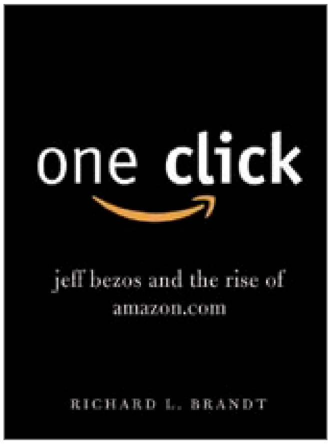
Book it: Best bets for board reading

From a roundup of new books, insights on corporate investigations, workforce diversity, job creation, CEO succession, independence of boards, civility…and finding a wife.

Jeff Bezos and his deal-flow chart

From **One Click** *by Richard L. Brandt. Copyright ©2011 by the author. Published by Portfolio/Penguin, a member of Penguin Group (USA) Inc. (www.penguin.com).*

Being something of a Martian and dedicated to his work, Jeff Bezos was not the most sought-after bachelor in Manhattan. So he decided to spice up his love life and become what he was later to describe as a "professional dater." He took a particularly geeky approach to the problem.



Having always been the methodical type, he set about trying to find a great girlfriend by using the same methodology that Wall Street bankers use to find a great investment: He set up a "deal flow" chart. Wall Streeters' deal flow charts are listings of all of the attributes a deal must have before they will take a chance on it, in order to remain objective and not be influenced by an emotional response. Likewise, Jeff's "women flow" chart listed the criteria his potential partners had to have before he would consummate a deal.

"The number one criterion was that I wanted a woman who could get me out of a Third World prison," he later said. He figured that was the best way to get the idea across. "What I really wanted was someone resourceful. But nobody knows what you mean when you say, 'I'm looking for a resourceful woman.' If I tell somebody I'm looking for a woman who can get me out of a Third World prison, they start thinking Ross Perot — they have something they can hang their hat on!"

Most straight men would not find H. Ross Perot, a former dealmaker and onetime presidential candidate, to be the model for their ideal girlfriend's mentality. But to Jeff, it meant efficiency. "Life's too short to hang out with people who aren't resourceful," he said.

Richard L. Brandt is a journalist who has been writing about Silicon Valley for more than two decades.

Edited by James Kristie. Excerpts reprinted with permission of the publishers.

Slow and skimpy progress for women

From **Newspaperman** *by Warren H. Phillips. Copyright ©2012 by the author. Published by McGraw-Hill (www.mhprofessional.com).*

We thought we were trying hard and making progress moving women into managerial jobs. In 1974 about 35 percent of Dow Jones's employees were women. But I was aware that the progress was slower and skimpier than I and others wished.

"Your record of women in key news positions is nonexistent," Michael Gartner, a respected *Journal* alumnus, wrote to me on Dec. 17, 1977. I had a practice of asking a few of the brightest *Journal* alumni to give me, from time to time, in strict confidence, no-holds-barred critiques of the paper and their ideas for improving it. Mike made recommendations of specific promotions to correct the situation.

In the years that followed, women would become bureau chiefs in Boston, London, and other cities; assistant and deputy managing editors of the Journal; Dow Jones's vice president for staff development; and, a few years after I retired, publisher of the *Journal*. But we did not move fast enough or far enough to satisfy the women — or ourselves. Very few were ever represented in the upper reaches of management.

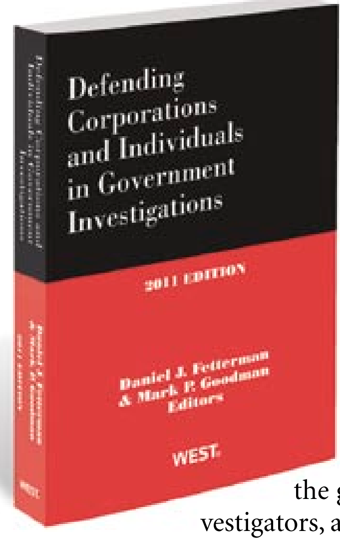
What's the explanation for how I could have failed to order the more rapid and more meaningful advancement of women at Dow Jones? The chief explanation is that in organizations such as ours that had historically been made up mostly of men, the pool of experienced female candidates was small compared with today. The smaller the pool, the fewer the number, if any, who rose to the top to be considered viable candidates for high newsroom or corporate office. As a result, there were more qualified men available and competing for the top jobs. This same dilemma prevailed when we were searching for black candidates to promote to higher line jobs, with key operating responsibilities, as opposed to staff administrative jobs. This may well sound today more like a weak excuse than an explanation. It doubtless sounded in earlier times like a weak excuse to our women employees of that era and to Mike Gartner and others wiser than I, including my wife. But it reflects how the terrain appeared to me in the 1970s and earlier years. Later, as the pool of able, experienced women grew, the promotions grew, too.

Warren H. Phillips is the former publisher of *The Wall Street Journal* and former CEO of parent Dow Jones & Co.

The highest priority in an investigation

From **Defending Corporations and Individuals in Government Investigations** (2011 Edition). *Daniel J. Fetterman and Mark P. Goodman, editors. Copyright ©2011 by Thomson Reuters. Published by West, a Thomson Reuters business.*

The risk to corporations and individuals of being swept up in a criminal or civil government investigation is greater than ever before. We therefore thought it timely and useful to compile insights and guidance by prominent former prosecutors and civil regulators on how to successfully manage all aspects of a government investigation.



If there is a single theme that runs through the book, it is the paramount importance of maintaining credibility with regulators once an investigation has begun. As every experienced white collar lawyer knows, there is quite literally nothing more important to a successful process than maintaining a high level of credibility with the government lawyers, agents, investigators, and other employees responsible for deciding how to handle a criminal or civil enforcement matter. This is true even in situations where the company or individual client ends up fighting to the bitter end.

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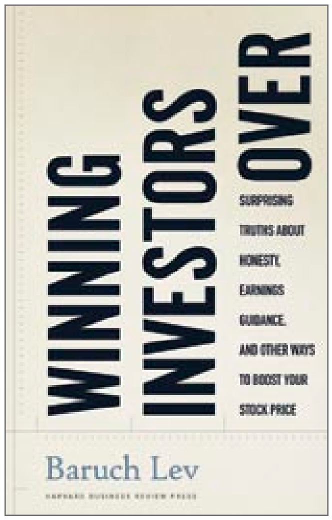
It's time to rethink the independent board

From **Winning Investors Over** *by Baruch Lev. Copyright ©2012 by Harvard Business School Publishing Corp. Published by Harvard Business Review Press (www.hbr.org).*

Independent directors are on corporate boards to create value for shareholders or prevent value destruction by monitoring and advising managers on tactical and strategic issues. And how successful are independent directors in this mission? The evidence will disappoint the legions of pundits and governance advocates pushing for ever more independence on the board: there is hardly any relation between the increased presence of independent directors and shareholder value.



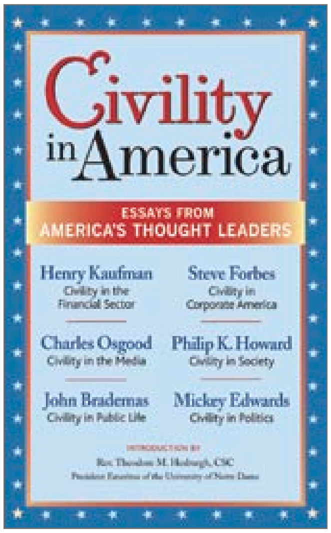
How can this be? It's elementary. Being independent is no guarantee for business acumen, diligence, and courage to stand for one's principles. If you doubt that, just think of the dismal performance of the scores of independent directors on the boards of Bear Stearns, Lehman Brothers, AIG, Merrill Lynch, Citigroup, Bank of America, and the smaller financial services firms that have gone bust or required massive public resuscitation in the 2007-2008 financial crisis. Furthermore, a strictly monitoring, sometimes confrontational board loses certain effectiveness because it is often deprived of the sensitive information executives have. One is naturally less forthcoming and candid (say, about investment projects that failed, or the state of the restructuring efforts) when facing monitors, than with counselors and advisors. It's time to rethink the relentless drive toward an independent, monitoring board.

Baruch Lev is the Philip Bardes Professor of Accounting and Finance at New York University's Stern School of Business. He has extensive experience as an auditor, board member, and consultant.

A tale from Lake Chaubunagungamaug

From **Civility in America: Essays from America's Thought Leaders**. *Copyright ©2011 by DGI Press. Published by DGI Press, a unit of The Dilenschneider Group Inc. (www.dilenschneider.com).*

Civility is a core principle of public life. Without it we live in Thomas Hobbes's world where life is "solitary, poor, nasty, brutish, and short." Everyday life is indeed a struggle to fulfill our duties to self, family, and community. As we go about our daily rounds, we see that conflicts are unavoidable, limits are tested, and patience is worn away. Civility is our answer to Hobbes's idea that life is no more than a "war of all against all." Civility offers a better way to live.



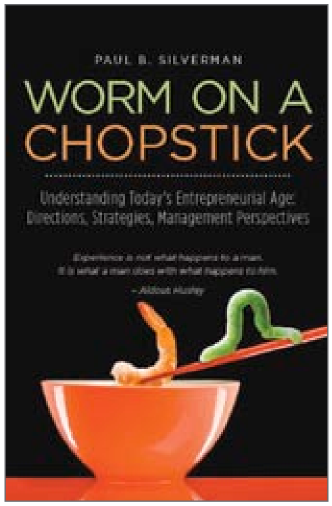
Civility is based on the idea that we should take into account the interests of others. We should treat others the way that we would like to be treated ourselves. As a child growing up in Massachusetts, I learned of the story of Lake Chaubunagungamaug. Translated playfully from the Native American Nipmuc language it means, "You fish on your side, I fish on my side, and nobody fish in the middle." In addition to the funny sounding name and legends about its origin, it came to symbolize Native American, Yankee and frontier wisdom. Civility is perhaps at its most useful when it helps us find ways to work through conflicts and live amicably with differences. (*Ed. Note:* The above is a passage from the book's foreword written by Joel H. Rosenthal, president, Carnegie Council for Ethics in International Affairs.)

The Dilenschneider Group Inc. is presenting the book in conjunction with the Carnegie Council for Ethics in International Affairs (www.carnegiecouncil.org).

Face to face with a clueless board

From **Worm on a Chopstick** *by Paul B. Silverman. Copyright ©2011 by the author. Published by Gemini Business Press, Reston, Va.*

I have always been surprised how major companies with highly talented, experienced executives miss the mark. One situation in particular stands out. With several senior management consulting associates, we conducted a presentation to the board of directors of a major retailing chain. Joining me were a well-known former retailing executive now serving as a management consultant and several other highly talented senior staff. My role was typically to share a vision on how information technology was changing, where the opportunities were, and how this translated into changing business processes and business metrics and impacted shareholder value.



Our brief but substantive presentation covered a lot of ground, looking at new retailing business models, how shareholder valuation changes with different strategy directions, projected market shifts, and so on. The reaction? Something like, "Interesting, but we are focusing on our core business, which is working well. We are integrating technology within our five-year plan. We are on track and are meeting our targets comfortably. We understand the future challenges and are well positioned to meet them."

During the long ride down in the elevator, we all looked at each other but said nothing (always a good practice by the way). Outside the building, almost at the same time we said, "This management team just doesn't get it." You always want to secure new consulting engagements, but just as important you want to build relationships with management teams that understand and are receptive to new thinking, new ways to approach markets, and "best practices" honed by many other players. Our conclusion — this company was headed for trouble, and that is what happened.

Paul B. Silverman is an entrepreneur currently serving as CEO of Sante Corp., an early stage company engaged in personal health care management. He is also active as an educator and consultant (www.paulbsilverman.com).

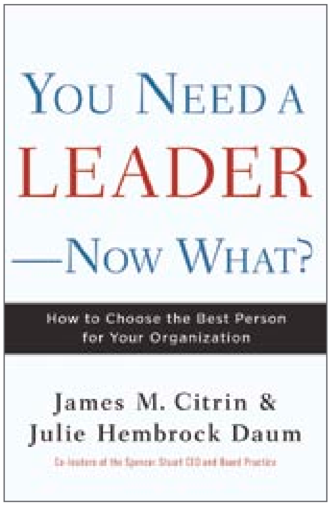
Scrap the two-step succession strategy

From **You Need a Leader — Now What?** *by James M. Citrin and Julie Hembrock Daum. Copyright ©2011 by Esaress Holding Ltd. Published by Crown Business, an imprint of Crown Publishing Group (www.crownbusiness.com).*

If you have to go outside your organization for a new leader, many believe that the person should be brought in through a two-step process: first as COO (or similar top role) and then promoting him or her to CEO within one to two years. On the surface it appears to be a logical way for an outsider to learn the business, become inculcated into the culture, and build key relationships. The surprising fact, however, is that this approach sets the new leader up for failure and rarely works.

This two-step strategy suffers from serious disadvantages:

• The candidate you will attract will not be as strong as those you would attract by bringing in a CEO out of the gate. It is difficult to find the right person who has the capability and experience to assume the top spot but who is willing to come in as a No. 2.



• The skills for success are different between a No. 1 and No. 2. The CEO needs to be more strategic and external facing, and the COO tends to be more internally facing while operational. It is rare to find the executive who is accomplished in both.

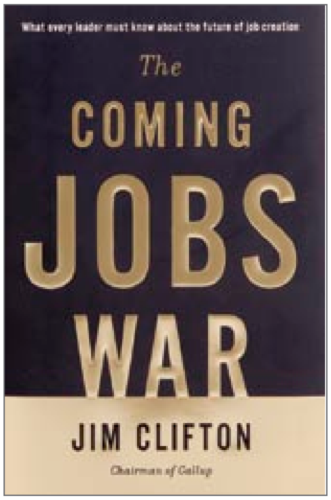
• Perhaps most debilitating, because a COO or president brought in as part of a two-step strategy is essentially in audition mode for the CEO post, the new executive is more likely to play things safe. It is only natural to try to avoid making mistakes that will prevent you from getting the top job. In the process, during this interim period, the new executive also has to be deferential to the CEO all while not being seen as a milquetoast. The CEO still calls the shots and is the primary conduit to the board of directors who will be evaluating the No. 2 and determining when *and if* he or she will be ready for the job. Consequently, the new executive will go to great lengths to avoid getting on the wrong side of the CEO. And even after the two-step transition is complete, there are potential limits to the degrees of freedom the new CEO feels in how to lead the company, especially if the predecessor remains on the company's board after leaving the CEO office.

James M. Citrin and **Julie Hembrock Daum** are co-leaders of the North American Board & CEO Practice of Spencer Stuart (www.spencerstuart.com).

Fix healthcare or destroy job creation

From **The Coming Jobs War** *by Jim Clifton. Copyright ©2011 by Gallup Inc. Published by Gallup Press (www.gallup.com).*

It is impossible for the U.S. to win the race for new good jobs while the country continues its failed strategies for healthcare. Astronomical health costs end America's race to re-win the future. The United States has to fix this or it shuts off the energy switch to entrepreneurship and innovation. If this happens, everything else ceases to matter.



Healthcare costs are America's biggest current fiscal drain. I don't think any economist, left or right, would dispute this. So much money has been put into keeping sick people from getting sicker that virtually all other American institutions have been weakened. Healthcare is sucking the good money from a once-magnificent economic engine more than any leader has clearly articulated. The focus has been primarily on "who is without" and "who pays for what," not on actually lowering healthcare costs.

And here's a scary fact: Absolutely no institution or group in America has made any progress solving this. None. Zero. Everyone has tried, and everyone has failed.

Jim Clifton is chairman and CEO of Gallup, the opinion polling organization.