


# *The Entrepreneurs, The Consiglieri, The Public Servants*

**Three characteristics distinguish lawyers-turned-CEOs from their peers who remained in the legal sector: their risk tolerance, their optimism and their leadership abilities. In many instances, a transformative experience brought these qualities to the forefront, then turned these lawyers into corporate leaders.**

**BY JUNE EICHBAUM AND VICTORIA REESE**



Lawyers who become CEOs are distinguished from lawyers who believe that any risk, once identified, should be avoided. The strategic calculus of the former proactively incorporates legal risk as they navigate through complex global environments that are fiercely competitive and highly regulated.

Our inquiry into lawyers who became business leaders began by examining the personal qualities that differentiate them from lawyers as a group. In Part One [“The Lawyer-CEO: Role Model for a Strategic Business,” Summer 2002, p. 37], we examined how lawyers-turned-CEOs use risk tolerance, optimism and leadership, combined with their deep knowledge of law and legal process, to accomplish business objectives.

We now ask how these lawyers transitioned into business and observe how their risk-tolerance levels impacted their career paths. We identify three distinct

trajectories of lawyer-CEOs: innately high risk tolerance; risk tolerance activated by a transformative experience; or a transition to CEO as a natural next step of advising CEOs of Fortune 100 corporations and world-class financial institutions.

**The Entrepreneur:  
Innately Higher Risk  
Tolerance, Early Transition**

Entrepreneurial lawyers who demonstrate innately high risk tolerance pursued business objectives at the earliest career juncture.

Gregg Engles, chairman and chief executive officer of Dean Foods Co. in Dallas, and Peter Thiel, co-founder, chairman and CEO of PayPal Inc. in Mountain View, Calif., eschewed the safety net of a legal career as they endured the hardscrabble life of starting a business from scratch.

Engles recalls his clerkship interview: “I told Justice (then Judge) [Anthony] Kennedy that although I loved studying the law and thought that understanding it and its implications for discourse, both business and otherwise in our society, would be of great value to me, I wasn’t wild about practicing it.”

Thiel knew as soon as he began at Sullivan & Cromwell that his tenure at a law firm would be very brief.

“It was a great place with talented people, but at the same time I knew that I wanted to do more in my life,” he says. “I wanted to do something like nobody else and look back 40 years later and say, ‘That was me.’”

A high-risk early career transition yielded substantial rewards for both Engles and Thiel.

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gling in the Dallas real estate business, Engles recognized opportunity in leveraged buy-outs in fragmented industries. He drew upon his legal training and business acumen, and mastered this acquisition-financing technique. In 1988 he acquired Southland Corp.’s (now 7-Eleven Inc.) commercial ice-manufacturing business. By 1993, Engles expanded into the food business with the purchase of Suiza Dairy in San Juan, Puerto Rico, followed by numerous additional dairy acquisitions, then took the company public in 1996. In 2001, Suiza acquired Dean Foods Co.. Today, Dean Foods is a food and beverage company with household name brands and that generate roughly \$10 billion in annual revenues.

Thiel founded Paypal, drawing upon his legal knowledge of the securities and banking laws to create a business model that allows businesses and consumers to accept credit card payments online, and enables people to send money to each other over the Internet. In July, eBay announced it would acquire Paypal in a transaction valued at \$1.5 billion.

**The Public Sector  
Can Provide The Context  
for a Transformative  
Experience That Activates  
Higher Risk Tolerance**

We have interviewed several lawyer-CEOs who say early career involvement in the public sector had the effect of raising their risk tolerance and self-confidence for taking on new challenges, and was transformative. ”

By “transformative” we mean an experience that results in a qualitatively altered perception

of one’s own abilities, impact and potential. Preconditions to a transformative experience can include a breakdown of hierarchy; dissolution of disciplinary boundaries; increased time sensitivity; playing for higher stakes than usual; and an urgent need for decisions to be made.

Managing a crisis is a classic example of an experience that can be transformative. The exigencies of the situation create both the chaos and opportunity to transcend traditional boundaries.

Work in a presidential administration had a transformative effect for several lawyer-CEOs we interviewed. Their proximity to the center of political power, combined with their significant responsibility and autonomy, accelerated (and may have altered) their career trajectories.

Henry Hubschman, president of GE Capital Aviation Services in Stamford, Conn., and Randall Kau, co-founder, and former chairman and CEO of Zurich Capital Markets in New York, were executive assistants/chiefs of staff in the Carter administration. They separately describe experiencing a warp-speed intensity that dissolved boundaries between the law and other disciplines. Francis S. Blake, executive vice president of strategy, business development and corporate operations at The Home Depot Inc. in Atlanta, was general counsel to the Environmental Protection Agency during the Reagan administration and Jay Lapin, former President and CEO of General Electric, Tokyo, was assistant general counsel for the newly formed Federal Energy Administration. They emphasize the transformative effect of management responsibility and leadership qualities.

Henry Hubschman joined

HUD as a fourth-year litigation associate when his mentor, Fried Frank Partner Patricia Roberts Harris was appointed secretary. He immediately put to use the J.D.-M.P.P. he had earned in Harvard's joint degree program.

"Going to HUD was transformative," Hubschman recalls. "Whether the problems involved public relations and communications or budget or staff, I was multitasking beyond belief. I was directly on the firing line, as opposed to being an outside adviser. I had to satisfy our constituency. There was a lot less time for reflection than in a law firm and I quickly learned to prioritize. As a result of my experiences at HUD, I had no hesitation to accept responsibilities beyond legal when I joined GE as general counsel of GE Aircraft Engines. I would not have been able to go to GE if I had not worked at HUD."

Kau was a fifth-year tax associate at Sullivan & Cromwell when he joined the Treasury Department and soon became executive assistant for Secretary G. William Miller.

Randy recalls the intensity of his work at a critical time for the nation's economy, and his hands-on use of the knowledge he had obtained through Yale's joint degree program in law and economics. He learned first-hand about Washington politics and the legislative process. He experienced directly the inter-relatedness of law, economics, politics, global capital markets and, most important for his career development, how he could shape events.

When he re-joined Sullivan & Cromwell as partner, he was sought after by clients as a leader in creating new derivative products in the global capital markets. He credits his Treasury experience with his becoming the co-

founder and CEO of a capital-markets firm.

Blake had completed clerkships for Justice John Paul Stevens and Judge Wilfred Feinberg and served as deputy counsel to Vice President George Bush when he was appointed general counsel for the Environmental Protection Agency in 1985. "In the context of a transformative experience, working in government is an opportunity as a lawyer to step out of what the private sector offers and to do something more," Blake says. "Lawyers in government get more managerial experience than they ever would in the private sector. The government seems to trust lawyers to do things that businesses would not."

Jay Lapin speaks similarly about working in the general counsel's office of the then-newly formed Federal Energy Administration.

"The level of responsibility and the overall experience gave me a taste for a different career than the practice of law," Lapin says. "One reason I wanted to join GE was the opportunity for leadership and another was to be more closely connected to the mission of the organization I was serving. I wanted to get closer than I could in private practice to decisions that really matter."

Even though these four lawyer-CEOs had transformative experiences in the public sector, they returned to private practice and became law firm partners before later transitioning into business.

#### **Acting as Senior Legal Adviser to CEOs Facilitates becoming a CEO**

Not all lawyers who become chief executives were entrepre-



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**"As a result of my experiences at HUD, I had no hesitation to accept responsibilities beyond legal when I joined GE as general counsel of GE Aircraft Engines. I would not have been able to go to GE if I had not worked at HUD," says Henry Hubschman, President of GE Capital Aviation Services.**

neurs or developed higher risk tolerance through a transformative experience. For those who serve as consiglieri to CEOs, becoming a CEO can be the next logical step.

Edward J. ("Ned") Kelly III CEO and president of Mercantile Bankshares Corp., Baltimore, and Steven Goldstone, former chairman and CEO of RJR Nabisco, New York, were both partners at Davis Polk & Wardwell who later became CEOs. Their work at Davis Polk provided a natural platform to become business executives.

"Really effective successful corporate lawyers in New York City—people of Marty Lipton's caliber—have to think like the CEOs of Fortune 100 corporations who are their clients," Goldstone says. "My role as an adviser to the CEO of RJR Nabisco was typical of the relationship I had with many other clients. As a result, my strategic, tactical and business skills developed naturally. I never approached practicing law as an intellectual exercise. Clients hired me for my business judgment and my strong instinctive skill."

Kelly speaks of his moving beyond the law as part of his appetite for new challenges. "There was nothing transformative in particular," he says. "I was delighted to be a partner at Davis Polk, but I always wanted a next step. It was curious as there was no obvious next step at Davis, Polk once you made partner. I do not like to think that things will be the same forever. Clients always told me that I would enjoy running a business and could do it. I have always been reasonably confident that if you work hard at things, you can achieve them."

After leaving Davis Polk to

join his client J.P. Morgan as general counsel, Kelly soon became the head of the global financial institutions group where, among other clients, he advised Mercantile Bankshares Corp. When Mercantile's long-time CEO retired, the bank turned to Kelly for leadership.

General counsel who act as their CEOs' strategic business partners are analogous to law firm partners who primarily advise CEOs. These general counsel are most likely to evolve naturally into CEOs themselves.

Bob Pozen, former vice chairman of Fidelity Investments in Boston (currently the John Olin Visiting Professor at Harvard Law School), Jeffrey Kindler, former chairman and CEO of Boston Market (currently senior vice president and general counsel of Pfizer Inc., New York), and Mike Critelli, chairman and CEO of Pitney Bowes Inc., Stamford, Conn., exemplify this natural transition, facilitated by exceptional judgment and hands-on business understanding.

As general counsel, Pozen became Fidelity's top business problem solver. (Like Kau, Pozen had also completed Yale's joint degree program in law and economics.) His success in spearheading a four-year effort to open the Japanese market to Fidelity's funds drew national attention when President Bill Clinton sought to appoint him as deputy U.S. Trade Representative to Asia. However, Fidelity offered Pozen the presidency of its investment business, Fidelity Management & Research Co., and later the vice chairmanship of Fidelity Investments.

Pozen describes a gradual transition from lawyer to busi-



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**“You use different parts of your brain in decision-making than you do in advice-giving,” says Jeffrey Kindler, Senior Vice President and General Counsel of Pfizer Inc.**

ness executive: “In my first five years at Fidelity, I was primarily a general counsel. In my second five years, I worked a lot on new products and on entering new countries. In the last five years I ran the investment business.”

“As a lawyer, you are ultimately taking direction from other people,” he says. “You have to be subject to others’ direction. At some point I found it more interesting to become the client. Even if you are a broad-thinking lawyer, you are essentially confined in the end. I wanted the operating responsibility.”

Critelli was general counsel of Pitney Bowes when he was named president of the leasing and finance division. In this capacity, Critelli devised tactics to solve thorny business problems.

When multiple interest-rate increase decisions were made by the Federal Reserve in 1994 because of inflationary concerns, creating budget issues, Critelli sold assets that had substantially appreciated in value because of the same inflationary pressures that had given rise to the interest-rate increases, thereby reducing debt and realizing a gain on the asset value on the same transactions; he also found new ways to fund the business for the long term.

“I asked basic questions from my own life experience as a consumer,” Critelli says. “If I saw a newspaper ad leasing a car for \$499 per month, I was more favorably inclined than if I saw the same car offered for \$600 per month. As a consumer, I cared more about the basic rate than about ancillary charges for application fees, bank fees, late fees, etc.”

By aligning the division's revenue growth strategy with clients' interests, Critelli took

ownership of the profit and loss, and the business became more profitable. Then-CEO George Harvey named Critelli to be his successor.

Kindler became CEO of Boston Market after engineering McDonald's acquisition of the bankrupt company while he was McDonald's general counsel. McDonald's initially saw the acquisition as primarily a real-estate deal and announced plans to close underperforming locations while converting other restaurants to established McDonald's brands. Kindler's work in acquiring Boston Market generated his appreciation of the value of Boston Market's brand and customer loyalty. He believed McDonald's would be mistaken to eliminate the Boston Market brand.

In announcing Kindler's promotion to CEO of Boston Market, the president of McDonald's also announced that McDonald's would continue to operate a significant majority of the more than 750 restaurants it had acquired. Kindler was later named president-new brands, with oversight for Aroma Café, Boston Market, Chipotle Mexican Grill, Donatos Pizza and Pret A Manger. Jeff's personal experience with running a business was that it “liberates the mind and creativity.”

“You use different parts of your brain in decision-making than you do in advice-giving,” Kindler says.

Now, as general counsel of Pfizer, Kindler says he believes he is in a unique position to add value to the CEO and senior management since he has been a client himself and has a deep understanding of what his clients want and need. ●