision at America West, and I am convinced that operating under this core value has been a key driver in our successful turnaround.

But telling it like it is is not just a call for action during times of crisis. At America West, taking a hard look at everything we had become, admitting where we had made mistakes, and taking courageous steps to undo those mistakes and reinvent ourselves have provided the second chapter in our successful turnaround. Herb reminds us that these are sometimes the most difficult decisions organizations must make. Knowing when to undo and start over only occurs after we've first admitted the truth to ourselves.

For any service business, but especially for an airline, your business is only as good as the values under which your people operate. Building a culture based on values takes time, truth, and transparency. Herb's experiences provide counsel and inspiration to business leaders at any level. He reminds us that it is never too early or too late to begin living as a transparent leader.

—Doug Parker, CEO,
America West Airlines

INTRODUCTION

About two years ago I decided to write a book. The corporate world was reeling from scandal, on the heels of major indictments and investigations at big companies such as MCI WorldCom, Rite Aid, Enron, and others. As I sat and watched the television reports of major executives handcuffed and led away by investigators, I was puzzled. I've had a long career in corporate America, and it seems to me that it would be hard to get yourself in that position. I've always believed in doing the right thing in business and in life, and it hasn't been easy! I'm by no means perfect, but I do know one thing—honesty and transparency is the only way. But there is a fundamental problem in corporate America today, and it's a lack of *transparency*.

Throughout the year following all that corporate scandal, I knew that this book would have to address the transparency problem and offer solutions for the leaders of tomorrow. I wanted to let executives of all ages know that cutting corners, lying, and taking shortcuts aren't good strategies to get you to the top. There are a few critical building blocks necessary to become a transparent leader, and in this book you'll learn about all of them and how to apply them to your business—regardless of the business you're in. If you don't learn now, you'll be forced to sooner or later, because transparency isn't just the latest corporate buzzword. It's a long-term lifestyle commitment, and every industry's consumers, shareholders, and activist groups are looking for it. Transparency is the new asset.

I've been practicing transparent leadership for my entire career. I know that it's impossible to be a great leader, or even a good one, if

you're not transparent. You may achieve a lot of goals, and you might even appear on the cover of a national business magazine, but if you're not transparent your successes won't last very long. Transparency simply means being honest and open in everything you do. It means making values-based decisions and fessing up when you make a mistake. It's a management style that has served me well over the years, and it will do the same for you.

Transparency is the only true way to run your company, but unfortunately, there are a lot of executives who still don't understand this. A lot of the things in the corporate world have changed as a result of leaders who acted without transparency, and without much in the way of a commitment to corporate and personal ethics. As my friend and fellow board member Bob Pohl, the CEO of PepsiAmericas says: "Where were their mothers?"

But in the corporate world, for a lot of executives, doing the right thing is not quite so easy as it once was—mainly because society and what it deems acceptable has become far more relaxed. There no longer seems to be a firm consensus on what constitutes what is right as opposed to what is wrong, and as a result we all tend to forgive or forget with equal ease. And when we're no longer focusing on the fundamental issue of doing business *transparently*, the building blocks of the business break down. Things like honesty and integrity. Things like service.

My inspiration in writing this book was the lack of service in corporate America—something that stems from a lack of values, and a "who cares?" attitude. Providing good service is just one byproduct of being a transparent leader, because offering customers exceptional service and developing employees who care about their customers and colleagues comes from the top. It stems from a leader's genuine desire to be open, honest, and transparent, and it has a trickle-down effect. If a leader is open to customers' suggestions and employee feedback, the result is good service. If a leader is honest about the company's mistakes, customers will notice. Good or bad service is the direct result of how *transparent* a company is—which is a direct result of the way the CEO thinks and acts.

A common thread behind the success of the companies I have been involved with over the years has been each organization's ability to an-

ticipate and recognize what consumers want and deliver it with outstanding service. But you can't provide good service without being transparent—because sooner or later your lack of genuine concern will be discovered, and whatever you were not being open and honest about will be revealed. That's not good service, it's deception, and a lot of business leaders have found out the hard way that it doesn't work.

This book is about being a transparent leader and why it's important to do business with integrity. It's about my personal view that doing the right thing means doing it regardless of circumstances and regardless of consequences. Nevertheless, I hope readers will pick up on the message that doing the right thing (being transparent) has a ton of upside, including what I believe is a great way to go through life.

As a matter of fact, I began my commitment to honesty early in my life. When I was growing up, my sister always referred to me as “goody two-shoes,” a taunting phrase that signaled my penchant for never breaking the rules and trying always to do the right thing. My wife, Karen, has picked up on the goody two-shoes phrase. I guess I've been consistent, and it's a nickname I won't be able to shake.

Finally, there will be downsides to transparency. People and organizations will try to take advantage of you when they know your business and life strategy. Bad things *do* happen to good people, but this downside is not insurmountable. As Grantland Rice answered it best, “It's not whether you win or lose. It's how you play the game.” Be transparent, and your life and business will reap great rewards.

PART ONE

THE POWER OF TRANSPARENCY

When most executives think about the best way to increase revenues, manage employees, or gain market share from their competitors they think of a strategy or a program, not a core value. A value is something we learn from our parents—a guideline or belief that helps us through life, not in business dealings. Values such as integrity and honesty aren't competitive tools. Or are they?

In today's business environment, if you're a leader—or want to be—and you aren't contributing to a values-based business culture that encourages your entire organization to operate with integrity, your company is as vulnerable as a baby chick in a pit of rattlesnakes. Transparency—the art of being completely open and honest in business—is a competitive tool. It's something that must be learned, honed, and perfected. How important is it? We've all read about whole companies that have been toppled because their leaders didn't know how to incorporate values into their business processes. Not only did they have a “what's in it for me?” attitude, but they brought employees, their families, and their futures to financial ruin.

Through the three chapters in Part One—“The Transparent Company,” “The Transparent Leader,” and “The Transparent Employee”—you'll learn about the power of transparency, and why it's critical in today's business environment. You'll gain an understanding of how service-oriented employees contribute to a transparent organization, the rewards of telling it like it is, and how to define your business culture to cultivate an ethical workplace.

THE TRANSPARENT COMPANY

The air in the conference room was somber. As a member of the board, I had been asked to cast my vote for the forced resignation of the reigning CEO.

The board meeting was held at the Broadmoor Hotel in Colorado Springs, a resort nestled in the shadows of the Rocky Mountains. Earlier in the day I met the CEO for a casual lunch in the hotel restaurant, along with the company's senior vice president of human resources. It was a great day. Or so I thought.

We had a casual lunch at an outdoor table, and the conversation was upbeat. The Dial Corporation's CEO, Malcolm Jozoff, acknowledged that earnings were slipping, but he was certain that things would soon turn around. None of us at the table sensed what lay ahead, and even Malcolm was completely unaware of the perilous events about to unfold in his career.

Jozoff was a vigorous man with stark white hair. He was an avid runner, and sometimes could be seen running in the neighborhood around Dial headquarters in Scottsdale, Arizona, at lunchtime. A graduate of Columbia University, he had arrived at Dial after two years as the chairman and chief executive officer of Lenox, Inc., a division of Brown-Forman that sold china and crystal.

Mal had had a long career with Procter & Gamble that gave him a good background for managing a company like Dial. As a CEO he was confident (perhaps arrogant at times) and, as it turned out, not totally communicative with the board about the

businesses' problems. As a member of that very board, I began to feel that Dial—the company he had led for five years—was headed for trouble. Dial had missed earnings estimates for three consecutive quarters. The employees described the atmosphere along executive row as oppressive, employee turnover was high, and Jozoff seemed to have no solid succession plan in place, a necessity for any good leader. At prior board meetings I had listened carefully while Jozoff and his executive team outlined strategies for growing the business, and on the day we lunched together at the Broadmoor, I had no indication that it would be his last meeting as CEO, an unceremonious end to a long and stellar business career.

When the members of the board convened in the hotel meeting room we took our seats, approved the minutes, and immediately elected a new director! It was Jim Osterreicher, the retired chairman and CEO of the J.C. Penney Company, Inc. Then, as we got into the meeting, one board member spoke up and asked that we break into executive session—a meeting that would exclude everyone on the corporate management team, *including* the CEO. For seconds there was silence. Malcolm seemed surprised, but then again so were the rest of us. Someone cleared his throat. The room was quiet, and Malcolm stood and quickly left.

The board member who called the session was the retired CEO of a major telecommunications company. He explained that some senior Dial executives had come to him with legitimate concerns about the health of the business and the tactics being used to build sales. We listened to what he had to say, digested the information, and thought about solutions.

There were nine people on the Dial board, among them the CEO of a major telecommunications provider, the CEO of a paper corporation, and two very talented women, one who at the time was the president and chief operating officer of an Abbott Labs subsidiary. I had been on a lot of boards, but this one was by far the most governance-oriented and aggressive panel of executives I'd worked with, and they represented a variety of industries.

The board discussed the employee allegations. We had to take into