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In Business, Tough Guys Finish Last

BACK in the 1980's, Fortune published a feature called "America's Toughest Bosses." Donald H. Rumsfeld made the list one year (he was running G. D. Searle). So did legendarily crusty executives like Robert Crandall of American Airlines ("has a towering temper and swears a lot"), Frank Lorenzo of Texas Air ("not trusted inside or outside the organization") and Harry E. Figgie Jr., chairman of the manufacturer Figgie International ("really abusive - the Steinbrenner of industry").

What's striking when you read that feature today is how unapologetic these chief executives were about their brutal styles. "You don't build a company like this with lace on your underwear," Mr. Figgie said in 1989.

The announcement this week that Philip J. Purcell would leave his post as chairman and chief executive of [Morgan Stanley](#) put me in mind of that hoary feature. If Fortune were compiling such lists today, Mr. Purcell might rank near the top. He wasn't a screamer. (Or, rather, he isn't one, since he hasn't left yet.) Nor is he the sort to bang his fist on the table.

But during his nearly two decades running first Dean Witter and then Morgan Stanley, where he became chief executive when the companies merged in 1997, he was ruthless, autocratic and remote. He had no tolerance for dissent or even argument. He pushed away strong executives and surrounded himself with yes men and women. He demanded loyalty to himself over the organization. He played power games. He had little contact with rank and file.

Is it a surprise that he was loathed by many executives, especially those on the Morgan Stanley side of the divide? Or that they finally took their revenge?

For most of the postwar era, you could be a "my way or the highway" chief executive and survive, even thrive. Employees cowered or quit, but they didn't rebel. Directors were passive, as were shareholders. Business magazines exalted you for your "toughness."

Not anymore. Today, said Andrea Redmond, an executive headhunter at Russell Reynolds Associates, successful chief executives are "inclusive, open and transparent." In short, she said, "They have the ability to get people to trust them."

Chief executives who lack those qualities, and who rule by fear will eventually be rejected. It usually takes some precipitating event - a strategic mistake, a falling stock price, a whiff of scandal - to create the conditions for such an ouster. But once the opening is there, the organization will take full advantage to rid itself of a boss it doesn't like. That's what happened a few months back to Carly Fiorina, the much disliked (and now former) chief executive of [Hewlett-Packard](#). It helps explain the fall of take-no-prisoners Richard A. Grasso, the former chairman of the New York Stock Exchange. And when you get down to it, that's what happened to Mr. Purcell.

THE legions of Morgan Stanley hands who left during the reign of Mr. Purcell, including the eight former executives who led the two-month public push to overthrow him, will not talk publicly about how much they despised him.

They tend to talk instead about how his strategic vision - meshing Morgan Stanley's high-end investment banking franchise with the old Dean Witter brokerage network - wasn't working, hurting the company and its stock price. But you don't have to dig very deep to realize that Morgan Stanley's current underperformance was simply the excuse. To reverse that great old line from "The Godfather," this wasn't about business. This was personal.

The anger and resentment toward Mr. Purcell goes back practically to the moment he became chief of the combined company, a title he insisted on, and which the Morgan Stanley negotiators, including Richard B. Fisher, then chairman, and John J. Mack, president, acceded to in an effort to get the deal done. Mr. Fisher and Mr. Mack both came away with a clear understanding that after four or five years, Mr. Purcell would step aside and allow Mr. Mack to take over.

But, of course, that never happened. By year four of the merger, Mr. Mack had been largely frozen out, and Mr. Purcell had packed the Morgan Stanley board with people loyal to him. When Mr. Mack offered his resignation in 2001, complaining that Mr. Purcell was undercutting what little authority he had, Mr. Purcell quickly accepted it.

Virtually the same thing happened to Robert G. Scott, the longtime Morgan Stanley executive who succeeded Mr. Mack as president. He left in 2003, only to join the recent revolt against Mr. Purcell.

Mr. Purcell, meanwhile, turned his back on Morgan Stanley's culture of give and take and constructive disagreement. Under Mr. Fisher, Morgan Stanley had been a place where anybody could walk into the boss's office and disagree with a decision - and Mr. Fisher would hear them out, and sometimes even agree.

Mr. Fisher, who died last December, roamed the halls, talking to traders, investment bankers and executives up and down the ranks. He chatted up clients. He made people feel good about themselves, and about the firm. In that sense, he was a prototype of the modern chief executive.

Mr. Purcell, by contrast, stayed mostly in his office, plotting "strategy." He rarely met with clients, and when he did, he was hardly a schmoozer. He belittled the investment bankers. Executives learned that it was pointless to argue with Mr. Purcell about anything - all it did was make him mad, and he didn't even pretend to be listening.

By the end, as top executives like Joseph Perella and Vikram Pandit - leaders revered by their troops - were walking out the door in disgust, Mr. Purcell seemed to view their departures as mainly an opportunity to hand even more big jobs to people who were loyal to him.

Right up until the end, you had the sense that Mr. Purcell felt sure he was going to survive. After all, only the board could push him out, and it was

packed with his people. That he didn't survive is perhaps the most powerful evidence of how much the world has changed.

"This is a fascinating case study," said Jay Lorch, a professor at Harvard Business School. "This was a board that was trying to protect the C.E.O., and it couldn't."

Unlike the old days, now shareholders - especially shareholders running aggressive hedge funds - are no long passive, and even directors handpicked by the chief executive know they have to be sensitive to stockholder concerns.

What the Morgan Stanley rebels did brilliantly was create enough shareholder agitation - and make it clear that it wasn't going to go away - that the board finally had to move. Yes, Mr. Purcell cast the decision to retire as his own, but he really didn't have any choice. Reading between the lines, it's pretty obvious that the board was in relieved agreement with his decision.

Are there times when well-liked chief executives, the ones who know how to build consensus and trust, lose their jobs when their strategy doesn't work or the stock price collapses? Of course. But they have a far better chance of surviving because they have built a reservoir of good will they can draw upon. Phil Purcell had none. That's what killed him. Nowadays, it's not the nice guys who finish last. It's the tough guys.