

Forcing CEO to Quit Was the Right Thing

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By Alvin Clay III

Few insults sting quite as much as 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 through their own behavior that which they publicly denounce.

Business leaders can fall into 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, HP became the largest manufacturer of computers in the world. The stock price soared. Wall Street loved him. Perhaps someone who lost a job in a cost-cutting move would feel differently, but most people recognize that good managers need to make difficult decisions from time to time.

Hurd made the published lists of “most-admired CEOs.” He was also a champion of ethical behavior in business -- particularly after the HP board of directors spying scandal in 2006. On Aug. 6, Hurd was forced to resign. What did he do? He violated HP’s code of conduct by misrepresenting about \$20,000 of expenses on his expense report. There was also a related sexual-harassment charge.

To put the \$20,000 offense in perspective, 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, 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 HP and which have guided me throughout my career.” I question why 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 falsify expense reports?

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 HP board made the right decision in forcing his resignation. 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 a standard for the behavior of leaders. We all make mistakes -- even preachers, public officials, cops, and CEOs.

There needs to be some tolerance for honest mistakes and even lapses in judgment. But once the line is crossed, it is 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 HP's board in making the decision to demand Hurd's resignation. The day after the announcement, HP's shares dropped 8 percent, erasing more than \$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.

HP 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.