Have American corporate leaders lost all sense of ethical responsibility?

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ABSTRACT

The purpose of this study is to describe the leadership mistakes that three corporate chief executive officers (CEO's) made that led to them losing their positions and causing severe financial losses to their corporations. In the case of one of the CEO's his mistakes caused the corporation to go into bankruptcy with resulting losses the shareholders, creditors, and the loss of jobs to the employees. One of the other CEO's lost her position and may have ended her career as a corporate officer because of her mistakes. The third CEO studied made a mistake in judgment that landed her in prison. The mistakes made by the three CEO's were analyzed according to causative factors. These causative factors are presented with the intent of providing a guide for avoiding the flawed behavior that is associated with the factors and their ruinous consequences.

Key words: Corporate Leadership Mistakes.

INTRODUCTION

Americans are furious that their tax dollars are being used by the government to bail out corporations that were mismanaged by Chief Executive Officers who were motivated by greed and an unbridled drive to maximize short term profits or who lacked the executive leadership skills to manage their corporations. This has resulted in trillions of dollars of tax payers' money being paid to financial institutions and General Motors to avoid a supposed meltdown of the American financial system and a collapse the economy in general. Public furor is intensified by these same executives who caused the problems unashamedly insisting that they are entitled to their record-breaking bonuses (*Time*, vol. 174, Nov. 18, 2009).

METHOD

This research paper relies on business literature publications that relate to how corporate leaders made conscience decisions that exhibited a lack of ethical responsibility and prudent restraint in the conduct of managing their corporations. Or in the case of Carly Fiorina how a lack of understanding of corporate culture coupled with a disregard for the need for consensus building led to severe problems for her corporation.

How a small error in judgment compounded by an attempt to hide it led to major problems for a CEO - the case of Martha Stewart and the charge of illegal insider trading

Martha Stewart was born on August 3, 1941, in Nutley, New Jersey. She was born into a middleclass, Polish-American family (Kostyra). She attended Barnard College in New York City and was graduated with a double major in history and architectural history. She married Andrew Stewart in 1961, and had her only child, Alexis Stewart in 1965. Her early career consisted of modeling and running a catering business. She also attracted the attention of influential people in the publishing field through her husband who was the president of the prominent New York City publishing firm of Harry N. Abrams, Inc. Martha developed a cookbook featuring recipes and photos from parties she hosted called *Entertaining*. The book made the *New York Times* Best Seller list. She followed the success of *Entertaining* with other books, magazine articles, newspaper columns, and television appearances including *The Oprah Winfrey Show* and the *Larry King Live* show. She divorced her husband in 1989. Her career continued with a new magazine *Martha Stewart Living,* for which she served as editor-in-chief. The magazine was very successful, and went from a circulation of 250,000 in 1990 to 2 million in 2002. She also had her own TV show. Additionally, she appeared on several prime-time holiday specials on the CBS network. The *New Yorker Magazine* devoted a cover issue to her (May, 1995) and referred to her as the definitive American woman of our time (Curran, John. 2004).

In 1997, Martha purchased various television, print, and merchandising ventures related to the Martha Stewart brand and consolidated them into a new company, the Martha Stewart Living Omnimedia. She placed herself in control of the company as the president and CEO. On October 19, 1999, Martha Stewart Living Omnimedia went public on the New York Stock Exchange under the ticker symbol MSO. The initial public offering was set at $18.00 per share, and went up to $38.00 per share before dropping back down to $16.00 per share in February 2002. Martha was the majority shareholder owning 96 percent of the stock. At this point in her life, Martha Stewart was remarkably successful. She was one of the wealthiest women in America as a result of her company (MSO) going public, and she had one of the most famous names on TV. She was omnipresent—she had it all, (Skillings, 2006).

All this was about to change. On June 4, 2003, the Securities and Exchange Commission filed a charge of securities fraud against Martha Stewart and her former stockbroker, Peter Bacanovic. The complaint, filed in federal court in Manhattan, alleged that she committed illegal insider trading when she sold stock in a biopharmaceutical company, ImClone Systems, Inc., on December 27, 2001, after receiving an unlawful tip from Bacanovic, who at that time was a broker with Merrill Lynch. The Commission further alleges that Stewart and Bacanovic subsequently created an alibi for Stewart's ImClone sales and concealed important facts during the SEC and criminal investigations into her trades. In a separate action, the US Attorney for the Southern District of New York obtained an indictment charging Stewart and Bacanovic criminally for their false statements concerning Stewart's ImClone trades, (SEC, 2003). A close examination of the charges brought against Stewart revealed some incriminating facts and events. In December of 2001, the stock market was waiting to learn if the Food and Drug Administration (FDA) would approve one of ImClone's cancer treatment drug called, Erbitux. As it turned out, the FDA did not give their approval. Before the news was released to the public, InClone's president, Samuel Waksal, and his daughter placed orders to sell their stock in the company, as did others. Bacanovic, who was a broker employed by Merrill Lynch, shared this information with Stewart, which was a violation of his responsibilities as a licensed broker. In essence, he gave an unlawful tip to Stewart who on December 27, 2002, sold her InClone shares. At the time Waksal sold off his stock. he had obtained secret information that the FDA was about to reject ImClone's cancer drug Erbitux. Information about Waksal's sale was confidential under Merrill Lynch's policy governing stock transactions. It was also a violation of SEC regulations as well as a violation of the Chartered Financial Analysts guidelines. Had Waksal's efforts to sell his shares in ImClone been known to the public, it would have raised suspicion that the FDA was not going to approve Erbitux and would have precipitated a sell-off of ImClone stock. According to the allegations made by the SEC, on the morning of December 27, 2001, Bacanovic instructed his assistant Douglas Faneuil, to tell Stewart that Waksal and his daughter were selling their stock. During a subsequent telephone call, Faneuil conveyed information to Stewart, who immediately told Faneuil to sell 3,928 shares of her ImClone stock. The next day, December 28, 2001, ImClone announced that the FDA had decided not to accept ImClone's Erbitux application for filing. By the close of the next trading day, Monday, December 31, 2001, the price of ImClone's stock had lost 16 percent of its value and dropped to $46 per share. Stewart avoided a loss of $45,673—a trifling small amount to someone with her wealth (CNN. March, 2004).

The SEC alleged that Stewart and Bacanovic lied to them and other authorities when they were questioned about the facts surrounding Stewart's sale of her stock. According to the SEC, Stewart and Bacanovic said that she sold her ImClone stock because they had decided earlier that she would sell the stock if it dropped below $60 per share. The more damaging lie, however, was when Stewart told the SEC that she did not recall anyone telling her on the day she sold the stock that Sam Waksal and his daughter were selling their stock. That was the statement the SEC pursued in its case against her (SEC,2003).

On March 10, 2004, *Money* magazine carried the story that Martha Stewart was found guilty on four counts of obstructing justice and lying to investigators about her sale of ImClone Stock. Her ex-broker, Peter Bacanovic, was found guilty on four counts. He faces up to five years for each count and a $250,000 fine. The prosecutor was overjoyed over the much-publicized trial. The US attorney for New York said, “The word is—beware—and don’t engage in this type of conduct because it will not be tolerated.” One of the jurors said, “This is a victory for the little guys. No one is above the law.” (Money, 2004). Such is the joy felt by the *little people* when they can have their opportunity to pull down those they regard as high and mighty. There is much more than could be said about the case. For example, both Martha Stewart and Peter Bacanovic served prison sentences, but Sam Waksal, the former CEO of ImClone and others made millions selling the same stock as did Martha, but their insider-trading charges were dropped. They paid $2.7 million in fines, but that is not as difficult to bear as being sent to jail. Of all the people involved in the case, perhaps Peter Bacanovic suffered the most for his misdeed. He served a prison sentence, paid a heavy fine, and is barred from working as a broker. Martha is back on TV and running her empire **(Stewart, 2004).**

What can be learned from the study of Martha’s case?

Again much can be learned. The most important lesson to be learned is that the more visible and renowned a CEO becomes, the more he or she must be aware of making even a small mistake that could result in a criminal charge. Does anyone seriously question that Martha Stewart’s high profile makes her an attractive target for a criminal charge. People who live in glass houses built on a foundation of fame and public acclaim must be on guard and realize that their actions will always be scrutinized, and if there is an opportunity to capitalize on a mistake they make—there will always be people to take advantage of the opportunity. In retrospect, what could Martha have done to avoid the problem? The most obvious answer is to not have lied. True, she did not give false testimony during the trial, but she did make false statements to the federal investigators. That was the charge she was convicted of. What else could she have done? Again, in retrospect, she could have tried to reach a settlement with the SEC. Apparently, that is what Sam Waksal did (New York Times, 2006). A final point regarding what she could have done is to have consulted her attorney about whether selling her stock based on Peter Bacanovic’s tip was insider trading. Now that all the legal problems are behind her, it must be said to her credit that she did in every way make the best of a bad situation. She served her time with grace. She did not make damaging statements about the legal system. And in every way came through the ordeal with her image undamaged. She has it all together again.

How a CEO’s leadership style can clash with a corporation’s culture and cause problems for him or her - the case of Carly Fiorina and the Hewlett-Packard Corporation

Carleton “Carly” Sneed Fiorina was born Carla Carleton Sneed on September 6, 1954, in Austin, Texas. Her father, Joseph Tyree Sneed III, was a constitutional law scholar and federal judge. Her mother, Madelon Juergens Sneed, was an artist. Mrs. Fiorina received her BA in philosophy and medieval history from Stanford University in 1976, her MBA in marketing from the University of Maryland, and a MS in management from the MIT Sloan School of Management in 1989, (Sellers, 1998). In 1985, she married Frank J. Fiorina, an executive with AT&T. It was her second marriage. She progressed rapidly through the ranks, and in 1995, was promoted to executive vice president for Corporate Operations (Sellers, Patricia. 1998).

As an executive vice president, in 1996, she directed the initial public offering (IPO) of the Lucent Corporation—which was considered a very successful IPO. In 1998, she was ranked #1 in *Fortune* magazine's first listing of the most powerful women in business (Burrows, 1999).

Based on her success as a corporate executive at AT&T, the board of directors for the Hewlett-Packard (HP) Corporation brought her in as its CEO and later appointed her chairman of the board. As CEO and chairman of the board she attempted to repeat her successful maneuver in the IPO of Lucent by forging a merger with the Compaq Corporation one of HP's rival companies in 2002. The merger was not considered a financial success. Indeed, her tenure as CEO and chairman at HP was not the same success story that she had achieved at AT&T. HP's stock lost almost half of its value as the company incurred heavy losses. In 2005, the board asked for her resignation (Anders, George. 2003). What were the events that lead to the end of such a promising career for such an articulate, dynamic executive with such impressive credentials?

A great deal has been written about what happened to Carly Fiorina at HP. Many writers have speculated about the causes of the problems that led the board to ask for her resignation. A careful review of the many news releases, magazine articles, and other media coverage reveals a complex set of factors involving leadership style, personality clashes, corporate culture, and conflict among key figures in the corporate scene.

What mistakes did Carly Fiorina make?

When Carly Fiorina joined Hewlett-Packard she succeeded Lewis Platt, the former CEO. Shortly after she took over HP, there was a general business downturn that started in 2000 and continued into 2001. Like many corporations, HP decided to lay off 7,000 employees. Carly Fiorina started on her attempt to reinvent HP. Part of her plan to reorganize HP was to merge HP with its major competitor, the Compaq Corporation. Her determination to push through the merger led to a confrontation and bitter conflict with Walter Hewlett, the son of the co-founder of the corporation, William Hewlett. Carly persisted and the merger took place. The timing for the merger was not good because tech company stocks were in a steep downturn. HP's stock was also in on the decline and remained below its previous value. The clash with Walter Hewlett and other board members caused unrest among other members of the senior executive team. HP lost business to its major competitors, IBM and Dell, and HP had to rely on its printer division to cope with the losses in its other divisions (Roberson, Jordan. 2007).

But, with all of the above said, the reasons for Carly's problems were more related to the culture of the corporation and the people she had to interact with. Consider first HP's corporate culture. HP had a 60-year history as one of the oldest of the Silicon Valley tech companies. HP's executives had almost always come from within the corporation. They had never gone outside the corporation for a senior executive—and all senior executives had strong technical backgrounds. Carly was an outsider in a company where all the other members of the executive line-up were insiders, including the co-founder's son. Furthermore, she had no technical/engineering expertise. She had an undergraduate degree in medieval history and a graduate degree in marketing. One can almost imagine the nasty, snide remarks that may have been made. Unlike her predecessors, Bill Hewlett and David Packard, who were noted for emphasizing teamwork and respect for co-workers, Carly had a proclivity toward unilateral decision making and forcefully pushing for what she considered to be needed. To Carly's credit she had the extraordinary ability to conceptualize and communicate sweeping strategies. She had the ability to bring a much needed sense of urgency to get the corporation moving into the fast-paced tech industry. These abilities should have been effective in leading HP into a dominant position as a high-tech company. Although she lacked the in-depth technical expertise that the other members of the HP executive team had, she had what they lacked—marketing and sales expertise. It could have been a perfect symbiotic relationship **(Burrows, 1999).**

Lewis Platt, a 33-year veteran of HP had started to reorganize the corporation before Carly came on board. Platt started to hire more women and to move them up in the corporation. He tried to make HP more nimble in reacting to trends and introducing new products. But he was meeting resistance from his managers, and he was unable to energize the company. When revenue growth slowed, he explored a variety of radical restructurings like spinning off units (Kawamoto, Dawn. 2002). Meeting with little success, he asked the board to consider hiring a new CEO. Enter now Carly Fiorina.

A clue to what led to Carly's forced resignation is the people she had to work with, as was mentioned earlier. Among these people was Richard A. Hochborn, a member of the board who had built HP's printer business. Richard had been instrumental in bringing Carly to HP. He supported her in the merger with Compaq in 2001, but grew frustrated when HP's performance faltered in 2004. Hachborn thought HP had to be more aggressive in halting the loss of market share to IBM and Dell. Other differences in what he and Carly sought strained the relationship further. For example, Hachborn wanted HP director Thomas Perkins reinstated to the board. When he was reinstated, he voted for Carly's termination. Carly had been instrumental in removing Perkins from the board earlier for being critical of her. In addition to Hackborn, Carly had made other bitter enemies including Walter Hewlett and those who were loyal to him. Finally, there was Patricia C. Dunn, a senior executive with the Barclay Corporation that owned a large block of HP stock. Pat Dunn was one of the executives who replaced Carly along with Robert Wayman as CEO's (Pui-Wing, Tam. 2005).

In January 2005, Pat Dunn, on behalf of the board, presented Carly with a four-page list of issues setting forth performance deficiencies. On February 9, 2005, Carly was asked to resign. She was given a generous severance package of $21 million (Pui-Wing, 2005).

What makes it difficult to assess the extent of any performance deficiencies on Carly's part is that there were no clear-cut examples of her making a wrong decision that had a disastrous effect on the corporation. She did not make any false statements. She did not misappropriate assets. What was her fatal mistake? It was a subtle one. She made enemies and they conspired to bring her down. She came into a corporation that had a distinct culture. She clashed with the culture. She alienated some people whose combined influence she was not able to neutralize. There were power brokers like Hackborn and Dunn who she was not able to keep on her side (Burrows, 2005). What could she have done to avoid the outcome? In retrospect, her leadership style lacked consensus building. Being forceful is a tricky quality. On the one hand it gets things done and brings a sense of urgency to a corporation. But running roughshod over managers and executives and forcing through decisions without regard to their opinions leaves discord. In the end, those whom she alienated were joined by those whose support she needed—but had failed to hold. This was the major cause of her downfall. Carly is a very talented woman and is very likely to come back in another important role in the near future **(Robertson,2008).**

How over reaching ambition can lead to a CEO's ruin and disaster for his corporation - the case of Gary Winnick and the global crossing corporation

Consider now the case of Gary Winnick, the CEO of Global Crossing, to see what lessons can be learned to avoid the mistakes that led to his resignation and the need for the corporation to file for bankruptcy.

What is known about Gary Winnick's background before he founded Global Crossing? He was born in 1948, and grew up on Long Island, New York. Gary worked in grocery stores, Howard Johnson and other similar jobs as a young man. He attended the C.W. Post Campus of Long Island University and was graduated in 1969 (Long Island, C.W. Post Campus, 2008). After college he worked selling furniture. His start in the financial world came with a job working for Drexel Burnham Lambert in 1970 where he met and later worked with Michael Milken. When Mr. Milken moved the firm's high-yield bond group to Beverly Hills, Winnick followed him. At Drexel, Winnick's specialty was the telecommunications industry. In an interview, Winnick said that he believed the telecommunications industry would be changing rapidly in the near future. Winnick worked with Milken from 1973 to 1985. Later, Milken was convicted of securities reporting violations and sentenced to serve time in prison. Winnick, however, was able to leave Drexel and founded his own venture investment firm—Pacific Capital Group located in Los Angeles, (Mcdermott, 1999).

Many writers correctly credit Winnick for founding Global Crossing, which indeed he did found, but the concept of a cross-Atlantic communication cable was thought of long before Global Crossing was founded. As early as 1886, telegraph messages were sent between Newfoundland and Ireland. Later, companies were relaying messages, mostly stock trading, between London and New York. Nearly 130 years later, Pacific Capital Group was to get into the business of providing a communications channel across the Atlantic between New York and London, (Kessler, 2002). Actually, the idea of laying a fiber-optic cable below the Atlantic Ocean was conceived about 1995 by two executives at AT&T, Bill Carter and Wally Dawson. They believed that laying fiber-optic cable on the Atlantic Ocean floor was the best way to profit from the surge in voice and data transmission between the United States and Europe. At that time, Winnick and his associates at Pacific Capital Group were eager to invest in telecom companies because they believed this sector of the economy was going to expand rapidly and more capacity would be needed—they were, of course, correct in this belief—at least in the short run. For some reason, not clear to many analysts, AT&T sold its submarine unit in 1996. This was the opportunity Winnick needed. He sent his partner David Lee to AT&T to talk about business opportunities and was able to recruit several of AT&T's people. With them and some others, and with $15 million of his own money, he founded Global Crossing in 1997 **(Kessler, 2002).**

Winnick was an expert at raising money. He used his network of Wall Street bankers and an associate of his at Drexel who had moved to CIBA World Markets, a Canadian investment bank, to raise large amounts of capital. CIBA led the syndication of a $482 million loan to Global Crossing in 1997. CIBA also added an additional $850 million to finance the first undersea cable. Global Crossing began to sign up customers even before the communication linkage was completed. Global Crossing would be the first company to lay a fiber-optic cable on the ocean's floor. The new high technology would provide more than adequate capacity to accommodate for the increasing demand for data and voice transmissions. Within months, 33 customers, including Quest, AT&T, Deutsche Telekom, and Level 3 had committed to deals totaling over $1 billion (*New York Times*, 2002).

By 1998, the telecom sector was bringing in money at an unprecedented rate from institutional investors. Telecom companies sprang up everywhere. Fund managers felt compelled to make huge investments in telecom stocks and bonds. Telecom shares of high-yield debt issues grew from 15 percent in 1997, to 30 percent in 1999, and 46 percent in 2000. Most analysts had serious doubts that the stocks were worth their price, but they could not resist the herd instinct to continue to buy into what appeared to be a sector with "unlimited potential." At the head of those analysts touting Global Crossing and other telecom companies was Jack Grubman of Salomon Smith Barney. Jack Grubman, a former executive vice president at AT&T, was a major player in endorsing deals involving telecom companies. All of the deals required that Salomon would obtain a large percentage of the investment banking business. When Global Crossing went public in 1998, Salomon and Merrill Lynch were the investment bankers that led the IPO. Their fees were $30 million. Winnick retained a 27 percent share of the company valued at $1.4 billion. Later that year (1998), Global Crossing's capitalization had grown to $10 billion. In 1999, Winnick recruited Robert Annunziata from AT&T for a reputed $10 million signing bonus. Shortly thereafter, Global Crossing acquired long-distance provider, Frontier for $11.2 billion. Global Crossing stock value increased to $4.5 billion (*New York Times,* 2000).

Gary Winnick and Global Crossing were now in the big league of the financial world. He appeared on the cover of *Forbes* magazine. He spent money lavishly and courted powerful people such as former President Clinton and Maria Elena Lagomarino, co-head of Chase Bank's private banking unit, David Rockefeller, Chase's former chairman, and others. Winnick had the golden touch. In 1997, he and three other executives took in $7.2 million in fees for arranging financing for the undersea cable. He was able to arrange all sorts of fee arrangements to enrich himself and others whose influence he sought. He indulged himself without restraint. He collected $7 million for office renovations that modeled one room like the White House's Oval Office. He was sitting on top of the world—like an emperor on a gold throne. Indeed, two years later two journalists would write an article in *Fortune* magazine titled: "The Emperor of Greed" (Creswell and Prins, 2002). With the help of his bankers, Gary Winnick treated Global Crossing as his personal cash cow—until the company went bankrupt.

In the spring of 2000, the wheel of fortune began to turn away from Gary Winnick. The telecom bubble was about to burst. The NASDAQ telecom index peaked in March. By the end of 2000, Global Crossing stock would drop—like a lead sinker on the end of a fishing line dropped into the Atlantic Ocean—from $61.00 a share to $16.00 a share. As is so often the case, bad things seem to happen at the worst possible time. The links from the onshore cable stations to the cities in Europe were not working properly. Transmission quality was poor and there were extended periods of time when the system was down. In the financial industry this is a very serious problem. These technical problems were compounded by the downturn in the telecom industry that was causing telecom carriers to go out of business. These telecom companies were a major source of Global Crossing's customer base and their revenue was critically needed. In 2001, Global Crossing's stock dropped even further to $10.00 a share. Then, as is so often the case, when a corporation is in financial trouble it tries to hide its true financial condition. Global Crossing started making deals with other carriers that consisted of exchanging cash (swaps) and booking those exchanges or trades as revenue. According to Brian Lysaght, of the law firm of O'Neill Lysaght & Sun, a Global Crossing employee, Roy Olofson, who worked in the Finance

Department, claimed that Global Crossing fired him after he questioned a swap transaction. Olofson claimed that the money was simply wired from one company to another. Olofson claimed that $720 million of Global Crossing's $3.2 billion in sales for the first half of 2001 were "round tripped" cash swaps (Mcdermott, Terry.1999).

Even though there were warning signs, the investment firms and their analysts continued to push the telecom sector. Indeed, the telecom sector generated $13 billion in underwriting and investment-banking fees. Why were important warning signals ignored? For obvious reasons—the telecom sector was Wall Street's gold goose and its golden eggs were being feasted on with no thoughts as to what would happen if the golden goose got sick and died. And the goose was getting sick fast. In 2001, the telecom IPO's began to stall. But the sectors debt increased from $73.4 billion in 2000 to $120 billion in 2001—almost double. Telecom corporations began to file for bankruptcy. Banks began to become concerned. Chase Bank loan losses hit $3.2 billion; more than double its previous year's losses of $1.4 billion. In December 2001, Global Crossing's stock was trading at $1.00 a share. A loan from J.P. Morgan and Citigroup helped it survive for the time being. Global Crossing tried to merge with Asia Global Crossing, but Asia's shareholders rejected the offer (Walker, Rob. 2002). Global Crossing's death knell had sounded.

In December 2001, Gary Winnick announced he would resign, (Gentile, 2002). In January 2002, Global Crossing filed for Chapter 11 bankruptcy. Gary Winnick, however, did not suffer the same fate as Bernie Ebbers, John Rigas, or Ken Lay. He was investigated by the FBI, but was never charged with any criminal wrong doing. He did not have to appear before a congressional hearing to account for the swapping transactions. There does not appear to be any evidence that he was under investigations by the SEC. He was able to sell $600 million in stock in September of 2000, (Friedman, 2004). During his tenure as the CEO he earned millions and spent his own and shareholders' money with a lavish hand. He gave millions to charities and also made large political contributions. He enjoys, even now, the living style of one of the richest men in America—or at least in Los Angeles. True, he made a settlement in a law suit brought by former business partners. He also made some promises to the 9,000 Global Crossing's employees who lost their jobs regarding severance pay, but according to the *NY Observer* nothing materialized from the promises, (Romero, 2002). Thousands of investors lost millions of dollars. Employees lost their jobs, retirement benefits, and health care benefits. Gary Winnick spent $15 million renovating his house in Bel Air, one of the largest and more luxurious houses in one of the luxurious living areas in the world, (Palmeri, 2001).

What mistakes did Gary Winnick make?

It is hard to say where Gary Winnick went wrong since he was not indicted for a crime, is not serving time in jail, and has kept his financial fortune. Global Crossing also has been resurrected or at least restructured. Hutchinson Whampoa of Hong Kong and Singapore Technologies Telemedia acquired Global Crossing's assets for $250 million. According to the bankruptcy filing in January 2002, the $250 million was equal to one percent of the corporation's declared value of $22.4 billion. This is astonishing and is an indication of the inflated value of Global Crossing's stock prior to filing for bankruptcy. It also makes one wonder how Gary Winnick was able to sell his shares in the corporation for $600 million before the corporation filed for bankruptcy. Truly, he had the Midas touch. In a letter to the board of Global Crossing, Mr. Winnick said: "I deeply regret that so many good people involved with Global Crossing also suffered significant financial loss." (Gary Winnick, 2002).

What then can be gleaned from all that has been said of Mr. Winnick's performance as a CEO? His mistakes were that he did not see that Global Crossing was expanding too rapidly and was developing too much underutilized capacity. Additionally, quality problems were left to remain uncorrected too long and that led to customer dissatisfaction which resulted in lost business. He should have realized that the company was taking on too much debt relative to its cash flow. The steady drop in Global Crossing's stock from its high of $61 per share to a drop of $25 a share should have been a clear signal that retrenching was necessary at that time. Also, at that time many of the original investors were selling their holdings, including Mr. Winnick, who sold off $260 million in April of 2000. The company's negative cash flow problem in 2002 should have been addressed even earlier instead of excessive spending on unnecessary items. From a management standpoint the rapid terminations of CEO's Robert Annuziata from AT&T, Leo Hendery, also from AT&T, Thomas Casey, an attorney from Merrill Lynch, and finally John Legere, from Asia Global Crossing caused internal instability (Palmeri and Weintrub, 2001).

Lack of self-restraint: a tragic flaw in a CEO

In summing up Mr. Winnick's career at Global Crossings, he was a brilliant salesman and a financial wizard. But like most salesmen, their skill is in persuading people to buy their products or services—which Mr. Winnick did with superb skill—but there was no equal skill or dedication to service after the sale. So Mr. Winnick left the scene with millions made and billions spent, but the people he sold to they were the ones left with a product with a resale value of one percent of what it was supposed to be worth. The lesson to CEO's and all of us is to not be bewitched by brilliant salesmen or bias analysts. And above all else—beware of the overly ambitious who lack self restraint.

Conclusion

The three cases presented in this article demonstrate three different examples of flawed leadership. The case of Martha Steward was one in which an executive with an extraordinary abundance of talent made a rather small mistake in judgment. Essentially, she tried to cover up a financial transaction that violated rules governing the sale of securities. In light of the transgressions committed by people like Bernard Madoff, Martha's misdeed hardly seem to merit imprisonment. What is most useful to learn from Martha's mistake is that executives who have high media recognition or who are CEO's of prominent corporations must be more on guard then lesser known CEO's because they are more vulnerable to being prosecuted in order to make an example of them.

The case of Carly Fiorina is similar to that of Martha Steward only in that it is about another extraordinary talented woman executive. What can be learned from the analysis of Carly's tenure as the CEO of Hewlett-Packard presented in this article is that despite all the skills—primarily marketing and product promotion—that an executive may have, the failure to understand the importance of working in harmony with a corporation's culture cannot be ignored. Carly came into a corporation, that had a strong corporate culture, with a background very different from the other key players. Her leadership style clashed with the corporate culture and she made powerful enemies who disposed her. By not realizing the need gain the support of these key players for important decisions like the merger with Compaq she was vulnerable to attacks by the enemies she made like Thomas Perkins and Walter Hewlett. But Carly, like Martha, has a powerful persona and no doubt will surface again—perhaps in the political arena.

The analysis of Gary Winnick in this article points out that a lack of prudence and a preoccupation with growth without a concern for sustainability leads ultimately to a crumpling of the corporate structure and ruin for investors and employees. This certainly was the case for Garry Winnick and Global Crossing. Gary Winnick, like his mentor Michael Milken, was too preoccupied with growth at all costs and high-yield returns. But unlike Milken—who was convicted of securities fraud and served time in prison—Winnick left Global Crossing in financial ruin and its investors and employees wiped out while he retired to his luxurious palace in California with billions of dollars from stock he sold before the corporation folded.

The lesson learned is that it is not short term returns that count, but rather reliable sustainable growth based on value earned that are the mark of a successful executive.

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