THE NATION'S NEWSPAPER

Special E-print Edition

USA TODAY

NO. 1 IN THE USA

As seen in USA TODAY Money

August 13, 2008

Does age matter when you're CEO?

Years bring experience, but some say leadership skill matters more

By Del Jones
USA TODAY

Barack Obama turned 47 last week, and John McCain turns 72 on Aug.29, which leaves voters to choose from candidates who would widely be considered too young and too old to be CEOs of the largest corporations.

Obama, born just after Alan Shepard became the first American in space, would have a hard sell to convince a board of directors at a big company that he's not unseasoned. McCain would have a tougher sell as someone so seasoned that he was born before pilot Amelia Earhart vanished trying to circumnavigate the globe.

There are some CEOs running major companies in their 40s and 70s, and those interviewed say that age has little to do with success and leadership. What matters far more, says 49-year-old Rich Templeton, who became CEO of Texas Instruments at 45, is whether executives see the heart of their career and accomplishments ahead of them or behind.

"Leaders at all ages have to be willing to hear the bad news over and over and still see a silver lining," says Leslie Gaines-Ross, a longtime CEO observer and chief reputation strategist at Weber Shandwick. She says optimism is key.

But good leaders don't turn a blind eye to the data without good reason, and the data about corporate leaders indicate that age matters a lot more than CEOs and CEO experts let on. There is a leadership sweet spot that falls in the 50s and early 60s.

The median age for an S&P 500 CEO in 2007 was 55, according to executive search firm Spencer Stuart. If anything, companies are gravitating more toward the sweet-spot age. Since 2000, the percentage of S&P 500 CEOs 50 to 59 has increased to 58% from 53%, Spencer Stuart says. Among today's S&P 500 CEOs, 27 (5.4%) are 47 and younger, and six (1.2%) are 72 and older, according to Spencer Stuart and USA TODAY research.

Energy vs. wisdom

Age is a leadership wild card as headhunters and corporate boards ponder trade-offs such as energy vs. wisdom. An experienced CEO might help a company avoid repeating mistakes, but the flexibility of youth might be important in an environment of quick adjustments.

When CEOs are hired, most talented 45-year-olds must wait their turn, and most talented 65-year-olds make way. Management consulting firm Booz & Co., which tracks departing S&P 500 CEOs, says 29% of 2,258 who left the job from 1995 through 2007 were originally promoted to the top when they were 47 or younger. Only 13 (0.6%) became CEO at 72 or older, which makes a new CEO hire at McCain's age a statistical outlier, something akin to a 41-year-old Olympic swimmer.

ForteCEO, which specializes in placing interim executives with 20-plus years of experience at struggling companies, says only 5% of them are older than 65. Mark Rittmanic, CEO of ForteCEO, says most executives of McCain's generation assumed that at 65 it was time to retire and collect a pension, and they gave little thought to working on.

A survey of 158 senior business executives by search firm CTPartners found that 47% would not hire a qualified 72-year-old as CEO. At USA TODAY's request, CTPartners followed up with a separate survey asking senior executives if they would hire a qualified 47-year-old as CEO. Of the 116 respondents, five (4%) said they would not.

While CEOs almost never get the job at 72, there are those who are effective at that age and beyond. Warren Buffett turns 78 the day after McCain turns 72. Walter Zable, CEO of electronics manufacturer Cubic, is 93. Marriott International CEO Bill Marriott is 76. News Corp. CEO Rupert Murdoch is 77. Kirk Kerkorian, CEO of Tracinda, is 91. Financier Carl Icahn waded into the fight between Microsoft and Yahoo at 72. T. Boone Pickens is weighing in on the energy quandary at 80.

Sidney Harman, 90, retired at 88 as CEO of audio equipment giant Harman International, where he had long been the dean of S&P 500 CEOs. The oldest five S&P 500 CEOs left are 77 to 79, practically wet behind the ears. Harman says he walks 18 holes of golf, sometimes 23, and travels every other week between Washington, D.C., and Los Angeles, where he teaches a business course at the University of Southern California.

"Do I detect any difference between now and when I was 70? A little, but there is nothing significantly diminished," Harman says. "Am I a better executive than I was at 47? In some ways, absolutely. I think less in terms of me and more for others. I don't have the same level of enthusiasm, but I can inspire others more easily."

An exception to the rule

Harman says it's obvious that he is an exception, and he quotes former New York Mets manager Casey Stengel: "Most men my age are dead."

Dinesh Paliwal, 51, replaced Harman as CEO 13 months ago. Under such youthful leadership, stock in Harman International has fallen 63%.

However, as a group, the S&P 500 companies run by the youngest CEOs have been outperforming those run by the oldest. Of the 27 CEOs of S&P 500 who are 47 and younger, 23 have been CEO since the start of 2007. Those 23 stocks are down an average 2.8% over 19 months vs. a 9% decline in the S&P 500 index. The six companies with CEOs who are 72 and older are down an average of 21%.

Conclusions are all but impossible to draw from the portfolios of 23 and six companies, but winners are few among the older CEOs. Nabors Industries, with 78-year-old Eugene Isenberg as CEO, is up 10%, but the other five are down substantially over 19 months. Amazon, with 44-year-old Jeff Bezos at the helm, is the

Younger CEOs' firms as a group outdo older CEOs'

runaway leader among both age groups: up 121%.

When Bezos was 39, he was part of a 2003 analysis by *Forbes* magazine designed to measure the performance of the 10 youngest (average age 44) vs. the 10 oldest (average age 74) CEOs of large companies. *Forbes* employed a formula to measure CEO compensation packages relative to shareholder return. That study found that the younger CEOs as a group outperformed the higher-paid, older CEOs.

CEOs in their 40s say they have seen enough energetic role models to know what executives in their 70s can continue to accomplish. Troy Clarke, president of General Motors North America, says that until he met General Motors Vice Chairman Bob Lutz, 76, he assumed that no successful executive could function past 70. Lutz has more energy than those half his age, Clarke says.

Good leaders are crafted from tough times, even failure, says Gaines-Ross. Necessary experience rarely comes before 50, she says. "There is a prime age, like wine. Aged or seasoned executives establish credibility," she says.

Even so, young CEOs say they will exit before their 70s. "There will be someone a lot better than me long before that," says Richard Dugas, the 43-year-old CEO of home builder Pulte Homes. "It's an all-consuming role. I don't know many CEOs who are effective more than 15 or 20 years."

Jeffrey Schwartz, the 49-year-old CEO of ProLogis, a giant real estate investment trust operating in 20 countries, says he doesn't see himself slowing down much by 72, but he expects to retire around 60. Clinging on would be unfair to younger executives, he says.

Spurring competition

Companies such as Altria and General Electric encourage CEOs to retire by 65, if only to maintain morale and spur competition among those in line for the next chance. However, 67% of 398 senior executives surveyed by the Association of Executive Search Consultants this year said there should be no mandatory retirement age.

"Some companies use a mandatory retirement age to avoid a potentially awkward conversion and to provide younger leaders with a visible path to higher office," says Universal Health Services CEO Alan Miller, who turns 71 this month. "If the company is objectively managed, changes in leadership will happen when appropriate, making arbitrary limits unnecessary."

For every 65-year-old CEO nudged out the door, there is probably a talented fortysomething who feels his or her career has been unfairly postponed by the promotion of a fiftysomething. Dugas says he considers himself lucky to get his chance four years ago.

"Experience is not about having more answers. It's about asking the right questions," says Gary Smith, 47, who took over as CEO of communications company Ciena at 40.

Abhi Talwalkar, 44, who became CEO of semiconductor giant LSI at 41, says young CEOs connect with employees. Septuagenarian CEOs may be a fit for "old-world companies" where the average employees are in their 50s, but they're less likely to fit where employees are in their 30s or younger, he says.

As CEO of executive search firm Korn/Ferry International, it's Gary Burnison's job to help place CEOs at the right companies, and he says age is often a point of emphasis. Korn/Ferry's research finds that such traits as perseverance, integrity and trust have nothing to do with age, but that conflict management and negotiating skills improve over time.

International Dairy Queen is owned by Buffett's Berkshire Hathaway. Mike Sullivan retired seven years ago as Dairy Queen's CEO. He was 66 and was replaced by Chuck Mooty, 47 at the time. Age was not slowing him down at 66, Sullivan says. He might be less effective were he put back on the job today at 73, he says, but only because he has been gone so long that his work habits have changed.

"Age does raise questions. But I would not write someone off at 70 because of age itself," Sullivan says.

A first for voters

Voters have never had to choose between candidates born so far apart.

Bill Clinton won despite being 23 years younger than Bob Dole, but the older candidate has won 24 of 38 presidential elections since a Republican first faced a Democrat in 1856, according to *American Demographics* magazine.

Presidents since 1951 have been restricted to eight-year term limits, which may make age less of a consideration among voters than it would among company directors choosing a new CEO.

But the tenures are much the same. The average CEO of a large company lasts six years, Gaines-Ross says, and 27% of CEOs are gone within three years, according to a study out in June at Rice University.

However, companies like to gamble on the 1-in-20 chance of a 20-year success story, and that won't happen if they bring aboard a septuagenarian.

Young CEOs sometimes acquire a lifetime of experience early in their careers. Pulte CEO Dugas started running the home builder before the ongoing 30-month housing depression began. The company's stock bottomed out at $8.20, down from $46.74 in July 2005. It closed Tuesday at $12.47. Dugas finds himself leading through a business crisis worse than most CEOs see in a career.

Such downturns can make leaders prematurely gray. But gray hair has its advantages, Miller says.

"I don't think you get smarter, but you get wisdom. Everything is not an existential crisis. When you get older, you separate out what is really a crisis from an average problem," Miller says.

The stock price of Universal Health Services hit an all-time high this year, and Miller, 70 and CEO for 30 years, signed a five-year extension on his contract in December.

Character and courage are more important than age, Miller says. "If you're a young weasel, you'll be an old weasel."

Contributing: Matt Krantz