

GCs Moving Up the Corporate Ladder

By Amy E. Wong

The corporate and legal communities received two shocks within the past month: first, when General Counsel Jeffrey Kindler became Pfizer, Inc.'s new CEO, and second, when General Counsel Paul Goldean became Scottish Re's new CEO.

The uncanny similarities highlight the growing trend of GCs becoming CEOs. Although still relatively uncommon, analysts are beginning to acknowledge this role shift, rationalizing that a GC's legal background facilitates the running of public companies.

A GC's ability to ensure legal compliance while making sound business decisions is a valuable commodity, especially with today's heightening government regulations such as the Sarbanes-Oxley Act.

Russ Strobel, CEO of Nicor, Inc., expounds upon this idea in *The National Law Journal*, "As business becomes more complicated, more highly global, more regulated, the skills lawyers have become better suited to the CEO role."

In Kindler's case, his legal skills are expected to mitigate the damages that former CEO Henry McKinnell imposed upon Pfizer, Inc., the world's largest drug producer. During the past few months, Pfizer's board expressed anxiety over McKinnell's tyrannical management and self-serving motivators.

During his five-year reign at Pfizer Inc., McKinnell not only awarded himself an \$83-million retirement package, but he also caused revenue to stagnate, a 40-percent decrease in the company's stock price, and major delays in obtaining and selling new drugs.

Incensed investors pressured McKinnell to resign, and he did—19 months earlier than originally planned. In his departure from Pfizer Inc., McKinnell left behind 106,000 employees, \$51 billion in sales, \$8 billion in profit, and a \$7 billion research budget.

Amidst the upheaval, many candidates stepped up to the plate for a chance to big. Investors favored Pfizer's chief financial officer, David Shedlarz. Another hyped contender was Karen Katen, president of the Human Health division. The underdog was Kindler, a newbie who had just joined Pfizer Inc. in 2002.

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Kindler's unlikely promotion made major headlines during the past month, causing many to speculate about his qualifications and ability to run a major public company.

Lead Director Stanley O. Ikenberry explained Kindler's appointment in Pfizer's news release, "In a tough environment, [Kindler] has taken on the critical challenge of integrating policy, legal and legislative strategy to advance Pfizer's global mission.

"On behalf of patients, he has worked to encourage access to Pfizer's innovative medicines in all reimbursement systems, and he has brought broad attention to the important issue of counterfeit medicines. He has also led the effort to protect Pfizer's intellectual property, which is crucial to Pfizer's business outlook into the next decade.... In addition, Jeff has been a leading advocate for regulatory and legal reforms that are important to Pfizer's future."

Ikenberry continued, "For Pfizer to be as successful in the future as it has been in the past, we know the company must do business in new ways. Jeff is ideally suited to leading Pfizer's transformation."

Now, Kindler has the tough gig of managing a complete turnaround project, which includes increasing profits and reinvigorating lackluster sales. In any case, Kindler's background as a Harvard Law grad and former McDonald's GC is ample proof of his sharp legal intellect and business acumen.

General Counsel play an increasingly important role in public companies. Like Kindler, GCs are responsible for leading their own legal team, developing public policy, overseeing worldwide legal affairs, and ensuring corporate and regulatory compliance. Their expertise in negotiation, analysis, and mediation are not only transferable, but also desirable skills for any corporate leader in any industry.

However, executive-recruitment experts note that the transition from GC to CEO is most prevalent in the highly regulated energy, technology, pharmaceutical industries.

It should also be noted that the move from GC to CEO, though practical in today's legal climate, does not always equate to a smooth transition. There are many key differences that may result in a really rough transition.

More specifically, CEOs usually have more managerial duties than GCs. They collaborate with many executives, board members, investors, and other large corporate entities, often

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accommodating their own schedules to better serve others. In contrast, GCs range of interaction tends to be more limited and their schedules more personally controlled.

Furthermore, CEOs create a vision and work towards it, while GCs work towards ensuring legal compliance. CEOs make strategic decisions, while GCs advise. Because of this, CEOs are held more accountable not only by the government, but also by company employees and investors.

Despite these differences, Charles Lawton, General Counsel of mining company Rio Tinto, underscores the tangibility of this transition. He told *LegalWeek*, "The view is that lawyers who are prepared to spread their wings and wish to work outside the legal department can make very good captains of industry."

Although this is a new career trend, it is expected to gain momentum. According to studies conducted by Korn/Ferry International, there are 30 current or former CEOs working in Fortune 1000 companies who have GC experience.