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## These 4 CEOs Have a Vital, Profitable Quality

Selena Maranjian, May 9, 2011

When seeking [outstanding investments](#), you should seek CEOs who have delivered strong margins, robust growth, and [reliable dividends](#). But there are also telling promises of profits that aren't quantitative -- like candor.

The folks at Rittenhouse Rankings have just released the [results](#) of their 2010 CEO Candor Survey. Before you ask why you should care, consider this: According to Rittenhouse, survey companies rated in the top 25% for candor outperformed those in the bottom 25% by 31 percentage points. It's not a fluke, either. In nine of the past 10 years, the top companies have trounced the bottom ones by an average of 18 percentage points. Clearly, candor is connected to strong results -- most likely because of increased accountability, according to L. J. Rittenhouse.

The overall picture is getting darker, as 2010 featured 14% more demerits for candor-deficient statements than [in 2009](#), and more than three times as many as in 2002. Still, there are plenty of leaders standing out for their candor. Below are a few of the companies in the top 25, along with snippets from their most recent CEO letters to shareholders:

- **Ford** (NYSE: [F](#)) CEO Alan Mulally had much to crow about as 2010 was a great year for the company. His letter detailed many achievements, which any company would do, but it also went on the record with revenue expectations for 2011 and noted, "We also expect solid profitability for Ford Credit in 2011, although at a lower level than 2010."
- **Netflix** (Nasdaq: [NFLX](#)) CEO Reed Hastings actually delivers a *quarterly* letter to shareholders. His latest one, from April 25th, offers specific guidance: "[D]omestic gross margin also should return to the 30%-35% range as we spend more on streaming." Hastings also explains the rationale and risk involved in the company's foray into original programming and addressed the issue of data caps imposed by the likes of **AT&T** (NYSE: [T](#)) and **Comcast** (Nasdaq: [CMCSA](#)), which [might hurt customers](#).
- **Alcoa** (NYSE: [AA](#)) CEO Klaus Kleinfeld also offered many specifics (and aggressive ones): "Since Alcoa Samara is the sole domestic can sheet provider in Russia, we are targeting 14% revenue growth in Alcoa Russia from 2010-2013, outpacing the 8% market growth." In addition, he referenced some risks the company faces, "from currency exchange rates to the high cost of energy in some regions."
- **Rite-Aid** (NYSE: [RAD](#)) CEO Mary Sammons, who is stepping down from the post in June, noted some impressive corporate achievements in her 2010 letter. The company achieved positive free cash flow (which can help pay down debt) and managed to avoid a reverse split, since a rising share price kept the company in compliance with New York Stock Exchange requirements. After pointing to cost-cutting successes, she added that, "we know we can't save our way to profitability" and noted that some initiatives to grow sales will have an initial negative impact on earnings in the coming year.

Seek transparency, accountability, and candor when you seek [great stocks](#).

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