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On Focus and In Depth

Viewpoint: Jets Fuel the Worst Deals

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By David B. Moore

There has been considerable outrage over the last year on the part of government officials and the public-at-large regarding the purchase and use of corporate jets by companies, including many large banks, receiving billions of dollars in federal aid.

The logic behind such outrage is, of course, that corporate titans who have put their companies into the financially precarious positions of needing the government's largesse in order to survive shouldn't be gallivanting about in such opulent accoutrements.

The corporate chieftains' response is that the public should not have a problem underwriting such plush travel accommodations because the productivity associated with such adventures is much greater than the cost. Translation: Our time is so valuable and in such short supply, and the matters that we must address so critical and time sensitive, that the corporate jets actually pay for themselves!

Perhaps. Although, one wistfully wonders exactly how many private and chartered jet hours were logged as Bank of America — to use just one example — was chasing down the Countrywide and Merrill Lynch deals. In hindsight, Bank of America's shareholders would have been far better served if there had been a complete ban placed on all employee travel for the last few years (in addition to a ban on any and all acquisitions).

The problem with corporate jets is simple: They do far more harm than good. And the harm they inflict has little to do with the direct dollars spent operating them.

The specific problems are twofold. First, corporate jets allow senior executives to spend too much time in close proximity to one another. Second, they allow meetings to occur and decisions to be made more quickly. Both are bad for shareholders.

I can guarantee you that much of the brainstorming surrounding the worst acquisitions and the most heinous "product innovations" of the last decade took place on corporate jets.

The other major problem with corporate jets is that they provide managements with the illusion that decisions can be made more quickly because they can get from place to place more easily. The due diligence has to begin tomorrow morning? No problem — fire up the jet! The closing documents have to be signed by 5 p.m.? Fire up the jet!

The fact is that there are very few decisions in one's business life that truly cannot wait 24 hours. And if someone is trying to convince you otherwise where a particular transaction is concerned, your answer should be, "No. I pass. But thanks anyway." Rushing a decision is the surest path to making a bad one.

As if by some miracle of the fates, corporate titans for decades managed to build shareholder value and largely avoid making galactically stupid decisions that would cripple the global financial system … all without widespread access to private jets. It's high time that we returned to such prosaic, inefficient times.

Inconvenience, after all, is an underrated element of corporate strategy. Any sophisticated financier knows that the best deals of one's career are those that are avoided.

David B. Moore is the managing partner of Marathon Financial Ventures I LP, a private-equity fund specializing in bank and thrift investments.
