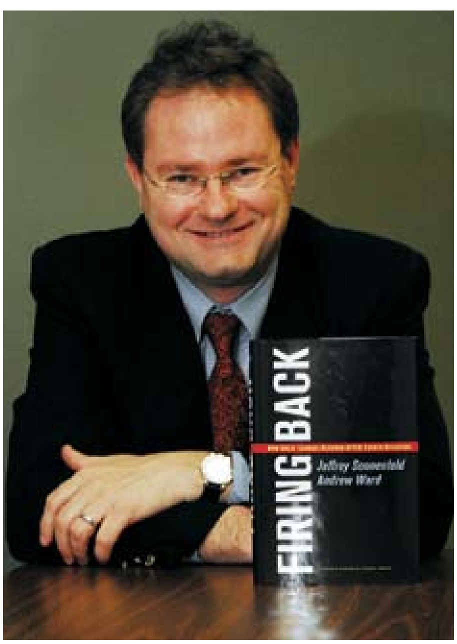
Firing Back analyzes how leaders rebound after career disasters

By Patti Ghezzi

Some CEOs get fired and slink away in shame, never to return to the spotlight. Then there are Bernie Marcus and Arthur Blank, dismissed from the Handy Dan Home Improvement Centers and reborn as founders of The Home Depot. Martha Stewart went from prison to the set of her new TV show, her legions of fans cheering her on.

Andrew J. Ward, assistant professor in Terry's Department of Management, was fascinated with comeback CEOs. Why do some leaders bounce back from public humiliation while others disappear? To find the answers, he teamed with Jeffrey A. Sonnenfeld, senior associate dean at the Yale School of Management, to write a book, *Firing Back: How Great Leaders Rebound After Career Disasters* (Harvard Business School Press, 2007).



CHRIS TAYLOR

The *Financial Times* noted that Ward's book "is not always comfortable reading but certainly essential for leaders and aspring leaders in all walks of life."

Ward and Sonnenfeld discovered patterns among leaders who parlay pink slips into top positions at even more successful companies. As a rule, CEO survivors make sure the public hears their side of the story, despite pressure to sign confidentiality agreements.

"At the time, those agreements seem like a good thing to do, to move out of the spotlight," says Ward. "But then the CEOs can't get their reputations restored."

Ward got interested in the subject while working on his dissertation. People laughed when he said he was interviewing fired CEOs, but they were, in fact, eager to talk. Many felt like scapegoats for problems that were not their fault. Oftentimes, they left to escape controversy, a move the authors say is a big mistake. "In cases where the damage to reputation has caused downfall," they write, "there needs to be a proactive fight, not flight, mentality."

Sonnenfeld served on Ward's dissertation committee at Emory, and they worked together as Emory professors. "It's good to be able to run your ideas by a well-informed peer," says Sonnenfeld.

Firing Back has garnered mentions in *USA Today*, *Business Week* Online and the *Financial Times.*

"Given that the average tenure for a chief executive has been steadily declining," Paul S. Brown wrote in *The New York Times*, "the timing of the book could not be better."

The *Financial Times* noted that *Firing Back* is "not always comfortable reading but certainly essential for leaders and aspiring leaders in all walks of life."

Ward and Sonnenfeld found CEOs who come back from career disasters rediscover their "heroic mission." Michael Milken, the "junk bond king" who served time for securities crimes, developed a passion for education. He tutored prisoners, created puzzles for their children, and after his release founded the educational empire Knowledge Universe, which he built by acquiring such companies as the toy maker LeapFrog.

"Milken's reinvention and his shift in heroic mission are remarkable," Ward and Sonnenfeld write. "He was unwilling to wallow in grief or to accept any externally imposed constraints on his desire to create and regain prominence...."

Some subjects, like Milken, are notorious, best known for their indictments, others for their generous exit packages. "The public is getting less sympathetic to the plight of the fired CEO," says Ward, who adds that CEOs get large severance packages built into their contract because they are taking an enormous risk. If they get pushed out, their careers may be over.

Behind all the newspaper headlines about golden parachutes, the authors discovered sensitive people who actually want to help society. "Some were greedy and evil," says Sonnenfeld, "but most aren't."

Some take the fall for problems that existed before they took the helm. Others are victims of a cycle of lionizing heroes and then tearing them down, says Sonnenfeld.

CEOs who manage to reclaim their former glory often find greater favor in the public eye than they had before.

"The heroic myth," says Sonnenfeld, "is that you aren't truly heroic until you have battled back from adversity."

Ward said he thinks *Firing Back* will appeal to his students at Terry. "Students like to hear about these leaders and how they got where they are," he says. "Many of them see themselves as CEOs in the future, so they have a vested interest." ■

Patti Ghezzi is an Atlanta freelancer.

Ph.D. candidate cited in WSJ story on the backdating of stock options

By Ryan Crowe

David Cicero began his Ph.D. *candidacy in banking and finance at Terry in 2002, and is currently on leave from his position as a business associate at the Securities and Exchange Commission. His thesis concerns the backdating of stock options by corporate executives, a timely topic that prompted* The Wall Street Journal *to cite his research in its Dec. 12 issue. Excerpts from that article appear below, accompanied by a brief Q&A with Cicero.*

Your undergraduate degree from Auburn University is in mechanical engineering. What sparked your interest in finance?

"Well, honestly, I never wanted to be an engineer, but I did like the rigorous education. Then I went straight to law school at the University of Virginia, and I'm not exactly sure why I did that, either. Policy has always been very interesting to me. I practiced law for a couple of years, but I realized that the financial side of transactions appealed to me more than the legal side, especially with my math background."

What do you do at the SEC?

"My work centers on three functions: I work on research regarding options backdating. I perform economic analysis to support enforcement cases involving violations of federal securities laws. And I provide analysis on SEC policymaking as part of a team that advises the commission on how to structure executive compensation disclosure rules."

What's the most rewarding aspect of your work?

"Definitely the real world usefulness of the economic research I do. Whether it's the regulation of hedge funds, mutual fund governance, or executive compensation, my research has a direct application to policy, and that's extremely gratifying."

How do you expect the issue of backdating to play out?

"I think it could result in additional companies being investigated, with more civil and criminal prosecutions — the latter due to possible Internal Revenue Service involvement. From a policy perspective, the issue gives us a better understanding of what amounts to an additional perk for executives that was previously not well understood."

Your plans for the future?

"Staying on with the S.E.C. as a financial economist is certainly a great option. I might also be interested in an academic position, where I could serve as an assistant finance professor. I could teach and do research. That would be really enjoyable."

"….a Securities and Exchange Commission economist concludes there is strong statistical evidence that executives manipulated the exercise dates of their options as part of a tax dodge. And a review of corporate filings turns up some companies with startling options-exercise patterns.

'The Cicero paper appears to be very well done,' said David Yermack, a finance professor at New York University's Stern School of Business who has studied options issues. 'It's strong evidence that executives were manipulating their exercise dates, similar to the way they were manipulating their award dates.'

Mr. Cicero, who is also a doctoral candidate at the University of Georgia, examined more than 40,000 transactions between 1996 and 2005, and zeroed in on the subset of exercises in which the executive exercised and held on to the resulting shares. The patterns he found in that subset are stark: Before the tightening of reporting requirements in 2002, shares on average fell 1.3% in the 20 trading days prior to the reported exercise date. In the next 20 days, they rose 4.8%. In other words, on average, executives were exercising options during a noticeable trough in the market price. After Sarbanes-Oxley, the phenomenon vanished."

The Wall Street Journal, Dec. 12, 2006

How has your UGA experience prepared you for your future plans?

"My wife and I love college towns, and Athens is one of the best. Terry is a very good business school, and the finance department has a strong group of researchers. Terry, including my professor Jeff Netter, treats its Ph.D. candidates very well. I'm well-poised to have a fruitful academic career working with law, finance, and specifically, corporate governance."

[As *TM* was going to the printer, David Cicero accepted an assistant professor position at the University of Delaware.] ■

Check out Terry's newest addition to our online home. Go to www.terry.uga.edu/research for news and information about Terry College research.