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## EXECUTIVE BRIEFING

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### CEOs

## Honchos Wobble On Straight Talk

Candor isn't a quality the latest batch of chief execs can brag about.

A study by strategy and investor relations adviser **Rittenhouse Rankings** shows that 88% of newly installed CEOs rank below the survey's top rung in providing straightforward information.

The study found that these leaders, appointed in 2005-06, posted lower scores in giving strategic content and accountability, and higher scores in giving confusing or misleading information to investors.

On the flip side, the study found new CEOs at **Walt Disney**<sup>DIS</sup>, **Hewlett-Packard**<sup>HPO</sup>, **Merck**<sup>MRK</sup>, **3M**<sup>MMM</sup> and **Franklin Resources**<sup>BEN</sup> generated the greatest gains in content scores vs. the four-year average of prior CEOs.

The stock prices of this group rose an average of 28.4% in the year after the new execs were named. Conversely, the biggest drops in content scores vs. predecessors were posted by new CEOs at **Estee Lauder**<sup>EL</sup>, **PepsiCo**<sup>PEP</sup>, **ConAgra**<sup>CAG</sup>, **Sara Lee**<sup>SLE</sup> and **Home Depot**<sup>HD</sup>.

While PepsiCo's stock surged 20%, the average stock price of this group declined 10.5% in the comparable period.

Rittenhouse Rankings President L. J. Rittenhouse says companies with CEOs that scored low in candor tend to articulate less coherent strategies. He says this undercuts performance at the corporate level.

"Given the value-building benefits of authentic and clear CEO communication, boards of directors have a duty to select new candidates that set an example for candor throughout the corporation," Rittenhouse said.