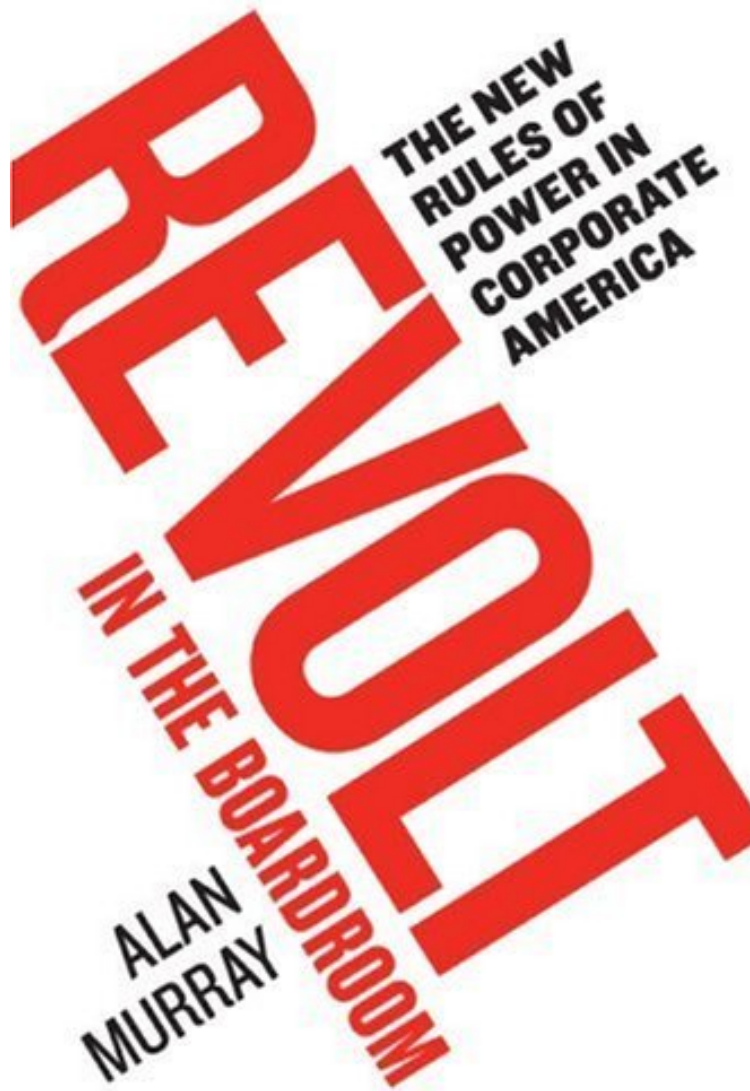


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Revolt in the Boardroom: The New Rules of Power in Corporate America

Alan Murray

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top of big companies this book reinforces what I have known. CEO's are there to regulate the board and the board protects the stockholders. That is what is supposed to be not, you wash my back and I'll wash yours. 2 of 4 people found the following review helpful. OK, though Somewhat Incomplete By Loyd Eskildson During the 1960s-1980s period, public firms rarely fired a big-firm CEO. Then, in the 1990s, there was IBM and G.M. In 2004, leaders of 600 companies were asked to leave, and by 2006 this had risen to 1,400. "Revolt in the Boardroom" focuses on the H-P, Boeing and AIG board revolts, and the firing of their celebrated CEOs. Scandals at Enron (board members forced to pay \$13 million out of their own pockets for poor oversight), WorldCom (another \$18 million assessed from board members), Adelphia, Tyco, and the collapse of the stock market bubble ended the long-running cozy relationship between boards and their CEOs. Independent members began meeting regularly in executive session, without management present. Increasingly the audit and compensation consultants reported to the board, not the CEO (this and other changes later became required by the NYSE and/or Sarbanes-Oxley), and big public-employee pension funds became more feisty and started banding together to force concessions on eg. executive options and pay. (Drucker noted as early as 1991 in a Harvard Business Review article that the 20 largest pension funds held about 10% of the equity in all publicly owned companies.) In Greenberg's case (AIG), despite a Rolladex full of high-level contacts, well-paid board members, and the ego-boosting practice of large donations to board-members' charities, Greenberg was forced out. The reasoning is not hard to discern - AIG had to pay \$126 million in penalties and restitution in response to allegations of price-fixing, etc., and accept the ongoing presence of an outside monitor. In Boeing's case, the company had recently undergone major scandals involving bid-rigging vs. the Air Force (replaced CEO, CFO, and others), brought in a new CEO (Stoncipher), and was then stunned to learn of an affair involving its new CEO and an underling - supposedly also including favorable career treatment for the underling. Exposure of steamy e-mails from the CEO brought his tenure quickly to an end. Murray's weakest "case" involves Carly Fiorina at H-P. Here he contends that the board's initial concern involved Carly's complex matrix structure, and being out more than she was in (130 speeches in her last year). Then here overreaction to their concerns and desire for an operations leader led to her firing. Ignored were some of the serious costs of her matrix structure. The new CEO substantially improved H-P through laying off another 15,300 without any loss of revenues - mostly from the centralized personnel, finance, and in-house technical staffs she created. Hurd also split PCs back off from printers, phased out centralized selling (CSC) unit, raising product-manager accountable costs from 30% to 80%. A third major step was to centralize IT - databases went from 85 with 7,000 applications to 6 with 1,500 - cutting IT costs from 4% to 2%, using all H-P equipment and then using the experience and expertise to help sell services and equipment elsewhere. Thus, poor performance was also a major issue, as well as Carly's seemingly annual round of layoffs. (Most CEOs try to get this over all at once.) Regardless, Carly's leaving during the turmoil with her board to attend an economic conference in Switzerland was probably the last straw. Bottom Line: Somewhat interesting, though incomplete.

Throughout the 20th century, American corporations were governed by autocratic, almost unaccountable chief executives. Their word was law and the only check on their power was a board of directors composed of their friends and allies. Then, in a stunning reversal, a momentous series of firings deposed the heads of some of the world's best-known companies: AIG, Morgan Stanley, Boeing, Hewlett-Packard and Pfizer, just to name a few. Formerly unchallenged CEOs found themselves under fire, often from their own handpicked boards. The number of deposed executives is astonishing. In 2004, the leaders of 600 companies were asked to leave. That number more than doubled in 2005 and reached 1,400 companies in 2006. Flexing new muscles, directors are assuming new and unfamiliar responsibilities. In *Revolt in the Boardroom*, Alan Murray reveals the inner workings of the new seat of power. Using the access afforded to him by his influential Wall Street Journal column, Murray tells the story of three seminal board revolts; the now-famous Hewlett-Packard drama, the ousting of Boeing's Harry Stonecipher and the end of the reign of one of the world's most autocratic executives, Hank Greenberg at AIG. Murray goes further to chart the history of the corporation, the rise of governance and the effects of the new power gained by outside institutions like hedge funds and interest groups. Through it all, Murray shows how the job of chief executive has rapidly and permanently changed. Leaders like A. G. Lafley and Jeff Immelt govern instead of rule, build alliances and support instead of dictating direction and pay careful attention to a broader range of stakeholders than ever before. *Revolt in the Boardroom* is the first look at the new world of corporate power and the last word on the transformational events of the last two years.

From Booklist Murray is the assistant managing editor of the Wall Street Journal and has written two books covering investing and the relationship between corporations and politics. Here he examines how CEOs, once the rock stars of the 1990s, are now being put under the microscope by board members, shareholders, the government, and even underling employees. In the last several years, powerful CEOs have been forced out for poor performance or improprieties, something almost unheard of in the past. According to Murray, public corporations are in the midst of radical change due to governmental oversight and high demands from shareholders and the public, and the role of the CEO may be greatly diminished as a result. He takes us inside the boardrooms of companies such as GM, Enron, and

WorldCom during periods of crisis and shows how the scandals and corruption of the recent past have created a sense of paranoia and a zero-tolerance atmosphere. Although many may applaud this new shift of power, Murray explores how the ramifications of governance by committee may have drawbacks of its own. David Siegfried Copyright copy; American Library Association. All rights reserved Murray provides a useful history of the corporation and its role in the US's commercial dominance of the 20th century. About the Author Alan Murray is Deputy Managing Editor of The Wall Street Journal and Executive Editor of WSJ.com. He is the author of *Revolt in the Boardroom*.