

moneybox**School Lies**

Why do so many executives lie about their education?

By Daniel Gross

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The past few weeks have seen a spate of mini-controversies about top executives fudging their educational credentials. On Oct. 18, TheStreet.com's indefatigable Herb Greenberg revealed that Bausch & Lomb CEO Ronald Zarrella falsely claimed an MBA from New York University's Stern School of Business. While he attended the program from 1972-76, he never obtained the sheepskin.

On Oct. 4, the résumé of Kenneth Lonchar, the CFO of Veritas Software, was found deficient in *veritas*. Lonchar said he earned an accounting degree from Arizona State University and an MBA from Stanford. But all he actually has is an undergraduate degree from Idaho State University.

And in late September, Ram Kumar, director of research at Institutional Shareholder Services, the influential firm that advises shareholders on whether takeovers are good deals, was cashiered when it was discovered that he didn't have a law degree from the University of Southern California, as he had claimed. (He was a few credits short.)

Does it matter if executives overstate their educational credentials? After all, every corporation has an apparatus—it's called a corporate communications department—that churns out occasionally misleading data aimed at burnishing the image of the company and its executives. It's easy to see how an eager flack could enshrine a casual exaggeration into a permanent feature of an executive biography.

In this era of scandal, résumé-padding is being portrayed as a kind of gateway crime on the way to Enron-style fraud. The implication is that executives who fudge their résumés may be more likely than other bosses to play games with their numbers. Now-disgraced Salomon Smith Barney analyst Jack Grubman, for example, said he attended Massachusetts Institute of Technology, when he in fact studied at nearby Boston University. Merrill Lynch analyst Scott Phillips downgraded Veritas after the Lonchar disclosure. "Our first concern is that the CFO's falsification of his educational credentials could suggest the financials are suspect."

If analysts followed Phillips' logic and cut ratings based on executive fibs—casual and not-so-casual—the street would be hit by a slew of downgrades. What precisely constitutes an episode of downgradable dishonesty? Cheating on your wife? Writing a 7 instead of the 8 you really shot on the 13th hole at Pebble Beach?

There's no evidence that exaggerating academic prowess is a contraindicator for competence. The financials of Veritas, which sports a \$6 billion market cap, are comparatively sound. Ram Kumar's ISS work was sufficiently esteemed that many feel his report tipped the balance in favor of the Hewlett-Packard Compaq deal.

What's more, some of the most egregious recent episodes of financial chicanery were perpetrated by people who told the truth about their education. Jeffrey Skilling surely never lied about having attended Harvard Business School. However, his congressional testimony calls to mind Mary McCarthy's famous dis of Lillian Hellman: "Every word she says is a lie, including 'and' and 'the.' "

Still, it's mystifying why a mature, successful executive would lie about a degree he may or may not have obtained 20 or 30 years ago. Sure, an MBA from Stanford or Harvard might gain its holder entrée into a prestigious firm. But at the top of the profession, experience and track records tend to matter far more than credentials. No 50-year-old executive gets hired for a top job simply because he has the right degree. And the absence of an MBA is no barrier to raising capital or rising in a corporation. (Or to being regarded as a management genius: Neither Jack Welch nor Bill Gates has an MBA. Gates never even finished college.)

Company boards rarely discuss the university educations of their candidates for top executive positions. When

Bausch & Lomb's board hired Zarrella as CEO a year ago, it knew all it needed to know about him firsthand. Zarrella had spent nearly a decade at the company and rose to president and chief operating officer before leaving in 1994 for a senior post at General Motors. And if a board member were to hear a rumor that a sitting CEO wall had trouble spots on his résumé, it's doubtful he would raise a stink. To a large degree, the top echelons of corporate America are a private club in which members simply don't ask impolite questions about other members.

In fact, some large corporations today probably conduct more exhaustive background checks on entry-level security guards than they do on CEOs. For even a cursory probe would uncover educational fibs quickly. Companies like Kroll Associates provide a background check for a mere \$5,000. A free-lance fact-checker will divine the necessary data for \$15 per hour. Given the fact that the unearthing of a suspect educational credential can be costly—Veritas' stock lost nearly \$1.14 billion on the news of Lonchar's resignation—it's certainly a worthwhile investment.

But those who falsely claim the most cherished diplomas rarely escape being found out. Graduates of credential mills like Harvard and Stanford are inordinately jealous of their diplomas and have developed exceptional abilities to ferret out posers. That's why Lonchar's presumption of a Stanford degree was so brazen. Silicon Valley is rotten with Stanford MBAs, and it's a place where discussing school ties is a way for people to break the ice and establish connections. Falsely claiming a Stanford degree on Sand Hill Road is a little like walking around Park Slope, Brooklyn, and trying to pass as a book editor—within a few minutes you'll run into somebody who, with a well-aimed "Do you know?" or "I just had lunch with," can unmask your falsehood.

Self-created entrepreneurs have frequently found it necessary to invent the educational credentials that those in the circles to which they aspire possess effortlessly. Take last century's greatest self-made entrepreneur. Jay Gatsby claimed he was "educated at Oxford, because all my ancestors have been educated there for many years." In his pocket he carried a "souvenir of Oxford days," a photo of himself holding a cricket bat with, among others, the Earl of Dorchester.

Gatsby's claim to an Oxford education—he may have spent a few months there but certainly didn't have a degree—impressed the book's most significant financier. Meyer Wolfsheim took a shine to Gatsby in part because, as an "Oggsford" man, he was presumed to have important "gonnegtions."

It took a jealous Yalie, Tom Buchanan, who made a "small investigation of his past," to lay bare Gatsby's lie:

'An Oxford man!' He was incredulous. 'Like hell he is! He wears a pink suit. ... Oxford, New Mexico,' snorted Tom contemptuously, 'or something like that.'

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