My Statement of Principles as a Corporate Director

These are my principles as a director. They aren't gospel or pulled from a legal text, simply the learnings of many years of participating, on both sides of the table, in good and bad boards. They may be right or wrong, but they are my beliefs and my fellow board members and management team members are better off knowing where I stand. Your honest reaction to this statement is welcome.

I believe that:

Open and honest communication is a must. Lengthy, convoluted answers that are inconsistent over time, or don't prove true over time, are huge red flags to me. The style and directness of a communication tells me most of what I need to know.

Getting to know the business of the company is important and makes the board experience more interesting.

There are large differences between a director's role and managements' role. Each must respect the other. Directors must be careful not to try to manage or run the company. Management must honor the board's duty to protect the shareholders on matters of enterprise strategy, financial reporting, investments and key management changes.

The CEO should promote, not discourage, board interaction with other members of operating management. Management should be free to call directors and vice versa. Planned visits to field locations or plants are helpful. GE's expectation that each board member visit one subsidiary a year is admirable.

Board meetings should promote social time for the board and management to build a culture of mutual respect and understanding.

Management should promote best practices programs in corporate governance, financial reporting and internal controls. The Board should not have to drag or force management to adopt such practices.

The audit committee and the compensation committee should be able to select their own advisors **if** the company's outside advisors are not strong enough or independent enough to object to a management position that they don't honestly agree with.

Private time is critical for a highly effective board.

The CEO, management and the Board all must be able to articulate a clear and coherent strategy. If they can't, something is wrong.

Executive compensation generally has three components. Base salary and annual bonus incent management toward short-term targets and rewards them for achieving those targets. Equity compensation is meant to incent a long-term, value-building mindset and not short-term stock price manipulation.

Board meeting materials should be prepared with care and be of summary form. Constant pruning and improving of the information leads to effective board books that helps directors and management identify problem areas. Key performance indicators (somewhere around 10 or less) should be tracked and reported consistently in the board book. A board book should not be a thrown together stack of existing reports. A one-page letter is much harder to write than a ten-page letter.

Director colleges attended:

Stanford Directors College, attendee and panelist on audit committees, spring 2001

NYSE Duke Directors Institute, October 2002, attendee

See also the list of board publications authored.