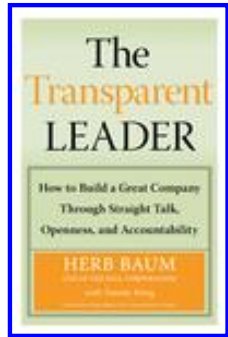


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The Transparent Leader
How to Build a Great Company Through Straight Talk, Openness, and Accountability
 by Herb Baum and Tammy Kling

Chapter Excerpt

Chapter One

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

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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 account that these were just allegations, not documented facts, but we all knew that earnings had declined significantly, sales had slowed, and that the stock price was in a free fall.

After we evaluated the information presented, we all came to the same conclusion: it was time for a change. We decided that the CEO hadn't been completely open and honest but instead had painted a rosy picture even when things weren't so good. He hadn't been completely forthright about the company's problems, and we felt we had no choice but to vote for his resignation.

No one enjoys casting a vote to end someone's career or turn it in a different direction. That's the tough part of being a board member. But the Dial board acted quickly and responsibly by opting for a nonsense approach designed to purge the company's problems and breathe life into it again. There wasn't any scandal to speak of, but things sure weren't getting any better, and in the absence of total disclosure we wondered what other skeletons might be lurking in the management team's closet.

The Opaque Company

A lot of business leaders found themselves in the same position in recent years. In the time period between 1995 and 2001 alone, CEO turnover at major

corporations had increased 53 percent. Fifty-three percent!

It seems a day hasn't gone by without a major headline concerning a scandal involving a company CEO, which is a sad sign of the times when you consider that at some point in their careers they had been considered highly qualified. After all, they had to be to get the job in the first place! They had a lot of the traits found in other leaders, like intelligence, charisma, creativity, and vision. So if they had all that going for them, why did they fail?

The answer isn't simple. A lot of the executives who made headlines were just plain white-collar thieves who deserved to do time. And there were others who were basically good people who made compromises when they shouldn't have. They stretched the truth because they thought they had to, and they made some business decisions that were short on integrity ...

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