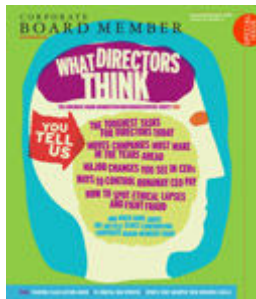




CURRENT ISSUE

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Feature Story

Still Battling, But a Lot Less with CEOs

[Tell us the key areas of disagreement in boardrooms today.](#)

Compensation, accounting, overtures by private equity, and even what to order for dinner.

I sit on both public- and private-company boards, and the disagreement usually involves executive compensation where there is a sense of entitlement among some of the key executives. People form a sense of what they ought to be paid. And board members may have slightly different views on how much one ought to resist those expectations. You're trying to slow the train down, and the compensation consultants keep providing data that says it isn't slowing down, it's accelerating. Board members ultimately have to determine, what is the risk of losing this executive or making him unhappy about being here if we take a position that he isn't worth as much as expectations?

Peter D. Behrendt, 68

Former Chairman and CEO, Exabyte Corp., Boulder, Colorado
InFocus, Western Digital

Accounting fees. We spend a lot of time being concerned about how much we're paying accountants. It's an issue that a lot of people find very irritating.

Paul L. Brunswick, 67

President, General Management Advisory, Cary, North Carolina
Pantry Inc.

I do a lot of public-board work, and the greatest area for potential disagreement is the intrusion of private equity. It throws a hand grenade on the table when you have an aggressive suitor or the mere suggestion that an activist wants to engage in discussion

with you about the sale of your enterprise. The activist investors are gauging the reaction—if they can carve out one sympathetic board member, they're going to work him. There's a group dynamic that the activist investors are very clever about manipulating. Fear, or driving the herd under the guise of the best thing for shareholders, causes disagreements. It's most polarizing when there's an outsider with the intention of taking over the company.

Peter D. Crist, 55
Chairman, Crist Associates LLC,
Hinsdale, Illinois
Wintrust Financial Corp.

What do we disagree over? Dinner. My recommendation is to make sure you have an odd number on the board and nobody abstains. That's how you settle disagreements. Look, it's like any business arrangement: It takes a while to negotiate things through. It comes down to spending the time, compromising and negotiating.

Douglas W. Baena, 64
CEO, CreditAmerica Corp., Melville, New York
SeaBoard Corp.

Compensation. Not on the fact that compensation is too high and severance packages are too lucrative, but what to do about it. How to stand up to and say no to the CEO is the issue. We settle most disagreements with discussion and debate.

Michael J. Dolan, 59
President, Dolan Cos., Edina, Minnesota
Fastenal Co.

I have not experienced strong schisms among the directors. There are differences of view, of implementation. Our board resolves differences of view by studying and talking about them—sometimes turning to consultants, but also sitting together and thrashing it out on a case-by-case basis.

Robert C. Wallace, 61
CEO, Wallace Properties, Bellevue, Washington
First Mutual Bancshares

Do you find CEOs more or less willing to listen to boards today than in the past?

They are much more willing. And if they know what's good for them, they'll keep listening.

I've served on 38 boards in my career, ranging from Fortune 500 companies to smaller companies. Every once in a while I have to sit down with CEOs and remind them that the board giveth and the board taketh away—that they serve at the pleasure of the board, and while they might be talented, it can be very lonesome if you have your board breathing down your neck. CEOs need the board on their side, and becoming an adversary is the beginning of a death spiral for a CEO. If you have an egocentric CEO,

sometimes you just have to sit him down and explain that this company is going to be directed by the directors and it won't be a situation of the tail wagging the dog.

Mark W. Sheffert, 60

[Chairman and CEO, Manchester Cos., Minneapolis](#)
[BNC Corp., Health Fitness Corp.](#)

CEOs are listening more, and even asking more for advice and opinions from the directors. They realize directors are being paid pretty well, so why not use them? In this day and age, the Lone Ranger who's going to go it alone probably isn't going to survive.

John H. MacKinnon, 67

[Former Partner, PricewaterhouseCoopers, New York City](#)
[Biosphere Medical, Lojack Corp., National Datacomputer Inc.](#)

Thanks to Sarbanes-Oxley, the outside directors are more exposed than they used to be. So if you've got an imperial CEO who won't indulge the views and questions and concerns of the outside directors, the outside directors are pressed to not tolerate that, and the choices are either to bring the CEO around—and that's hard with an imperial CEO—or to protect yourself by getting off the board. The experience of losing good board members because of a CEO who's unwilling to work with the board is a catalyst for change. It could bring down the CEO.

Doug L. Hemer, 60

[Chief Administrative Officer and Director, Aetrium Inc., St. Paul, Minnesota](#)

Twenty years ago, if you had an imperial CEO the board just made sure nothing really wrong took place. There's a lot more risk now. Boards are much more active, and CEOs understand that's the role of the board. A CEO has to say, "My ideas need to stand the test of fire in front of a talented group." That's the board's job: to make sure the CEO is on the right course.

Rick L. Burdick, 56

[Partner, Akin Gump Strauss Hauer & Feld, Washington, D.C.](#)
[AutoNation, CBIZ](#)

CEOs are more willing to listen to boards today, for two reasons. The first is that they know they're being looked at more closely, with Sarbanes and other regulatory measures. And being a woman who's tried to work her way onto seasoned boards made up of the old boys' network, I'm very aware of the second reason. CEOs now are mostly not the old boys who built the company, and they bring on board members they want contributions from. It's different than it was years ago, when the man who was CEO got his buddies on the board. It's a whole new generation looking at things much differently, looking to boards for recommendations and everything else.

Louise C. Forlenza, 58

[President, Louise Forlenza CPA PC, Mamaroneck, New York](#)
[Innodata Isogen Inc.](#)

I think CEOs are probably involving the board in more kinds of decisions than they did previously. But you don't want your board to run the company day to day, so the board has to know when to back off.

Floretta Dukes McKenzie, 72

Senior Adviser, American Institute of Research, Washington, D.C.

Marriott International, Unifi Cos.