



NOVEMBER 11, 2002

MANAGEMENT

## CEO Coaches

**Few chief executives will talk about it. But more and more, they're turning to counselors for help in navigating the current corporate turmoil. Here's a look inside the inner sanctum**

There was a time when executives under David S. Pottruck felt less like professionals at the helm of a major brokerage than cowering children held hostage by a despotic father. Lording over the conference room, the now co-CEO of Charles Schwab & Co. ([SCH](#)) bulldozed other people's opinions and overruled their strategies. He reveled in teamwork--if he was the captain. Ideas were great, but only if they were his. Try challenging the former All-Ivy wrestling champ, and you could find yourself caught in a corporate full nelson--left with a lot of bruised feelings and a trampled ego. "I knew there was always a lot of glass being broken around me," says Pottruck, a 6-ft.-1-in., 240-lb. rock pile of a man whose voice still carries traces of his native New York. "But I thought I was a great leader. I didn't understand that there was a problem."

That is, until his nadir a decade ago, when his then-boss, Chief Operating Officer Lawrence J. Stupski, took him into his office for an annual performance review. "Man," Pottruck recalls Stupski saying, his normally even voice strained with anger, "you are high-maintenance--and you are painful." The next part seared him even more: "Your peers don't like working with you--and they don't trust you."

Thus began the restructuring of David Pottruck--his personality, his management approach, and his leadership style. Guiding him was an ex-IBM exec named Terry Pearce--the *éminence grise* of the growing niche of executive coaches whose specialty is in rewiring burned-out, bottomed-out, or simply ineffectual chief executives. Nothing was off limits--not even Pottruck's messy second divorce and his subsequent romantic involvement with a company employee (to whom he's now married).

Pearce flew with Pottruck on the company jet, ate room-service with him in posh hotels, and spent weekends at "Camp David," Pottruck's former *hacienda*-style mansion where everything--the ceiling heights, the staircases, the flower arrangements--was "Dave-sized." Once, Pearce took Pottruck to a "sweat" in the northern wilderness of Washington State, where they huddled in a steaming-hot lodge covered in pine boughs and listened to a shaman lead them in a spiritual cleansing. Afterward, they jumped into an ice-cold lake. For Pottruck, it was a kind of baptism into new behavior. "It's not comfortable to have someone constantly telling you how you can be better," says Pottruck in an interview in his executive suite overlooking San Francisco Bay. "But it's very hard to get better on your own."

CEOs, whose every misstep can be murder on their companies' stock, usually speak in corporate jargon lifted directly from the annual report. Get a moment alone with them, and they'll often purge their personal narratives of anything that doesn't show them off as shrewd or heroic. But Pottruck talks about his failed marriages (he was to blame, not his "wife selection" problem), his therapy, and his recovery from egomania. With Pearce's help, he has crafted a leadership style that centers on what he calls authenticity; that means he constantly communicates with employees about the company's wrenching restructuring and layoffs. He also tries to get across what he's like as a person, what he values (spotless ethics, emotional maturity), and his vision for Schwab as the anti-Wall Street brokerage. And rather than avoid the animosities, communication breakdowns, and jealous flare-ups on

his team--as well as his own defects--he confronts them.

At a time when some CEOs are busy choosing defense lawyers, using a coach to rehab behavior may seem a low priority. But Pearce and Pottruck, among others, believe such help is key to developing a company culture in which CEOs encourage people to tell the truth and, as management expert and author James C. Collins puts it, "conduct autopsies without blame." Stockholders and employees alike, they argue, should be glad of the self-aware, ever-improving CEO. He's likely to be the opposite of the Enronesque narcissist who perverts the rules in the name of profit worship and crushes anyone who dares criticize his moves.

During these months of corporate scandal, Pearce has been advising Pottruck all the more--in the back of chauffeured cars, on golf courses, in his walnut-paneled office. Pearce often lurks in the shadows at meetings--and then later picks apart Pottruck's performance. Pottruck also backs up his talk of integrity with action. While most of his cronies raked in an average of \$10 million last year, along with the personal Gulfstreams, company subsidized *pieds-à-terre* and golf club memberships, Pottruck took no bonus and a 93% pay cut--to \$603,000. "We overinvested during the boom. And the buck has to stop with me. I bear responsibility."

Although his candor may be unusual among the ruling elite, Pottruck is hardly alone in turning to an executive coach for help. The truth is that being a CEO--especially at a time when shareholders, regulators, and class-action lawyers are taking aim--can create demands that are impossible for one human being to handle alone. Every day, CEOs face blowups on their staffs and ethical dilemmas they feel ill-equipped to handle. The global economy has stretched the CEO skill set. Leaders can no longer be just stellar strategists. They also have to be masters of their emotions. Yet the talents that vault people to the top job are often those--dominating meetings, pushing through a project at all costs--that end up sabotaging them. Plenty of CEOs are interpersonal disasters. Ask board members, and they'll tell you: CEOs get hired for their skills but fired for their personalities.

That's one reason why some of the most powerful CEOs of some of the biggest global companies have been relying more and more on these new high priests of corporate survival. During the boom, many companies hired scads of coaches--who often didn't have a clue about the firms' overall strategies--to work with managers. To be assigned a coach was to be seen as an up-and-comer. But coaching at the uppermost levels remains a hidden sanctum, with many CEOs availing themselves of the services in total secrecy. They fear that being seen as depending on a coach will make them seem weak--or worse, incompetent. But lately, even boards of directors are insisting on them. Aside from Pottruck, eBay's Margaret Whitman, Pfizer's Henry McKinnell, Unilever Group ([UL](#)) Co-Chairmen Anthony Burgmans and Niall FitzGerald, and Belo's Robert Decherd have all worked with coaches. So has the senior leadership at American Express Co. ([AXP](#)) In the upper reaches of Washington, Treasury Secretary Paul H. O'Neill hired a coach to help him transform the lumbering department into a more responsive branch of government. Former Bain & Co. CEO Tom Tierney found his coach so helpful that he sent his wife Karen to see him.

Coaches are distinct from management consultants, who specialize in the operational and strategic realm. The coach's arena is one of interpersonal relations, office politics, and corporate culture. Relying on their backgrounds in both business and psychology, they perform interventions on dysfunctional teams, confront bullies who hijack meetings, and counsel CEOs on wielding their power more effectively--teaching them to inspire and influence rather than command and control.

Sometimes, coaches interview a CEO's family and friends to draw a fuller personality portrait--or to crack open an executive's denial about his own behavior. One senior leader, on the verge of chiefdom at a top-tier financial-services company, couldn't believe that he was coming across as untrustworthy--until his coach read transcripts of interviews with his friends saying they thought he would "stab his own mother in the back." If deeper problems in the CEO's life are uncovered, companies sometimes provide marital counseling and child therapy to help the executive cope. "CEOs realize they need to be the world-class athletes of business," says Bain CEO John Donahoe. "And contrary to being a sign of weakness, it's now perceived as a strength if people are getting

help and investing in themselves."

Now, as the era of the imperial CEO draws to a dramatic and painful close, CEOs are relying on these corporate *consiglieri* even more. "This is enforced reflection," says Annie McKee, who coached the Unilever co-chairmen on a cultural turnaround that kicked off in the jungles of Costa Rica. There, the entire senior team talked openly about themselves, each other, and the company's "unspeakables."

McKee and the other members of the elite corps of CEO coaches make up a sort of cabal, their reputations built on word-of-mouth in exclusive circles. Some rely on big doses of self-promotion and best-selling advice books. For the top names--such as KRW International founding partner Kathryn B. Williams, Dan Ciampa, and Jack Welch protégé Noel Tichy--companies are willing to pay from \$150,000 to as much as \$1 million a year.

Of course, there are plenty of hacks, as well as 1-800 numbers promising coaching skills in just hours and schools offering mail-order degrees. There's no industry regulation: Hairdressers require more credentials. Worse, companies can be naive consumers, failing to conduct even basic background checks. Ford Motor Co. (F) once hired a coach who had lost a sexual harassment suit.

Even coaches at the top of their field have had roles in some of the biggest corporate flameouts of the past quarter-century, including Tichy's Svengali-like influence over former Ford CEO Jacques A. Nasser in the late 1990s. Critics charged that Tichy beguiled Nasser into thinking he would be the next Jack Welch, including pushing him to implement a General Electric-style, rank-and-yank performance evaluation system that landed the company in court and cost it \$10.5 million to settle. Nasser is not talking, but Tichy counters that the board didn't give the new revolution nearly enough time or support to succeed.

At Maytag Corp. (MYG), Lloyd D. Ward alienated employees--with a coach at his side. Insiders complained of Ward's arrogance and failure to marshal internal support. And a Silicon Valley coach had a hand in making candidates for the CEO job at Hewlett-Packard Co. (HPQ) undergo a grilling by a panel of psychologists.

Carleton S. Fiorina won the job to transform HP's consensus-at-all-costs culture and pull off a drama-free turnaround. Instead, she wound up embroiled in one of the nastiest proxy battles in corporate history. Even the coach's warnings about the cultural "antibodies" that would attack her if she pushed through too much change too fast weren't enough to keep her out of trouble. Her predecessor, the arm-around-the-shoulder Lew Platt, was famous for tooling around in a Ford Taurus and taking smoking breaks with the janitors. Fiorina quickly earned a rap as a diva by buying private planes and hiring a posse of security guards.

But coaches have also had their fingerprints on some noteworthy turnarounds, such as those at Unilever and DTE Energy Co. (DTE) When the work is successful, it's because coaches help fill in the information vacuum surrounding most CEOs. Even the highest-ranked executives can be afraid to tell the boss the truth. In fact, top execs get less feedback about their performance than anyone else. And studies show that the higher up the ladder they climb, the more likely senior execs and CEOs are to think their performance is much better than their underlings do.

As an organizational agnostic with no agenda, a coach can move up and down the ranks, sleuthing out the shadow culture--all the subtextual undercurrents driving the company that are never talked about. By interviewing senior team members and synthesizing themes without divulging confidences, coaches can provide the kind of unvarnished feedback that helps inoculate leaders against CEO disease. Says Ciampa, who has coached Pfizer CEO McKinnell (PFE), Treasury Secretary O'Neill, Corning Chairman James R. Houghton (GLW), and former Maytag CEO Ward: "When CEOs fail, and most do...it's because they misread the culture and the politics. And in the process, they don't manage themselves or their emotions very well."

Can coaching actually fix all that? It depends upon the talents of the coach as well as the ability of the CEO to

change. The reigning alternative is the \$10 billion a year Corporate America lavishes on leadership training. Studies show that the benefits of this seminar-heavy schooling usually vanish within a few months. But research from Case Western Reserve University's Weatherhead School of Management shows that the impact of coaching-like training can last seven years. The emotional-intelligence skills coaches specialize in help CEOs create more productive cultures, which in turn drive up profits, according to Daniel Goleman, Annie McKee, and Richard Boyatzis in their recent book, *Primal Leadership*. Premier coaches--like good therapists or sponsors in 12-step programs--hold people accountable for sticking with new behavior. Says Goleman: "Without a coach, a lot of CEOs are likely to give up."

At eBay Inc., CEO Meg Whitman has worked with coach John Thompson, CEO of San Francisco consulting firm Human Factors Inc. The coaching has centered on succession issues, Whitman's vast wealth (including whether she should buy her own jet), and building the bench-strength of her executive team. Thompson has also helped her sort out conflicts among senior executives who aren't getting along. "It's like marriage counseling," he says, "or taking your son to the woodshed."

Thompson also has cracked some of Silicon Valley's toughest cases of clashing egos, including Silicon Graphics Inc. ([SGI](#)) founder James H. Clark and its former CEO Edward R. McCracken, who fought so badly back in the early 1990s that Thompson could barely get them to speak to one another. At the time, Clark said he felt as if he knew what markets SGI should go after better than McCracken, and he thought McCracken unfairly hogged credit for SGI's success. McCracken, for his part, thought Clark wouldn't get out of his face. "Clark just couldn't let go," says Thompson.

John E. Lobbia, former CEO of electric utility DTE Energy, knows the hanging-on-too-tight syndrome all too well. When deregulation hit in the early 1990s, Lobbia realized he would have to turn his risk-averse utility into a tougher competitor. But Lobbia, who was known by employees as "the Don," knocked down any maverick who came to him with a new idea. He relished asking employees unanswerable questions--a subconscious ploy, he later realized, to show he was in control.

Lobbia finally caved to a senior executive's advice. He allowed coach Dean Anderson of Being First Inc. in Durango, Colo., to drag him and 20 top execs to a lodge in woodsy northern Michigan. He thought Anderson was full of psychobabble--until Anderson had each of the team map out which people they had a good relationship with and which they didn't. Lobbia realized there were so many breakdowns on the chart that it was a wonder the company was still in business.

Lobbia was 54 years old. He felt calcified in his ways and wondered if he had it in him to change. Still, he agreed to let Anderson launch some new initiatives at Detroit Energy Company, including rewarding risk-takers and giving people the power to make their own decisions. "I had so many lapses, it was unbelievable," he says. One time, when he fell into his old interrogator routine, a senior executive snapped back: "You can't ask me that. I'm empowered!" Says Lobbia: "I wanted to kill him. But I just had to bite my lip and move on."

Not that such corporate psychotherapy would suit every CEO. Ciampa, who wears crisp monogrammed shirts and walks with an imperial gait, sticks to the role of advice giver in the old-school style of Clark Clifford conferring with John F. Kennedy. He was a CEO himself--at consulting firm Rath & Strong. As such, he believes he offers an understanding of power and the incessant pressures on the person of last resort. He's famous for his exhaustive white papers, which he fires off to his clients on topics ranging from succession to culture fixes. Yet even the elegant Ciampa admits that, at bottom, "it always bleeds into the interpersonal.... My responsibility is to help them look inside themselves as much as outside."

Pfizer's McKinnell hardly seems as if he needs coaching. The admired leader runs a top-performing company. But he seeks out Ciampa for his brutally honest feedback and role as a seasoned sounding board. McKinnell is fanatical about seeking advice and fine-tuning his management. He has a "network" of coaches and demands

constant input from his staff. To encourage unfettered openness, he posted his 360-degree performance review--flaws and all--on the company intranet. He grills employees, even temps, about what's bothering them. "It's about being confident enough in your own abilities to be able to say to the leadership team you're working with: 'Here's what I think the problem is, here's what some of the alternatives are, but I really don't know how to solve this problem.' And it's the 'I don't know' part that is absolutely essential." After an age of CEO arrogance, McKinnell may be on to something.

By Michelle Conlin

With Kathleen Kerwin in Detroit and bureau reports