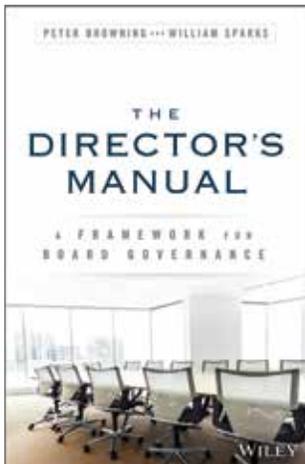


Book it: Best bets for board reading

From a roundup of new books, insights on board effectiveness, leadership strategies, corporate insolvency, an unconventional hire, making a difference . . . and a case of mistaken identity.

The sea change in board governance

From **The Director's Manual** by Peter Browning and William Sparks. Copyright ©2015 by the authors. Published by John Wiley & Sons Inc. (www.wiley.com/business).



While some suggest that our current board governance environment is a result of the Sarbanes-Oxley Act, that assertion would be only partially true. Certainly, the Sarbanes-Oxley Act has had a profound impact on the internal reporting requirements of corporations.

However, the pivotal change that would forever change the landscape of corporate boards took place on Aug. 1, 2002. That's when the NYSE Board of Direc-

tors approved and submitted to the SEC for approval a revision to their Listed Company Manual that recommended, among others, the following corporate board guidelines:

- A majority of corporate board members must be independent; that is, they cannot have any material interest in the corporation.
- Independent directors are the only voting members of the board.
- Boards must have a minimum of three standing committees: audit, compensation, and governance/nominating.

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- Boards must be conducting annual assessments of the CEO, the board itself, and each of the three standing committees.
- Independent directors must meet periodically in executive session without company management being present.

Of all the Listed Company Manual changes approved by the NYSE, the last one requiring the independent directors to meet without the CEO represents a sea change in the world of board governance. Prior to this change, CEOs never would have allowed this meeting to take place, and with good reason; you never know what might be discussed in the meeting, including a CEO's performance and compensation.

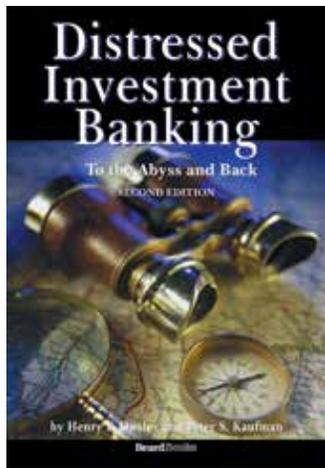
Peter Browning is founder and managing director of Peter Browning Partners LLC, a board advisory service that helps directors address tough questions in board governance. He has served on the boards of 13 public companies, two as CEO. **Will Sparks** is a managing partner with Peter Browning Partners (www.peterbrowning.com).

Early detection is what is needed

From **Distressed Investment Banking: To the Abyss and Back (Second Edition)** by Henry F. Owsley and Peter S. Kaufman. Copyright ©2015 by Beard Books. Published by Beard Books (www.beardbooks.com).

People in our culture are driven to succeed, to take risks. And few people turn money down when it is being thrown at them. Some people's greed takes them further, into criminal activities. As long as you have human beings in proximity to capital markets, there will be insolvencies. And large ones at that.

So, we think that the tide of insolvencies in recent years will continue. Efforts to curtail it will indeed be very much like pushing water uphill.



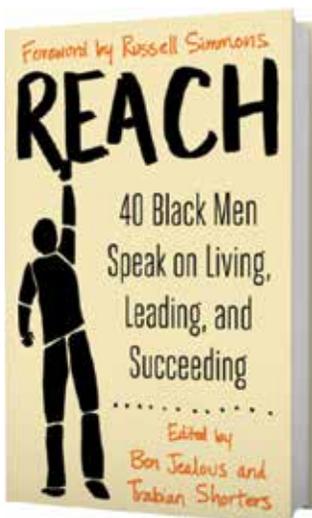
Instead, efforts to improve the system should be focused on ways to mitigate some of the damage caused by corporate failures. This damage gets more and more severe as the company slides further into insolvency and its financial alternatives dwindle. Just as with a cancer patient, where early detection and treatment can save lives, early recognition in the corporate setting can save jobs and economic value.

The problem is that corporations generally do not have the right incentives to recognize the handwriting on the wall and to act with deliberate speed. Instead, they are more likely to fiddle while a lot of Other People's Money burns. This situation has been exacerbated by the flood of money that has been made available in the recent low interest rate environment. We harbor little hope that the corporate culture will change to the point where early problem recognition becomes the rule, rather than the exception.

Henry F. Owsley is the founding partner and CEO of the New York-based investment bank Gordian Group LLC. **Peter S. Kaufman** is Gordian Group's president and head of its restructuring and distressed M&A practice (<http://gordiangroup.com>).

Everyone should have a fair shot

From *Reach: 40 Black Men Speak on Living, Leading, and Succeeding*, edited by Ben Jealous and Trabian Shorters. Copyright ©2015 by BMe Networks Inc. Published by Atria, a division of Simon & Schuster Inc. (www.simonandschuster.com). The following passage from the book is from the chapter by Dr. Emmett D. Carson, CEO of the Silicon Valley Community Foundation.



Throughout my career, I've always tried to ask myself the same question — if I'm in a seat of authority, am I using that seat to make a difference in people's lives? Will things be different because I occupied the chair?

I came to the Silicon Valley Community Foundation in 2006 because I was looking for a challenge. The foundation advances innovative philanthropic solutions

to challenging problems, engaging donors to make our region and world a better place for all. I was looking to do something that no one had ever done before, which was to merge two large community foundations: Peninsula Community Foundation and Community Foundation Silicon Valley. The smart money said it wouldn't work, but the board and staff made it work.

We started at \$1.4 billion in assets, and fast-forward eight years, we're over \$5 billion in assets. We're the largest community foundation in the world, and the largest grant maker in the nine-county San Francisco Bay Area. We're also the 15th largest international funder in the United States. Moving forward, one of our strategic goals is to master how we can use the technology from Silicon Valley in the service of social justice.

We don't yet have a society where we can say that success is random. Success is determined by your Zip code, by your race and ethnicity, and by your parents' wealth status. Recognizing that some people are going to be smarter than others and some people are just going to be luckier, I want everyone to have a fair shot. Within those two boundaries, everybody should have an equal opportunity to succeed.

Ben Jealous is the former president and CEO of the NAACP. He is a partner at Kapor Capital (www.kaporcapital.com). **Trabian Shorters** is a social entrepreneur who launched BMe Community while serving as vice president at the John S. and James L. Knight Foundation (www.bmecommunity.org).

Henry Ford would have approved of this hire

From *Unconventional Leadership* by Nancy M. Schlichting. Copyright ©2016 by the author. Published by Bibliomotion Inc. (www.bibliomotion.com).

Our new hospital had the look and feel of a luxury hotel, right down to the trendy retailers, tea sommelier, and concierge. Young couples have had their wedding receptions at this hospital, that's how beautiful it is.

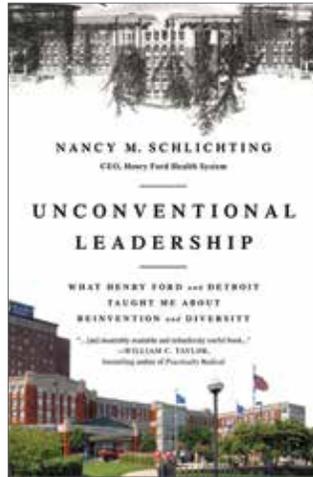
The visionary disruptor who was my partner in creating the \$360 million facility was Gerard van Grinsven, a longtime Ritz-Carlton executive who had opened 20 properties around the world, served as VP of food and beverage, and led a turnaround of the Ritz-Carlton in Dearborn, Mich. Gerard knew his way around a five-star hotel, but he had no hospital experience whatsoever. Still, when he met with me for coffee at my home and asked for career advice, I recognized an opportunity. He had a strong vision that coincided with my own and a reputation as an excellent leader. I hired him on the spot and decided that he could fill the high-stakes position as CEO of our new hospital. It was an unorthodox choice and there was some apprehension internally. The wider industry, as well, was alight with disdain.

Yet, based on Gerard's unique experience, I believed that Henry Ford would approve of my choice of leaders. Ford's attitude was

this: “It is not easy to get away from tradition. That is why all our new operations are always directed by men who have had no previous knowledge of the subject and therefore have not had a chance to get on really familiar terms with the impossible.” Thanks to Gerard’s distinctive background, he was able to help us escape from tradition. Together, with other leaders at the organization, we changed minds and forged ahead.

Although complicated to execute and initially somewhat unpopular externally, the maneuver was extremely innovative — and in the end the project managed to succeed beyond anyone’s expectations. It turns out that people quite like coming to a place that doesn’t remind them of a hospital, and will even change their doctor to be able to do so!

Nancy M. Schlichting is chief executive officer of Henry Ford Health System, a \$5 billion health care organization with 23,000 employees (www.nancyonleadership.com).



A man with ‘5-star grace’

From *Truth, Trust + Tenacity* by Ritch Eich. Copyright ©2015 by the author. Published by Create Space with Second City Publishing Services LLC (www.secondcitypublishing.com).

The word *consigliere*, apart from its obvious Mafia connotations made famous in Mario Puzo’s *The Godfather*, is often used to refer to someone who is an “ultimate insider.” It describes a person who is a power broker, a mouthpiece, a best friend, crony, business liaison, or aide-de-camp. It’s not surprising that the word has also been used to describe one of President

Obama’s most trusted advisers, Valerie Jarrett, a senior adviser and Assistant to the President for Public Engagement and Intergovernmental Affairs. But after one unfortunate incident, some journalists showed a more humorous side of her dealings in Washington.

Jarrett mistook a senior military officer — a four-star general, no less — in his dress uniform complete with stripes and medals, for a waiter, whom she asked for another glass of wine. The unintentional snub occurred

at a highbrow Washington event, the annual Alfalfa Club Dinner. Chairman of the Council of Economic Advisers Austan Goolsbee, who was seated next to Jarrett, did not improve the incident by laughing at Jarrett’s kerfuffle. Fortunately for Jarrett, the officer in question was Army General and Vice Chief of Staff Peter Chiarelli, who, always an officer and a gentleman, dutifully brought the requested glass of wine. His actions caused one media outlet to label the incident “4-star general, 5-star grace.” Once Jarrett realized her error, she was mortified and apologized sincerely for the gaffe, and the man with the four stars invited her to dinner. So the story ends . . . or does it?

Ritch Eich, Ph.D., is founder of Eich Associated, a strategic leadership consulting firm. He has written several books on leadership and is a past *Directors & Boards* author.

Never walk by a mistake

From *A Higher Standard* by Ann Dunwoody. Copyright ©2015 by the author. Published by Da Capo Press, a member of the Perseus Books Group (www.dacapopress.com).

Leadership strategies from an Army life:

- The best way to have healthy debates and find the ultimate solutions to very complex problems is to have the best and brightest group of people who can offer diverse perspectives on the issues. Be inclusive, not exclusive; embrace diversity of thought in management and in key leadership teams.

- Enjoy your job and make a difference. Some of the most difficult decisions we make in our lives center around deciding how long to stay, when to change, or when to leave. Don’t leave these decisions to someone else or to chance — make them your decisions.

- No one is indispensable. Succession planning is one of the most important actions senior leaders do. Set your team or organization up for success with a methodical transition plan for key leaders.

- If you take nothing else from this book — never walk by a mistake, or you just set a new lower standard!

General Ann Dunwoody (Ret.) is the first woman to become a four-star general in the United States Army. She is now president of First 2 Four LLC, providing leadership mentoring and strategic advisory services to managements and boards, and serving as a corporate director (www.annunwoody.com).

