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It's lonely — and thin-skinned — at the top

Updated 1/16/2007 12:37 PM ET

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By Del Jones, USA TODAY

Procter & Gamble CEO A.G. Lafley finds out what his employees really think about him when he receives the results of his 360-degree feedback evaluation.

The human resources tool that assesses strengths and weaknesses can be brutally honest because it lets a circle of people from executives on down give him anonymous performance reviews. The results show that others at P&G (PG) think Lafley is impatient. Lafley must also test the patience of others, because he is excoriated for being chronically late to meetings.

Most CEOs would be tempted to cut 360-degree feedback from the budget. That's because most CEOs avoid criticism. It can be frustrating, Lafley says. After all, he must be doing things right to have risen to the top of 138,000 employees in 80 countries. P&G stock has been setting new highs, and Lafley was named one of America's Best Leaders in 2006 by *U.S. News & World Report* and Harvard's John F. Kennedy School of Government.

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But Lafley accepts the body blows because he says feedback leads to growth. He even schedules time with the most relentless critics, such as animal rights groups that object to testing on



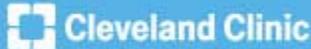
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By Elise Amendola, AP

Feedback helps you grow, says Procter & Gamble CEO A.G. Lafley. So, unlike most top executives, he puts himself up for anonymous performance reviews from employees beneath him.

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skinned and good at taking criticism. PsyMax called it being tough-minded. Among non-management workers, 83% had those qualities. Among those promoted to supervisor or foreman, 78% had those qualities. That indicates little erosion from promotion to promotion.

But something happens to those who take the last step up: Just 65.5% of CEOs, presidents and chief operating officers were tough-minded.

"That wasn't a finding we expected, but it holds up statistically," says Wayne Nemeroff, PsyMax CEO, who has Ph.D. in industrial and organizational psychology.

Such findings come with repercussions. Being sequestered from criticism can lead to an arrogance that may have contributed to a long string of Enron-like executive lawbreakers, says Jeffrey Sonnenfeld, co-author of *Firing Back: How Great Leaders Rebound After Career Disasters*, a book out next month.

For years, CEOs have been turning deaf ears to criticism about their compensation. In that regard, CEOs seem to be "unembarrassable," says Nell Minow, editor of corporate governance website The Corporate Library. Minow says IAC/InterActive (IACI) CEO Barry Diller called her a "birdbrain" when last year she criticized his estimated 2005 compensation of \$295 million. Ninety-eight percent came from the exercise of stock options, according to The Corporate Library.

In 2001, then CEO of Citigroup (C) Sandy Weill was called "fabulously overpaid" by *Forbes* magazine for receiving a record \$785 million in total compensation over five years. CEOs deserve some criticism, but "a lot is unwarranted," Weill said in an interview two months ago when he was promoting his book *The Real Deal: My Life in Business and Philanthropy*.

Annual meetings have turned into rant fests by sometimes obnoxious critics, but when then-CEO Bob Nardelli tried to quiet shareholder gadflies at the Home Depot (HD) meeting last May it backfired and fueled the publicity that led to his ouster this month. At the annual meeting, a shareholder questioned Nardelli about his \$124 million in compensation since taking over as CEO in 2000. Nardelli would not comment. He accepted another \$210 million on his way out.

Narcissism rears its ugly head

Ducking criticism isn't restricted to compensation. When USA TODAY interviewed Carly Fiorina in October during the publicity tour for her book *Tough Choices*, she was asked if she assumed any personal responsibility for the stagnant Hewlett-Packard (HPQ) stock price in the years before her ouster in 2005.

"Oh yeah," she said. "In some cases I put the wrong person in the wrong job, or I left someone in a job too long, or I didn't assess someone's capabilities properly."

Media mogul Ted Turner once put it this way: "If I only had a little humility, I'd be perfect."

Leaders too often "suffer from narcissism and grandiosity that blind them to the shortcomings of their own character," says Jean Lipman-Blumen, author of the book *The Allure of Toxic Leaders*. "Toxic leaders feed their followers the illusion that they are both omnipotent and omniscient."

The public wants its leaders to be bold, but the more narcissistic the CEO, the more he or she will gravitate to extreme choices such as risky shifts in strategy, more and bigger acquisitions, and profit swings both on the upside and downside. That was the conclusion of Penn State University professors Arijit Chatterjee and Donald Hambrick in a paper presented at the annual meeting of the Academy of Management last year titled "It's All About Me: Narcissistic CEOs and their Effects on Company Strategy and Performance."

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