

Mr. Geneen's Troubled Firm

New York

The International Telephone and Telegraph Corp., the giant conglomerate run by Harold S. Geneen, has become an increasingly troubled company in recent months.

Even before the disclosure last Wednesday in the Watergate hearings that a controversial antitrust settlement won by ITT in 1971 might have been linked to President Nixon, the company was beset by major problems.

Its stock, traditionally a favorite of investors, has declined sharply in price since early 1973, and is now selling for only about half its January price. This in turn has affected ITT's ability to acquire other companies.

ITT's insurance claim of \$92.5 million for its expropriated Chilean telephone properties was denied in April by the Overseas Private Investment Corp. and is now being arbitrated.

The Internal Revenue Service is reexamining a tax ruling that allowed ITT's acquisition of the Hartford Fire Insurance Co.

"The Sovereign State of ITT" by Anthony Sampson, a new book on ITT that is sharply critical of the company's political activities dating back as far as World War II, has received widespread publicity and is causing concern at ITT because of its tough tone.

And the company has had to devote major efforts responding to a steady stream of investigations and lawsuits arising from its controversial political connections.

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GENEEN, WHO IS 63, was never an easily accessible man to outsiders and now has almost isolated himself as the investigations of his company have intensified.

Insiders say he is deeply disturbed by the growing criticism of ITT, much of which he considers unfair, and by the spate of published stories that are critical of the company.

In a political atmosphere in which it has become increasingly clear that corporate cash could buy influence at high levels, Geneen sits at the head of a company that spends more than \$7 billion a year on goods and services, employees' wages and executive salaries.

It manufactures a host of industrial products, operates foreign telephone systems, runs hotels, builds homes, sells bread and grass seed, and touches the lives of most Americans in some way.

Geneen's personal trappings of power are awesome. A salary of nearly \$1 million a year makes him one of the highest-paid men in history.

With a fleet of corporate aircraft, a team of overseas operatives, cadres of skilled attorneys and public relations executives, he sits at the center of a multinational empire that is more powerful than many of the world's nations.

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WHAT SORT OF MAN runs this vast polyglot corporation that reaches into almost every corner of the globe?

Geneen is acknowledged to be a brilliant manager, guided by the single-minded conviction that the most important job in business is to give the stockholder a good return for his money.

He is said to be proudest of the company's unbroken string of ever-higher earnings that stretches back more than a dozen years. Indeed, ITT, under Geneen, has created a reputation in financial circles that is almost unparalleled, at least among the heads of the giant conglomerates.

It is a measure of Geneen's self-esteem that he is said to have responded huffily to a suggestion by one official that Robert S. McNamara, former whiz kid at Ford and ex-Secretary of Defense, be considered a future candidate for the presidency of ITT.

Geneen reportedly cut off the discussion by observing scornfully that McNamara was the man who had given the United States both the Edsel automobile and the Vietnam war, neither of them notable successes.

Even granting Geneen's brilliance, however, there are some who do not believe that any company can completely banish the business cycle, which sends most company's earnings dipping and soaring from quarter to quarter and year to year.

So, accompanying the unwavering trend of higher earnings at ITT, has come criticism of the company's accounting methods. Partly, the performance is created by an imaginative use of accounting, say the critics, who point out that Geneen was a certified public accountant long before he became corporation chairman.

The biggest problem to hit ITT, and the one that threatens to cloud Geneen's reputation as a corporate miracle worker, is not his accounting practices, which he vigorously defends, but the current decline in the price of the company's stock.

For conglomerates such as ITT that gobble up smaller companies in an unending stream, a strong stock price is almost a necessity, because the stock is used to buy other companies.

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