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For a review copy of the book
or an interview with Richard Lepsinger,
please contact Dottie DeHart,
Rocks-DeHart Public Relations,
at (828) 459-9637 or DSDeHart@aol.com

Shattering the Myth of the Celebrity CEO

They make great news stories, but are they great for your company's bottom line? Execution specialist Richard Lepsinger says no . . . and offers five compelling reasons to shun the spotlight when choosing your CEO.

San Francisco, CA (June 2006)—We love the heroic image of the famous CEO riding up on his white horse to save the day—or more accurately, the company. Think Lee Iacocca of Chrysler. Jack Welch of GE. "Chainsaw" Al Dunlap of Sunbeam. And—proving women can wear shining armor, too—Carly Fiorina of Hewlett Packard and Martha Stewart of, well, Martha Stewart. Yes, we focus a lot of attention (and expend a lot of media ink) on celebrity leaders. But does all the hoopla surrounding these larger-than-life figures *really* correspond to their value to a company?

Usually, no, says Richard Lepsinger, president of OnPoint Consulting and co-author (along with Dr. Gary Yukl) of *Flexible Leadership: Creating Value by Balancing Multiple Challenges and Choices* (Jossey-Bass/A Wiley Imprint, 2004, ISBN: 0-7879-6531-6, $44.00). In fact, he says, in some ways having a high-profile leader at the helm can be a drawback. The myth of the celebrity leader can be as damaging as it is alluring.

"There is no way that one person can be responsible for the success of an entire corporation," says Lepsinger. "Rational businesspeople know this, but there is something in the human psyche that makes us long for a savior. And our desire to pin all our hopes on one person—no matter how powerful, clever, or visionary—almost inevitably leads to disappointment. Sometimes it can even backfire in dramatic ways."

Of course, few corporations are in the position to hire a high-profile leader themselves. But that doesn't mean it's a moot point for ordinary companies. The "cult of personality" spawned by the mythical celebrity leader has permeated all levels of business society. Both CEOs and those who follow them are influenced by this image, often making the same mistakes they see played out in the theatre of the business press.

So what are the problems associated with celebrity (or celebrity-like) leaders? Lepsinger identifies five:

• **Overreliance on the leader to solve all the company's problems.** "Because no single leader has the necessary knowledge and expertise to solve difficult problems for an organization, it is essential to involve other people with relevant knowledge and diverse perspectives," write Lepsinger and Yukl. "However, members are unlikely to become involved if they believe the leader has superhuman abilities to singlehandedly find the right path. Nor is high involvement likely to be encouraged by a leader with an exaggerated self-image who wants to appear to have all the answers."

• **Exaggerated expectations lead to exaggerated disappointments.** "When a celebrity leader is appointed the CEO for a troubled company, expectations (and stock prices) are dramatically raised, only to be rapidly deflated if no miracles occur shortly afterward," write the authors. "Consider what happened when Gary Wendt was selected to be the new CEO of the insurance company Conseco after a successful tenure running GE Capital. When the appointment was announced, Wendt was hailed as a savior for Conseco, and its stock price rose by almost 50 percent. The stock rose even more dramatically when he started issuing upbeat reports to investors. However, just over two years later, Wendt stepped down, having failed to rescue Conseco from its doldrums. The stock sank by more than 99 percent from its high, and Conseco was left with the burden of paying Wendt millions of dollars per year for the rest of his life."

• **A single CEO misstep can have a catastrophic effect on profits.** The previous example illustrates what can happen when a leader doesn't live up to expectations. But what happens to a company whose image is synonymous with that of its CEO when said CEO commits a crime or some other high-profile *faux pas*? "Look no further than Martha Stewart," says Lepsinger. "Her company's stock prices fluctuated in tandem with the ups and downs of her insider-trading-conviction-sentencing-prison-release drama. Like it or not, the stability of a company is inherently linked to the stability of the public image of the CEO. If your company has a celebrity leader, you'd better make sure he or she is a choirboy or choirgirl—and that no one even falsely accuses him or her of wrongdoing."

• **Celebrity CEOs are too sheltered to be fast on their feet.** "In today's volatile business environment, the need to be responsive to rapidly changing conditions is too urgent to wait until all the information possessed by people at different levels of the organization filters up to the senior executives and penetrates the cocoon in which many such figures live," write Lepsinger and Yukl. "In an increasingly dynamic, competitive environment, it is essential to understand what customers need, what competitors can do, and how potential customers view a company's products and services. Frontline personnel and lower-level managers will obtain much of this essential information long before it arrives in the senior executive's office. If people depend entirely on top management to identify emerging problems or threats or to recognize promising opportunities, it may not be possible to make a timely, successful response."

• **Frankly, employees don't want to be led by a figure on a white horse.** Too much emphasis on the wisdom and guidance of the sage-like leader doesn't sit well with today's workforce. Twenty-first century workers want to think for themselves, to formulate their own ideas, to feel in control of their own jobs. They don't want to follow orders. "Lee Iacocca, who embodied the old ideal of the charismatic, paternalistic CEO, was widely viewed as a great leader until his much more accessible and consultative successor, Bob Eaton, got dramatically better results at Chrysler," write the authors. "While Iacocca was effective in leading the company through the immediate crisis, his style of leadership was not the best one for rebuilding the company and preventing a similar crisis in the future."

So what's the bottom line? Lepsinger says that companies need to realize that effective leadership is *not* about glitz, glamour, and charisma; it's about results. "Real world" CEOs must have the flexibility to respond to continually changing conditions, the perspective to find an appropriate balance among competing demands, and the commitment to drive coordinated action by leaders across levels and subunits.

"CEOs must be concerned with organizational performance, with doing all the things it takes to close the gap between strategy and execution," he says. "And here's the thing: these are skills that don't necessarily make sexy media stories and garner lots of camera time. They're behavioral. They are learned, not inborn. There are no easy answers, just a lot of focused thinking and hard work—and realizing that is the first step out of the star-struck land of the celebrity CEO and into the real world."

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Richard Lepsinger is president of *OnPoint* Consulting and has a twenty-year track record of success as a human resource consultant and executive. He was a founder and managing partner of Manus, a human capital consulting firm, which he grew to over $4 million in revenue and sold to Right Management Consultants in 1998. At Right, Rick was the managing vice president of the Northeast and Eastern Canadian Consulting Practice, where he was responsible for fifty-five professionals and grew the region's revenue from $7 million to $20 million.

The focus of Rick's consulting work has been on helping organizations close the gap between strategy and execution. He has served as a consultant to leaders and management teams at FGIC, GE Capital, Goldman Sachs, IXIS Asset Management, JPMorgan Chase, KPMG, Lehman Brothers, OppenheimerFunds, State Street Research, and UBS.

Rick has extensive experience in formulating and implementing strategic plans, managing change, and talent management. He has addressed executive conferences and made presentations to leadership teams on the topics of leader effectiveness, strategy execution, managing change, performance management, 360º feedback and its uses, and developing and using competency models to enhance organizational performance.
Rick has co-authored three books on leadership, including *Flexible Leadership: Creating Value by Balancing Multiple Challenges and Choices*, (co-author with Dr. Gary Yukl) published by Jossey-Bass/Pfeiffer, *The Art and Science of 360º Feedback*, (co-author with Toni Lucia) published by Jossey-Bass/Pfeiffer, and *The Art and Science of Competency Models*, (co-author with Toni Lucia) published by Jossey-Bass/Pfeiffer.

He is also the author of several book chapters, including "Performance Management and Decision Making" in *The Handbook of MultiSource Feedback*, "The Art and Science of Competency Modeling" in *What Smart Trainers Know*, and "Using 360-Degree Feedback in a Talent Management System" in *The Talent Management Handbook: Creating Organizational Excellence by Identifying, Developing, and Promoting Your Best People*, as well as numerous articles on leadership and organizational effectiveness. His most recent article, "Why Integrating the Leading and Managing Roles Is Essential for Organizational Effectiveness," appeared in *Organizational Dynamics* and is one of its most frequently downloaded articles.