

Do as I Say Not as I Do

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Few insults sting quite as much as the charge “hypocrite.” It ranks right up there with “liar” and “snitch.” A hypocrite stands in judgment of others, or professes virtue, yet personally engages in the same behaviors that he condemns. Avoiding a charge of hypocrisy is a challenge for those who have the responsibility to teach or enforce proper behavior. Preachers, public officials, and law enforcement professionals come immediately to mind. They need to be particularly careful not to violate in their own behavior that which they publicly denounce. Business leaders can fall in the same category, especially if they make a point to communicate a code of ethics to their employees and other stakeholders, and hold violators of that code accountable.

By all accounts, Mark Hurd was a highly successful CEO of Hewlett-Packard. Under his leadership, H-P became the largest manufacturer of computers in the world. The stock price soared. Wall Street loved him. Perhaps those who were on the receiving end of a cost-cutting initiative and lost their job didn't feel the same way, but most people recognize that good managers need to make difficult decisions for the long-term success of the business, and for the greater good. Mr. Hurd made the published lists of “most admired CEO's.” He was also a champion of ethical behavior in business – particularly after the H-P Board of Directors spying scandal in 2005.

This week he was fired.

What did he do? He violated H-P's Code of Conduct by misrepresenting about \$20,000 of expenses on his expense report. (Yes, there was also a related sexual harassment charge, but it appears he was cleared of that.) To put the dollar amount of the offense in perspective, Mr. Hurd earned about three times that amount in a day in 2009. And he agreed to pay the money back. But this was not about the money. This was about trust, and credibility, and judgment, and appearances. If a CEO (or anyone for that matter) cannot be trusted in a small matter, he cannot be trusted at all.

In a statement, Mr. Hurd said, “As the investigation progressed, I realized there were instances in which I did not live up to the standards and principles of trust, respect and integrity that I have espoused at H-P and which have guided me throughout my career.” I question why Mr. Hurd didn't realize that what he did was wrong until “the investigation progressed?” Did someone need to explain to him that it was improper to pay someone for work that wasn't done? By all accounts, this wasn't a matter of a simple honest mistake, or a good-faith misinterpretation of the rules. It was deception. There is a difference. The H-P board made the right decision in firing him. Leaders

need to be held to at least the same standards as those whom they lead, and probably a higher standard.

There is a danger here, however, of setting too high of a standard for the behavior of leaders. We all make mistakes – even preachers, public officials, cops, and CEO's. There needs to be some tolerance for honest mistakes and even lapses in judgment. But once the line is crossed, it's crossed. Once a lapse in judgment or honest mistake becomes a conscious effort to deceive or to self-serve at the expense of your constituents, trust has been broken and the consequences need to be more severe. Dollar amounts are irrelevant.

There are certainly those who question the judgment of H-P's board in making the decision to demand Mark Hurd's resignation. The day after the announcement, H-P's shares dropped 8%, erasing over \$8 billion in market value – a seemingly high price for a \$20,000 indiscretion. But consider the potential cost and risk of retaining a CEO who has breached the trust of his board, his employees, and his shareholders. H-P will find a new leader, and will rise again at least partly because it has a board that has the courage to do the right thing.