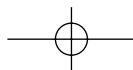


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CEO REFLECTIONS FROM THE FRONT: INTEGRATED SECURITY AND RISK MANAGEMENT

The truth is in the details. With that in mind, this chapter shares the personal insights and reflections of a small but diverse group of business leaders, from various backgrounds, on how the CEO, and the company he or she manages, can come to terms with a broad range of risks. The personal stories and perspectives of the executives interviewed for this book were at once varied and also very consistent. Virtually all of the CEOs agreed that, as a corporate community, we need to understand the challenge of terrorism more clearly, define it in the right terms, and go after the root causes that give rise to terrorists. From a business perspective, we need to gain technical competence to deal with threats from those who would seek to harm us. We need to understand and embrace local cultural values in order to operate successfully abroad. And governments need to collaborate with our partners, not strong-arm them.



DO THE RIGHT THING

Robert Benmosche

Former Chairman and CEO, MetLife¹

Robert Benmosche grew up fast. “I suppose I had to,” he said. “I was ten when my father died; my mother supported the family from that point on. I had to pick up street sense in a hurry.” In time, Benmosche’s street sense evolved into street smarts (as in Wall Street), and into the leadership qualities needed to run one of the country’s largest insurance companies. The death of his father taught young Benmosche an early lesson in how a single unpredictable calamity can change everything in an instant.

This type of situation is why there are insurance companies. It’s hardly a surprise that the insurance business is on the front lines of the war on terrorism. Insured losses from the attacks of September 11 were a staggering US\$32.5 billion.² But, then, the industry is accustomed to big-ticket losses: the hurricanes of 2004 and 2005 caused untold billions of dollars of damage in Florida, Louisiana, and Mississippi; the specific price tag for hurricanes Katrina, Rita, and Wilma in 2005 has reached well more than US\$100 billion.³

“Wall Street has been after me for four years now to sell it,” Benmosche said of the MetLife subsidiary that helped cover homeowner and business losses after four hurricanes struck Florida in 2004, causing more than US\$8 billion in losses. “But we’ve turned it around from a business that did US\$40 million to US\$50 million in

after-tax profit to this year (2005), where we'll do up to US\$100 million."

Remarkably, the subsidiary has accomplished this despite its insistence on not requiring multiple deductibles on homes damaged by multiple hurricanes. "One of our core values is personal responsibility—the idea that people count," said Benmosche. "You've still got to manage volatility and make sure you turn a profit. But our Florida team decided—independent of any management directives—that it simply isn't right to collect multiple deductibles when the same home is battered by multiple hurricanes. I think doing the right thing is its own reward. Of course, it also benefits us as a company—reputationally and financially."

This is a "culture point" at MetLife that originated long before Benmosche arrived there from PaineWebber in 1995. When the 703 survivors of the *Titanic* steamed into New York harbor aboard the cruise ship *Carpathia* in 1912, the Metropolitan Life Insurance Company at 1 Madison Avenue opened its doors. Then the tallest structure in the world, "the building was about the only place at the time where all the survivors could be properly looked after." In the immediate aftermath of the September 11 attacks, the company again opened its doors to survivors. "It's not something that we all sat down and had to figure out," recalled Benmosche, who was in Europe at the time of the attack. "Everybody had to act quickly and instinctively." It's one thing to provide shelter and aid to the survivors of terrorist attacks and something else to combat terrorism at its roots. Does

the business community have a responsibility in helping with the latter effort?

Like many other American business leaders, Benmosche is deeply troubled by his belief that the United States neither understands the enemy nor has devised policies that address the underlying causes of global terrorism. The evidence is everywhere—in the Balkans, in Chechnya, in the Middle East, and even in Cuba, just 90 miles from U.S. shores. “It’s absurd for us to labor under the delusion that deprivation and repression will eventually induce the Cubans to overthrow their government,” Benmosche said. Rather, the United States should do everything in its power to encourage the growth of Cuba’s middle class and foster a society where citizens can aspire to a higher quality of life. “We have to give societies a chance to have something to fight for—a reason to fight to protect what they cherish,” he said.

“WE’RE ONLY AS STRONG AS THE WEAKEST OF US”

Michael Morris

Chairman, President, and CEO, American Electric
Power Company⁴

Michael Morris joined American Electric Power (AEP) just a few years ago from Northeast Utilities System, a much smaller business in Connecticut. Now, he runs a company that forms the backbone of America’s power grid from Ohio to the East Coast. Most of AEP’s more than 60 power plants are coal-fired; only one is

nuclear-fueled. While Morris is a champion of clean nuclear energy, he acknowledges that “our industry in general and this company in particular are obviously concerned about the security of our nuclear facilities. How safe are they?”

One of the standards by which the safety of a nuclear plant is measured is its ability to withstand a direct hit from a commercial airplane, such as a Boeing 707 or 727. But whether it can survive the impact of a 767, 777, 787, an Airbus A380, or any of the other supersized aircraft that didn’t exist when many nuclear plants were designed is questionable. In any event, Morris’s biggest concern has to do with a military-style attack, which might—or might not—involve commercial jets.

“Most nuclear plants are located on large bodies of water and thus are accessible from both land and water as well as from the air,” Morris explained as he sat in AEP’s expansive offices in Columbus, Ohio. “So, in the wake of 9/11, we took a hard look and concluded that better training and more armed guards were essential.” At AEP’s nuclear facility, he said, the difference between current security levels and what they were like pre-9/11 “is like night and day.”

As devastating as a direct hit on a nuclear plant would be, Morris, like many in industry and government, is most worried about the disruption of the energy transmission and distribution system. An attack on a nuclear facility, unless the core was exposed—which is highly unlikely, even after a direct hit by a plane—wouldn’t disrupt the distribution of power; the various grids would

automatically adjust and carry on as normal. “If someone wanted to really dent the U.S. economy, a handful of pointed attacks on critical substations could leave you with a seriously affected economy,” Morris said. “It’s conceivable that energy wouldn’t be available in pockets of the country for months, if not years.”

He’s not just spinning tales: On August 14, 2003, in less than a minute, 50 million people in the United States lost power. It was a relief to learn that the blackout was the result of human error and not sabotage—and, luckily, the nation rebounded and got back on line quickly. But in places like Cleveland, where the municipal water supply is dependent on electrical power from the grid, a sustained lapse in power could have serious consequences for public health. “We’re only as strong as the weakest of us,” said Morris.

The structure of the U.S. utility industry puts tremendous pressure on management to be conversant in highly technical matters and to make decisions for the very long term. How do power companies accomplish this? How do they set policy and deal with the management and safety issues of nuclear and other facilities?

Although the newest nuclear facility was ordered for construction more than three decades ago, there are 66 existing plants throughout the United States. AEP, which operates one, has established a special nuclear oversight committee, whose members include scientists, CEOs, and others—such as Kathryn D. Sullivan, CEO of the Center of Science & Industry; and Richard Sandor, Chairman and CEO of Chicago Climate Exchange, Inc.

AEP also has a public policy committee that reviews the overall safety of the system. From Morris’s perspective, one committee is good, but two committees are better: “Years ago, it was hard for any one person, sitting on a utility board, to form a comprehensive view of an energy system,” he said. “You’d look at a map or a photograph and get an idea, but you’d never see the big picture. With two committees—one for oversight, one looking at safety—you get a much richer and integrated view of the system. And that translates into a much higher level of security.” It is clearly essential that utilities invest to secure nuclear plants against external threats and internal sabotage, but what matters most, said Morris, “in the final analysis is the workforce culture of safety.”

Like many of the executives interviewed, Morris felt that the biggest threat to United States security is the paucity of our knowledge about our enemies. “I don’t think we understand what drives terrorists,” he said. “We’re not clear on the emotions involved on the other side of the equation. There’s almost a whole generation of people who have no hope, no future, no vision. They have none of the things that motivate you and me to strive for improvement, and those things are of real concern to me.”

“WE HAVE A CULTURE THAT IS INSULAR”

James F. Orr

Chairman and CEO, Convergys⁵

Of all the companies discussed in this chapter, Jim Orr’s is probably the most far-flung geographically.

Name a country, and, chances are, Convergys has people there—in India, the Philippines, Israel, Malaysia, and dozens of hot spots. But not all of the company’s employees are Americans: Convergys is the epitome of outsourcing.

Convergys is a global leader in providing customer care, human resources, and billing services. Convergys combines specialized knowledge and expertise with solid execution to deliver outsourced solutions, consulting services, and software support. Convergys serves the world’s leading companies in many industries including communications, financial services, and consumer products. Among their clients are companies like American Express, AT&T, Sprint Nextel, Time Warner, ComCast, DuPont, Whirlpool, and DirecTV.

Unlike other global companies based in the United States, Convergys tends to fly under the radar—principally because of the nature of its work, which is typically invisible to the general public—and it has had to make substantial investments in recruiting and training employees abroad. It also invests heavily in maintaining safe environments for thousands of workers in myriad worksites, many of which appear on other companies’ “do not travel” lists.

“We have a lot of locations outside the United States, so we need to be sensitive to global events and particularly to cultural differences and social norms,” said Orr at Convergys’s headquarters in Cincinnati, Ohio. “Security considerations aside, we have to maintain an increased awareness of the impact of U.S. foreign policy or anything

that affects the places where we operate. Admittedly, not everyone will understand the way things are decided and done in the United States, just as we might not fully grasp the underlying rationale for decisions in Afghanistan or Uzbekistan. But U.S. companies doing business abroad have a special obligation to be attuned to local mores and standards,” he said—at least if they expect to be effective globally. What it comes down to is “a need for a much broader worldview than most Americans have.”

Because Convergys provides outsourced business solutions, its workforce comprises a vast array of faiths, nationalities, ethnic backgrounds, and political sensibilities. Inevitably, that degree of diversity has a powerful impact on the way the company does business. “If you’re going to be in India and employ Indians, or be in the Philippines and employ Filipinos, you need to understand that the people you’re employing aren’t American—and that they’re going to have a somewhat different perspective on a lot of things,” Orr said.

Sadly, a lack of understanding has helped create the soil in which terrorism has taken root. As noted earlier, terrorism is hardly a contemporary phenomenon, but it is widespread today, and far more multiform than ever before. Most often it involves the killing of innocents, although economic or cultural terrorism rarely results in loss of life: “France has been very concerned about the loss of its culture to things like McDonald’s and Pizza Hut, and even the corruption of the French language,” said Orr. “Do people react to that? Yes. And is that reaction negative? Oftentimes it is. But it doesn’t lead to

terror.” That depends on your definition. To Orr, some of the logic that is fueling the radical elements of Islam is like other forms of fundamentalism that often have a lack of tolerance for those with a different view. What sets it apart from other terrorist movements—such as the Basques in Spain, the Irish Republican Army (IRA) in Northern Ireland, or even the narco-terrorists in Latin America—is its borderless scope.

Despite the clashes of culture and commercialism that have always pitted the United States against nationalist sentiments, Orr sees 9/11 as a watershed. “The world will never be the same,” he said. “Our lives will never be the same. Events like 9/11 simply shine a very bright light on the changes happening all over the world.” The sad irony, he felt, is that Americans have so much to learn: “We have a culture that is insular, and even though we have so much more access to communication and information, much of the American culture still lacks any kind of global perspective.”

Clearly, some companies have trimmed their sails in response to the ongoing “war on terror,” shutting down operations in risky places, and expanding their list of “do not travel” zones. “For businesspeople, I generally don’t see the war on terror as either personalized or translated into some reluctance to do business,” he said. “Companies are doing what they have to.”

At Convergys, a new focus on security has been built into day-to-day practices: more (and more visible) security personnel, more frequent communication with employees, and more security briefings for people

traveling abroad. Orr said that he’s personally spending more time on security issues and that the company’s investment in security upgrades has increased sharply in recent years. “I think there’s a strong likelihood that there will be another attack, in some form, on the United States,” he said. “We don’t know where or when, and we’re doing everything we can to prevent it and to minimize the damage. But I suspect that one way or another there will be some event in the United States.”

But Orr is not given to despair. “One of the things I hope will come about is that the U.S. electorate becomes much more aware of the importance of understanding international events—and of international policy as a qualification for candidates. Many times we’ve elected presidents who have relatively little knowledge of foreign affairs. I think the time is past when we can afford that.”

Orr is a thoughtful leader and citizen whose tone sounds troubled when he’s talking about the barriers that divide us. “When someone reached out an arm to help you in one of the stairwells of the World Trade Center, you didn’t look to see the color of the hand,” he said. “The emergency workers, many of whom gave their lives, didn’t care whether you were black or white, Jew, Muslim, or Christian. In my mind, politically, I think one of our biggest issues is that there’s so much effort focused on dividing people. I really would just love to see a day when our politicians were focused on what they were going to do for the United States in an inclusive, not exclusive, way.”

PIERCING THE PULL OF THE ORDINARY

Howard Lutnick

CEO, Cantor Fitzgerald⁶

Perhaps no name is more closely linked to the events of September 11, 2001, than Cantor Fitzgerald. Occupying five floors near the top of the World Trade Center's North Tower—above the point of impact—the financial services firm lost all but 302 of its 960 employees in the attack.

“There’s no question that 9/11 is a part of us and always will be,” said CEO Howard Lutnick, whose brother Gary and best friend, Doug Gardner, were among those who died on that day. “But it doesn’t define us.” The interview was being conducted in a third-floor conference room in the midtown Manhattan building that has been Cantor’s headquarters since 2005. Lutnick appeared satisfied with the layout and decor of the new space, but there was a wistful note to his description of the breathtaking vistas from the 105th floor of the World Trade Center.

“When the weather was clear, you could see almost sixty miles,” he recalled. “There were mornings when you’d get to the office early and there’d be a perfect blue sky above, a solid bank of clouds below, and the tip of the Empire State Building sticking up through the clouds, like Jack and the beanstalk.” In the 18 years during which he worked in the twin towers, Lutnick never took those views for granted; they were so heartbreaking in their beauty “that they pierced the pull of the ordinary.”

Following 9/11, Lutnick resolved to wage his own battle against the pull of the ordinary. He would do so by presiding over Cantor's rebirth—and by ensuring that the families of the employees who had died were looked after.

“In a very short time, we suffered a corporate physical and personal disaster beyond anyone's imagination,” he said. “When have a company's entire board of directors, its president, vice chairman, chief operating officer, and CFO all died on the same day?” Of the employees who survived, “there weren't any who didn't lose somebody close to them.”

In the wake of the attack, Cantor faced a choice. The firm could try to fight its way back to the top of its industry, trying to be the company it had been on September 10, 2001. But there was little enthusiasm for spending the next five years “just getting back to where we'd been,” Lutnick said. “In effect, we'd been knocked off the top of the mountain. But instead of trying to climb back up, we decided to strap on skis and ski on down—to take the parts of the company that remained and build from there.”

By any rational measure, the destruction of the World Trade Center “should have been the end of our enterprise,” Lutnick said. Eighty-two of the eighty-six people in the corporate bond division died; the four who survived “simply weren't enough to form the nucleus of a new operation.” Ultimately they left the firm, as did the secretaries and assistants of the executives who had arrived at the office before them that day and been killed.

“But the one thing we knew was that we had to survive as a company,” Lutnick said. That determination came as much from a sense of personal accountability as from business considerations: “First and foremost, we needed to get back to work so that we could care for the families of those we lost.” Toward that end, Cantor made an extraordinary commitment: to set aside 25% of its profits for those families for the next five years. Importantly, the payments would begin at once—“when the families needed the money most”—rather than be deferred until the firm could regain its footing financially.

To those who worked at Cantor, the commitment was less extraordinary than predictable. This was a firm that had prided itself on a policy of “encouraged nepotism”—the active recruitment of employees’ friends and relatives at every level of the organization. The result was “an unusually strong personal and professional connection among employees,” Lutnick said.

Well into 2002, the *New York Times* published daily profiles of people killed in the attack. “In at least half of the Cantor profiles, you’d see the words, ‘He—or she—loved the job,’” Lutnick said. “That tells you a lot about our work environment. People felt an exceptional connection to each other, and that made our desire to help the families so much stronger. It wasn’t just your coworker’s family you were helping. The guy in the next office who was killed could have been your best friend, or an old high school buddy.”

Meanwhile, the firm set about reconstituting itself. All notions of trying to salvage the U.S. interdealer business

were quickly scrapped; instead, all of the U.S. operations would be built on the foundation of Cantor's institutional equities sales and trading business. At the same time, the firm would maintain its interdealer business in Europe and continue to migrate interdealer fixed-income business to its electronic trading subsidiary, eSpeed. Over the next two and a half years, Cantor expanded and strengthened its institutional sales and trading franchise worldwide, building on the remnants of existing businesses where possible and also moving into new areas, such as institutional fixed-income sales and trading, market commentary, and asset management.

“Essentially, we took the business down to its foundation and then built it up again—first making sure that the foundation was rock-solid,” Lutnick said. By the beginning of 2004, we felt we were on solid-enough ground to start adding management and moving forward.” By the summer of that year, “we were ready to slam on the gas. It was a time of new directions, aggressive expansion, and absolute confidence.” Since then, Cantor has grown rapidly, adding 1,500 new employees (1,000 in New York alone); it now employs some 2,900 people globally. It is a bigger company than it was in September 2001—in some ways the same, but in many others, remarkably changed.

Like the Deloitte U.S. firm, Cantor had suffered serious damage to its offices in the bombing of the World Trade Center in 1993. “We learned a number of lessons from that attack—the first of which is that most disaster recovery plans are a disaster,” Lutnick said. “They start

from a set of theoretical notions that aren't operationally acceptable." The plan in place at the time of the attack in 1993 allowed for immediate mobilization of 70% of the firm's workforce. "But I realized that this simply wouldn't work," Lutnick said. "Unless you're prepared to deliver 100%, you're going to lose. So we put off reopening until we could operate at full capacity, six days later."

Cantor's senior management also learned to dispense with conventional notions of backup systems and shift to "concurrent computing"—the use of multiple systems operating simultaneously. When the firm lost its central technology hub on the 104th floor of the North Tower on 9/11, two others—one in New Jersey, the other in London—kept running. As a result, the firm maintained unbroken continuity in the face of unspeakable disaster. Although the firm's investment in such gold-plated redundancy clearly paid off, "this was a lesson you couldn't have drilled into my head before 1993," Lutnick said. "It would have seemed far too expensive and complex."

"The terrorists didn't set out to kill my brother and my friends or attack Cantor Fitzgerald on 9/11, even if that is what they wound up doing," he said. "They attacked us because we were American, because we lived in the West. But now they're dead. So I don't know what else I can do. Like everyone else, I screamed and cried and yelled, and punched the wall, and cried again." The attacks of 1993 and 2001 were fueled by "a hatred that has been stoked for generations and bred into children virtually

from infancy,” he said. “Somewhere in the Middle East, a child will be born tomorrow. Will he grow up to become a suicide bomber? Or will he think, ‘Life is precious and beautiful’?”

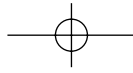
There are no easy answers. Perhaps, as Lutnick suggested, it’s already too late to get to the current generation of children. Very possibly, it will fall to their children—and to our children’s children—to create a different world from the one we have. “We need to address that hatred—but the best way to address it is clearly open for debate,” Lutnick said. “In the end, it may be that beating hatred philosophically is impossible. But if we beat it only with arms and strength, then we’ve not beaten it at all.”

“TERRORISM IS A TACTIC”

John Hamre

Director, Center for Strategic and International Studies⁷

John Hamre, a former deputy secretary of defense, transformed the Center for Strategic and International Studies (CSIS), a one-time subcontractor for the U.S. Department of Defense, into one of the most respected Washington think tanks. Tackling problems as diverse as security, global warming, and water rights, the CSIS is guided by boards that read like a who’s who of people in government service. Hamre considers the CSIS the federal government’s strategic planning arm—not that long-term strategic planning counts very highly in Beltway circles these days, he said.

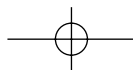
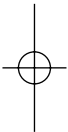


“Part of the problem with this term, ‘war on terrorism,’ is that it’s so poorly defined,” he argued. “It doesn’t help you develop policy solutions. Calling something a war on terror is like calling World War II the war on the blitzkrieg.” Terrorism is a tactic, Hamre contended—a modality by which people try to create political reality. Thus, “to declare war on a tactic is frankly more confusing to us than it is helpful.”

What’s needed, then, “is genuine clarity of our objectives—and we don’t have that right now,” Hamre continued. “Rather, we hew to an extreme ideological distortion of a religion that has great political currency these days, and that then plays off historic grievances, and the cultural context of Arab Islam, to create a very long-term problem.” It’s a problem that requires a multidimensional solution, he said, but as of yet, no one has come up with one.

Hamre supports the notion of promoting representative government in the Middle East but concedes that this is a very long-term goal: “Over the next 20 years, something like 300 million new Arabs will be born,” he said. “The Middle East is a region where mothers give birth to five kids and the economies give jobs to two of them. This is not a tenable situation.” Will the problems get worse before they get better? “Yes, and we’re addressing them not in a holistic way but in a grandiose ‘bring democracy’ way. It’s not working.”

What bearing does all of this have on the business community? “The business community is trying to design ways to succeed inside this changing environment.



But the reality is that we’re living in a world of our own paranoia.” The day before the interview, a small airplane intruded on the restricted airspace of the U.S. Capitol. To Hamre, the reaction proved his point: “A Piper Cub gets lost over Washington, D.C., and we start evacuating the Capitol and the White House. My God, you’re in more danger outside than inside. The Piper Cub isn’t going to come through those walls. Yet what do we do? We scream ‘Get out! Get out!’ and run like rabbits. We’ve got to get a grip on the real problems we’re facing. We’ve used vocabulary that’s imprecise, and we’ve had a political backdrop that rewards paranoia. And that context has led us to a situation where we have remarkably little clarity in our goals as a nation to deal with this problem.”

What are the real problems? “I think we have two sets of problems,” he said. “Terrorism is one, but I’m not sure it’s the bigger of the two. We’ve clearly brought on ourselves a set of staggering costs associated with preventing terrorism, but I don’t think that’s the great problem with our economy. The problem, rather, is that we’re spending 10% more than we produce every year. How can we keep that up? That is a product of our lack of discipline as a nation; we’ve become a society that feels it can consume extravagantly without a worry for the future.”

While Hamre is a Republican, he believes that the Republicans have erred in being dismissive about the deficit. “It’s dangerously large,” he said. “Yet our leaders are prepared to let our exchange rate deteriorate—to basically let foreigners finance us, and right now we’re importing a lot of money that will burden our economy

for a very long time.” We’ve succeeded thus far because America is still the safest place for capital, with a relatively predictable and transparent legal system and a mature capital market, he said; our capacity to repatriate our funds, even on a diminished basis, is greater here than anywhere else in the world. “But at some point, foreigners are going to stop lending us money,” he added. “So, that is the real issue—a government not willing to live within its means, spending more than it’s prepared to tax. If the Europeans are always worried that our economy is imbalanced, I think they’re right. I think it’s a product of very deep factors that are much beyond the issue of terrorism.”

Because of its historic expertise in defense and security, the CSIS came to the fore following 9/11. However, Hamre is quick to suggest that our approach to homeland security was ill-conceived: “We labored under the delusion that you can secure American soil on a parochial basis—that you can put higher fences around the border and bigger stations at the border entries, and somehow you can secure the country.” Hamre argues that we are a “globally interactive society—not physically, but metaphorically. We’ve used a perimeter security model as the implicit model for homeland security. So, in the perimeter, security is ‘I’m going to have a guard at the gate, a guard at the fence line, a guard at the edge of the property line.’”

Is there a better route to homeland security? Hamre thinks so: “We need to know, for example, through deep collaboration with intelligence and law enforcement

authorities in other countries, which containers to look in,” he said. “But you’re not going to do that if you alienate your relations with these other countries. The problem is that our foreign policy posture has been quite alienating and completely contradictory to what we really need for a successful homeland security posture. We’ve had this attitude, ‘You’re either with us or against us,’ and then we’ve said, ‘But with us means you’ve got to do it precisely the way we want you to do it.’ And the rest of the world said, ‘I’m not against you, but I’m not going to do it that way.’”

Nor can terrorism be viewed in narrowly American terms, he said: “We’ve got to be just as worried about terrorism in Spain as we are about terrorism in the United States, because ultimately we’re all caught in the same web. We’re going to need to share information with Spain, Indonesia, and the others, because we’re expecting them to share it with us. We can’t then take an approach that alienates the bulk of the world and causes them to pull back from working with us. We’ve got to start thinking our way through this problem, not just viscerally reacting to it.”

**“YOU WILL SEE: THE WORLD IS GOING
TO BE DIFFERENT”**

Aloïs Michielsens

Chairman of the Executive Committee, Solvay⁸

It goes without saying that Europeans often have a different perspective on world affairs, economics, and politics

from their American cousins. Long accustomed to terrorism on their own soil, Europeans must have considered the 9/11 attack as, in a sense, inevitable. Aloïs Michielsen is the thoughtful, soft-spoken CEO of Solvay, which is based in Brussels and is one of Europe's largest companies. Educated at the University of Chicago, Michielsen has a keen sense of America and American-style business. Still, when his wife phoned him to describe what she was witnessing on CNN, he was stunned. As a businessman, he made some quick decisions, instructing subordinates to reduce inventories at his chemical plants and tighten up working capital. He then placed a call to a top Belgian politician. The reply was something of a shock. "I asked him, 'Are you informed?' He said, 'Aloïs, in a couple of months it will be forgotten.'" To which Michielsen replied: "I'm not so sure. I know the United States, and I know the American people. You will see, they will be fundamentally affected by this. The world is going to be different."

In particular, he insists, the relationship between the United States and Europe has been radically transformed. Everyone is aware of the strong disagreement about America's response to 9/11, particularly the war in Iraq, but Michielsen senses that there are also changes within companies because of the new foreign policy dynamics.

"There are a number of macroeconomic consequences as well," he said. In his view, America seems focused too intently on fighting a long war with little attention to addressing the fundamental problems of the U.S. economy: high deficits, unrestrained spending, large tax cuts,

and funding of social benefits. The bottom line: “America’s economy is weakening. And America’s adventurist foreign policy is taking a high toll on addressing the ‘internal competitiveness’ of the country.”

Is America still considered a leader in business and business education? “Not as much as a generation ago,” he said. But the cause is not necessarily America’s higher education system or its burdensome visa requirements; there is simply much greater competition for students from other countries. From Stockholm to Singapore, opportunities for high-quality graduate education have multiplied.

It is hardly a surprise that the word *security* came up repeatedly in conversations with CEOs. “Everyone is taking security a lot more seriously these days, whether it pertains to travel, their physical facilities, or their data,” Jim Orr of Convergys noted. “There’s just a much higher level of consciousness that I think exists everywhere.” The added layers of protection range from low-tech measures such as checking visitors’ identification to advanced technological innovations that not so long ago would have been the stuff of science fiction.

But perhaps the most significant sign of the growing importance of security has been the evolution of a new senior-level position on the corporate organization chart. As we will see in Chapters Two and Three, the chief security officer is fast becoming a key decision maker in the top management of many U.S. companies and an indispensable ally of the CEO.

NOTES

1. Interview conducted on November 16, 2004.
2. Institut Veolia Environnement, Report no. 3: “Financial protection of critical infrastructure, September 11, 2001: Insurance against a new form of terrorism.” <http://www.institut.veolia.org/en/cahiers/protection-insurability-terrorism/protection-vulnerabilities/insurance-terrorism.aspx>. Direct economic losses are valued at US\$80 billion.
3. http://money.cnn.com/2005/09/02/news/katrina_estimates
4. Interview conducted on December 8, 2004.
5. Interview conducted on December 8, 2004.
6. Interview conducted on September 8, 2005.
7. Interview conducted on May 12, 2005.
8. Interview conducted on April 25, 2005.