



## *In the Boardroom*

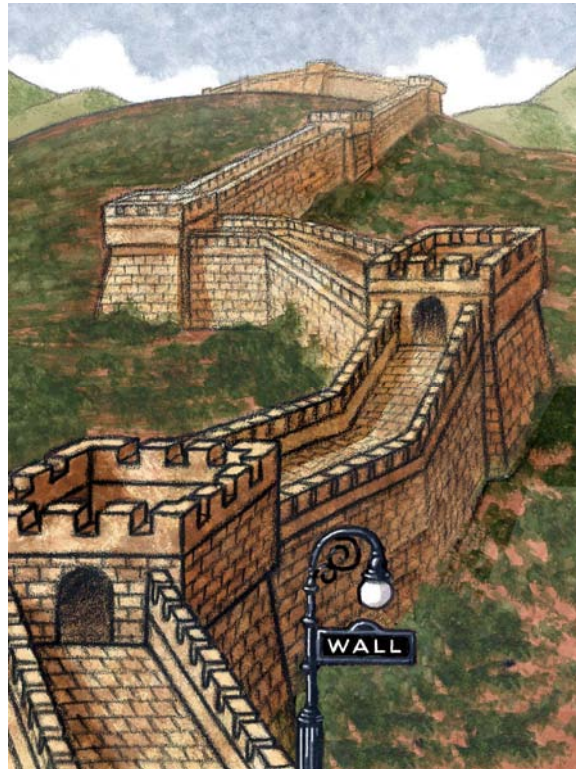


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# *CHINA'S EMBRACE OF CORPORATE GOVERNANCE*



A Definitive Conversation  
between  
Executives of Leading Chinese Corporations  
and  
Distinguished Board Director  
**James O'Connor**

Moderated by  
Jim Drury

  
**JamesDruryPartners**  
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# China's Embrace of Corporate Governance

*As China's privatization of state-owned businesses gathers momentum, a growing number of Chinese corporations are preparing to access American capital by listing on U.S. stock exchanges. This will require compliance with SEC regulations and corporate governance guidelines. The University of Chicago GSB, with the support of Motorola, recently hosted a sizeable delegation of Chinese business executives running some of China's most prominent companies. In attendance were 40 executives from 16 companies that included Shanghai Bao Steel Group, China Telecom, China Ocean Shipping, China Unicom, China General Technology and China Netcom. Also participating were senior officials of the State-Owned Assets Supervision and Administration Commission of the State Council. The venue was a week-long conference on corporate governance presented by professors, lawyers and business executives. A highlight of the conference was a broad-ranging discussion with Jim O'Connor, former Chairman and CEO of Unicom Corporation and a highly respected board director, sharing his candid experiences and views regarding corporate governance. The dialogue involved substantial interaction with the Chinese delegation and was moderated by Jim Drury, Chairman of JamesDruryPartners, a specialist in director recruitment and governance consulting*

*What best practices would you recommend in composing a board for a global company and should you have directors from other parts of the world on the board? (Jim Drury)*

It is extremely important to have a board that meets the specific needs of the company. For example, at Corning, we've always felt it was important to have directors whose reputations were excellent, who had common sense, and had diverse skills in areas such as finance, marketing or general management. In addition, because Corning is a high-tech

company whose future depends on innovation, we needed directors who truly understand technology – and we have three that fit that description. With respect to whether or not you should have directors who come from abroad when much of your business is global, it's especially important that you have directors who have experience in and an understanding of international business, but in my judgment, it is not essential that they have to come from those foreign lands.



*James J. O'Connor retired from Commonwealth Edison in 1998 after 35 years. He became President in 1978, at the age of 40, and was elected Chairman and Chief Executive Officer in 1980. In 1994, he was named Chairman and Chief Executive Officer of Unicom Corporation which became the parent company of Commonwealth Edison. Over a thirty-five year period, Mr. O'Connor has served on the boards of ten well-known companies and is currently serving as lead director on the boards of United Airlines, Corning Incorporated, and Smurfit-Stone Container Corporation.*



*James J. Drury III is Chairman of JamesDruryPartners, a Chicago-based executive search firm. The firm specializes in the recruitment of board directors for corporate clients as well as assembling complete boards for newly public companies and corporate spinouts. Mr. Drury has been involved in corporate governance since 1990, having co-founded the annual Corporate Governance Conference at Northwestern's Kellogg School of Management, and the Directors College at the University of Chicago Graduate School of Business.*

*What are some of the changes you have seen in the boardroom over the last 10 or 20 years? (Jim Drury)*

One major change is that the group who identifies prospective directors today is generally the nominating or governance committee – not the board chairman.

Another change is that many companies now use a search consultant to recruit directors, even if the company already knows people who are possible candidates. A consultant can do a scan across a wide universe to find that one individual who can really do the job. The consultant is not limited by geography or industry and helps assure independence in the selection process.

*Boards are expected to represent the very best interest of the shareholders. To what extent must they also be concerned with the interests of other constituencies or stakeholder groups, such as communities in which they operate, employees, customers, and suppliers? How are conflicts resolved between these groups? (Jim Drury)*

The Nobel Prize winning economist from the University of Chicago, Milton Friedman, might tell us that the primary and perhaps exclusive responsibility of a board is to serve the interest of the shareholder. I believe the responsibility is much broader than that. Service to the shareholder should be the principal interest, but a board cannot ignore the fact that shareholder interests are highly interwoven with the interests of employees, customers and the communities served.

Twenty years ago, the chairman of Corning made quite a speech on this subject. He talked about the importance of reaching out to all affected communities. Because of that approach, people regarded him highly and loyalty to the company became ingrained across the culture of a wide variety of constituencies. However, if forced to make a choice among constituencies, my view is that the vast majority of directors would first ask the question, “How do we preserve the confidence that investors have shown in us?”

*If the board's view is in conflict with that of shareholders, or the shareholders are not satisfied with the board, what can be done to resolve the situation? How do shareholders influence the board? (Shang Bing, Deputy General Manager, China Unicom)*

The best influence of all occurs through the proxy vote. You can vote for or withhold your support for any nominated director. A recent instance of this involved Warren Buffet, one of America's most respected investors. An institutional shareholder group felt that he had a conflict. Companies he had invested in did business with Coca-Cola. Voting against his election created quite a stir. Mr. Buffet

kept his director seat, but shareholders made their unhappiness known. Shareholders who are unhappy can express their displeasure publicly at the annual meeting.

One of the major questions in corporate governance right now is, “Can shareholder groups propose their own directors?” The final chapter has not been written, but there is serious concern that large holders of stock could nominate a director, even though the company feels strongly that that person would not add value to the deliberations of the board.

*As compared to companies in China, there is little employee representation on the boards of U.S. companies. Who oversees the board, if not the workers? What type of supervisory committee is there? (Zhang Chen Shuang, Deputy General Manager, China Mobile Corporation)*

Let's start with your first observation about employee involvement on boards. In Europe, particularly Germany, there have been representatives of unions on boards for quite some time. Supervisory boards also operate in other parts of Europe, as well as in China. Some of the experiments to have employee representatives on boards in the U.S. have had mixed results. I believe the common view in America is that it generally does not work as well as people hoped it might.

The ultimate weapon in governance is that shareholders can determine whether a director should or should not stay. There are also very high-profile organizations, such as public pension funds, that were very low-profile fifteen to twenty years ago, particularly the California Public Employees Retirement System (CalPERS), that exercise their investor influence. Another important organization is Institutional Shareholder Services. There are more proactive groups out there today than ever before. In a way, they assume a little bit of the role of what a supervisory board might otherwise do.

Add to that the requirements of Sarbanes-Oxley for board members and management: among them certification of financial reports, signing the code of conduct, and meeting the requirements of independence. There are also the rulings of the New York Stock Exchange (NYSE) and the Securities Exchange Commission (SEC) which state that the majority of the directors of a public corporation must be independent. Only independent directors can serve on committees such as: audit, compensation, and nominating and governance.

*How do boards reconcile major differences in opinion among directors on key business issues? Do board decisions require one hundred percent agreement, or simply a majority? (Jim Drury)*

They generally require simple majority agreement. You don't always get it, but I would say that 99% of the time you get unanimous agreement on issues. You just continue to talk things through and make sensible adjustments until everybody's comfort level is high enough and all can accept the final decision.

*How does a board know how to discuss strategy with management without crossing the line and telling them what that strategy should be? If the company strategy fails, does the board bear the responsibility for a failed strategic vision? (Zuo Xunsheng, Deputy General Manager, China Netcom Group Corporation)*

One option some companies employ is to have a facilitator from the outside. Or you can have an officer of the company, the chief strategy officer pull the strategy discussion together. It is presented as, "Here are the options as we go forward and here are the paths that we're exploring in trying to meet our vision". And that is where the board, if it has the skill sets and will take the time, can be very helpful to management.

If the board is not satisfied, I think they would probably say, "We need more information. We would like you to revisit this".

The board's emphasis on strategy has become much greater in the past five or ten years. Today, it is very common for most companies to devote a single, two-day session on strategy alone, where the best management talent in the company is brought together with the board to talk about the strategic direction of the company. That is relatively new and is a major change.

"Does the board bear responsibility for a failed strategic vision?" The answer is yes, in my judgment. I don't see how you can devote the time and make it a top priority for the board and then not take responsibility for it.

*Will the board of directors take legal responsibility if there is the risk of another Enron and will individuals want to be a board director given the high responsibility and low compensation? (Wang Shanchuan, Deputy Director, State-owned Assets Supervision and Administration Commission of the State Council [SASAC])*

I think that's a risk. I was told – without hard data – that at least ten percent of the boards of major companies in the United States will be sued this coming year. These will be high-visibility suits and you may see an increasing risk exposure for directors. Conceivably, that could cause some very good people to decide they do not want to serve on a board.

In the U.S., one of the most important things a company must have is an excellent directors' and officers' liability insurance policy. No person is willing to put his total wealth at risk for a company that doesn't have an adequate amount of protection. The other thing that is happening is that active CEOs are increasingly cautious about going on outside boards. There was a time when some people were on ten or twelve boards at a time. The NYSE now has a rule that prevents anyone from being on more than six listed-company boards. Generally, the limit for active CEOs is three. And many CEOs are limiting their outside involvement to only one or two boards, and some CEOs want no part of outside boards.

*Is there an increasing cost to a company when using a consultant in order to comply with Sarbanes-Oxley? (Shi Xiping, Director General, State-owned Assets Supervision and Administration Commission of the State Council [SASAC])*

The latest number I have seen regarding the average cost of complying with Sarbanes-Oxley was about \$1,000,000 per company, but I think that figure understates the real cost. I have also heard that last year, the cost of adherence to Sarbanes-Oxley by corporations listed on the NYSE was about \$5.5 billion.

*How do you ensure confidentiality of company information shared with the board? (Ouyang Yingpeng, Board Director, Shanghai Bao Steel Group Corporation)*

All directors who are on boards sign a code of conduct, which requires that they not divulge to outside interests anything of material value to that company. As a director, you also have the "duty of care"; the long recognized obligation of confidentiality and loyalty. You could be in serious legal trouble if you conveyed matters that related specifically to a company outside the boardroom.

*Shareholders can come together to replace the Chief Executive Officer, which happens regularly in the United States. What is the process? How does it happen? (Chang Xiao Bing, Chief Executive Officer, China Telecom Corporation Limited)*

Generally it happens in the boardroom and is not precipitated by shareholders. There are isolated instances where questions about CEO performance have been a major shareholder concern. When you experience a real CEO leadership crisis situation, it is almost always the board that initiates the necessary action. One of the major factors, in deciding whether it is time to replace the CEO, is when the board senses that senior management of the company has lost confidence in the CEO. Sometimes, a CEO's strategic leadership has been very good for years, and then it suddenly veers off in a direction that is no longer



acceptable. Then, the board will step in and take action to replace the CEO.

*In your board involvements, you have probably served with at least one hundred board directors and observed their performance in the boardroom. What traits do you most admire in a fellow board director? (Jim Drury)*

The most important trait that I look for, whether it is in a board director or a CEO, is integrity. It is something that is reflected in the way people handle themselves professionally and personally.

The second thing is intelligence. You want people who really want to understand what is happening at the company; people who are prepared to debate the issues – not just someone who is a friend.

The ability to read, understand and participate with questions asked that are germane to the subject matter, are also very important traits. Good directors don't get into management detail. They act in an oversight and advisory role.

*Should the roles of CEO and chairman be combined or should they be kept separate? What sort of skills are required to handle both jobs simultaneously? (Ruey Bin Kao, Corporate Vice President, Motorola, China Global Telecom Solutions Sector [GTSS])*

The vast majority of business people I'm familiar with believe that it's better generally to have the two roles combined. There is a growing feeling that a retired Chairman/CEO should not remain on the board since he or she is often the one who helped put the board together and therefore that board may be viewed as his or her board. Some directors may always be wondering what the retired Chairman/CEO is thinking, so that is a bit of a distraction. Increasingly, once CEOs finish their active service, they leave the board. However, that is not always the case, and sometimes leaving the board is really not the best answer.

With respect to values, that you would hope to find in a combines Chairman/CEO, there are several:

**Leadership skills** - pulling teams of people together in a common purpose.

**Strategic skills** - creating a vision that the entire company will sign onto.

**Mentoring skills** - imparting the best lessons of his experience to others.

**Financial acumen** - effectively communicating with the investment community.

**Talent development** - motivating, training, providing peer help, guidance and encouragement.

**Communications** - serving as the chief spokesperson for the company.

**Board interaction** - paying attention to what directors have to say and responding to any concerns they might have.

**Personal character** - possessing integrity, fairness, trustworthiness, and consistency.

*During Chairman/CEO performance evaluations in which the Chairman and/or CEO are absent, who chairs the board or presides? How is the decision made in order to remain fair? (Chen Hongsheng, Vice Chairman, China Ocean Shipping Company)*

The rules require that you have a regularly scheduled meeting where the independent directors can talk alone about the performance of the Chairman and/or CEO, and that you have a "presiding director" who will lead the discussion. Those are the words that are used by the NYSE. Increasingly, presiding directors are called lead directors. No advice is given on the criteria for a presiding director, how long he should serve, and whether it should be a rotating or a permanent job. Today, it has become common to have the lead director selected by the board as a whole.

Generally, the presiding director is elected by the independent directors who vote for that person at a meeting held in executive session, without the Chairman/CEO present. The presiding director is not appointed by the chairman. It is incumbent on the lead director – presiding director – to talk to the Chairman/CEO about specific concerns for improvement.

*These executive sessions for the board sound very interesting. Take us into the room where you are having an executive session. When does the executive session take place? (Jim Drury)*

The rules provide that you must have them on a regular basis. My own view is that you should have them following each and every regularly scheduled board meeting, not just once or twice a year - even if there are no serious issues.

The meeting often starts out with a question such as "Does anyone have any concerns about what you heard during the regular board meeting?" "About operational activities?" "About strategy?" "About people?" "Is there something that we should communicate to the chairman that is awkward to discuss in the boardroom or in the presence of senior management?" It is amazing what can come up in these sessions that is of significant value which needs to be

communicated by the presiding director to the Chairman/CEO.

At the same time, individual directors must be reminded that there is nothing at all to prevent them from speaking directly with the Chairman/CEO. However, the executive sessions are a good opportunity to air out ideas and gain consensus on views that will then be presented to the Chairman/CEO.

At the end of an executive session, the board directors discuss the items that can be suggested to the CEO to improve performance. For example, as you approach the end of the year, have the CEO write down on paper those goals that he/she has for the organization for the coming year. These can be quantitative, such as cash flow, earnings, or investment goals, or qualitative, such as management succession or strategy. You can then measure, a year later, whether or not the goals were met. It is becoming more of a standard practice and a very good one to have. A non-threatened, secure CEO would welcome that sort of input and measurement.

*Is there an increasing trend for independent directors to distance themselves from management, as we have seen with Enron, for example. What is the importance of the independent director's role? (Shi Xiping, Director General, State-owned Assets Supervision and Administration Commission of the State Council [SASAC])*

I think the new rules on independence have been quite good and they have resulted in significant changes. In the past, it was not at all uncommon for somebody to get a board director's fee and to also be a consultant to the company. Now the rule states that you cannot be a director and get more than \$100,000 in any role that you might be playing with the company other than as a board director. Most companies are now saying there should be no compensation other than board compensation.

Another rule says that you must be careful about director affiliations with an organization to which the company contributes large amounts of money. Enron, for example, gave major contributions to certain universities that were connected to board members and that was viewed negatively.

I think there are more benefits than liabilities to the changes that have taken place, particularly with respect to independence issues. I don't think it means that directors are becoming more distant from management. I think you still have an opportunity to stay close to management and yet remain independent.

*How do you compensate directors and how much? Is it better to compensate with cash, stock, or a combination of*

*both? How should compensation be viewed in terms of its influence on a director? There is a lot of talk regarding pay-for-performance at the CEO and senior management level. Should this be a criterion for compensating directors or should it remain de facto depending on the board? (Wang Shanchuan, Deputy General Director, State-owned Assets Supervision and Administration Commission of the State Council [SASAC])*

It seems increasingly common to have a portion of compensation in cash, a portion in restricted stock, and a portion in options. More recently, companies have been reducing the level of options that they are giving to directors and putting more of the compensation either in cash or in restricted stock.

Small U.S. companies, under \$1 billion revenue, may pay directors compensation of \$40,000 to \$75,000 annually. Large companies, over \$10 billion revenue, might pay total compensation in the range of \$140,000 to \$250,000 per year.

There is real value in restricted stock. If you have a fair amount of your net worth tied up in the stock of a company, you have a real incentive to be an attentive director because your personal net worth is going to be affected based on how well that company does. I believe you should have minimum stock ownership standards for directors. My own view is that stock is a portion of compensation that is very important, and it is probably better to use restricted stock rather than options.

We talk a lot about our chief executive officers and senior management being paid for performance, and yet we don't apply the same criterion to directors. And I think you may see something on that coming down the road.

*When evaluating a candidate for chairman, is it more important to have someone from within the industry with specific industry experience, or someone who is not industry-specific, but who has outstanding management skills? (Shi Xiping, Director General, State-owned Assets Supervision and Administration Commission of the State Council [SASAC])*

Occasionally, when you have to stay within an industry, you have the history that is with you, particularly an industry that has been in crisis. That person can bring a lot of bias. There can be a benefit in making a complete break. I personally would vote for management skills over industry experience almost always.

The exception might be where you have a high-technology company where management skills, alone, might not be enough. Normally, management skills would be a higher priority. But if you must have industry experience, you

could reach for a retired executive. An active executive from a competitor would never be considered.

*In your career, you have been faced with many tough decisions. Have you ever made a decision which created problems for you or for your company? (Jin Jiqi, Executive Board Director, China General Technology Group Holding Limited)*

I think the most difficult decisions I have made have involved people selection, promotion, and development. My greatest disappointment is when an executive I promoted did not live up to expectations – mine or his. When I was Chairman/CEO of Commonwealth Edison, a leading energy company, we built a large number of nuclear plants over a period of years. When we started, interest rates were very low and the time period to build was relatively short. We did not anticipate government regulatory problems or that an accident would happen in a nuclear power plant in Pennsylvania. Although not one of ours, it brought the nuclear industry to a standstill in the United States. It resulted in significant cost overruns that could not have been anticipated and placed a real burden on our company.

In retrospect, might I have decided differently? I don't know, because the company's nuclear power plants today are running extremely well, and are among the best performing plants in the United States. But, for ten or fifteen years, it was brutal. I often wonder what it would have been like had we decided not to complete those plants. I think we made the right decision, but it was extremely painful to go through and very distracting for the rest of the organization.

*Fifteen years ago, when American businesses started being challenged as to whether they had good responsible*

*corporate governance, the answer was often, "Of course we do." But today, governance is significantly different. Having this behind you, what are the benefits of good governance? What does it do in terms of building investor confidence? What is the reward? (Jim Drury)*

Well, you put your finger on the first part, and that's restoring confidence in American business. I do think there is a real benefit to the emphasis being placed on good governance - comes very close to matching good management. Where you have strong corporate governance, people have their eye on the ball. It goes to the whole set of values that a company brings to the table: integrity, quality, emphasis on the individual, responsibility to the communities they serve, and to other communities that they work with. It is part of the whole mix of things that is critical for a company to become strong and to remain strong. I view many of the developments in corporate governance as being very positive. I think there should be time to digest the impact of our governance changes. We must be very careful not to go overboard. We must remain ever mindful not to blur the distinctly different roles - that managers have to "manage" and board members have to provide "oversee".

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On behalf of our business guests from China, Jim, I would like to convey their sincere appreciation for sharing your many years of personal experience in the boardroom, and your insights regarding director responsibilities and contemporary corporate governance trends.



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# 中国改革报

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### 我国电力建设 出现历史性“拐点”

国家发改委近日公布，2008年我国电力建设将出现历史性“拐点”，即由过去的“大跃进”式增长，转为“有保有压”的平稳发展。



### “精英助学金” 资助贫困大学生

清华大学近日启动“精英助学金”项目，旨在资助品学兼优但家庭经济困难的贫困大学生。



### 广告费猛涨下的世界杯

随着世界杯的临近，各大电视台的广告费用急剧飙升，给广告主带来了巨大的压力。

## 广东看病价格 10月起大调整

### 41家试点医院结果显示，一年的医疗服务项目收费总体下调0.64万元，而原来下降方案的下降金额为4000万元，下调幅度比原方案放宽了1倍。以此推算，全省医疗机构一年的医疗服务项目收费总体将下调2.85亿元，其降幅为2.6%。

新华社广州10日电 广东省物价局近日公布，从10月起，全省41家试点医院医疗服务项目收费将进行调整。根据试点结果，一年的医疗服务项目收费总体将下调0.64万元，而原来下降方案的下降金额为4000万元，下调幅度比原方案放宽了1倍。以此推算，全省医疗机构一年的医疗服务项目收费总体将下调2.85亿元，其降幅为2.6%。

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## 改革国家科技计划管理 拒绝跑“部”“钱”进

新华社北京10日电 科技部近日宣布，将改革国家科技计划管理，拒绝跑“部”“钱”进。科技部表示，将建立统一的科技计划管理平台，整合各类科技计划，提高资金使用效率。

## 江苏出现水稻 机插秧合作社



新华社南京10日电 江苏省近日出现水稻机插秧合作社，这种新型合作社模式将有效提高水稻种植效率，降低生产成本。

## 全国 500 所贫困地区小学生 有望每天喝到牛奶

新华社北京10日电 教育部近日宣布，将在全国500所贫困地区实施小学生每天喝牛奶计划，以改善贫困地区小学生的营养状况。

## 北京十家政府机构试点分类计量电费

新华社北京10日电 北京市近日启动十家政府机构试点分类计量电费，旨在通过精细化管理降低政府运行成本。

## 北京首批100名大学生村官“上岗”

新华社北京10日电 北京市首批100名大学生村官近日正式上岗，他们将深入农村基层，为新农村建设贡献力量。

## 管理与监督：角色不能混淆

新华社北京10日电 专家指出，管理与监督是企业管理的两个重要方面，角色不能混淆。有效的管理需要明确的职责分工和严格的监督机制。

## 江西贫困县全面进入医保与实行改制改制

新华社南昌10日电 江西省近日宣布，全省贫困县将全面进入医保，并实行改制改制，以改善民生，促进农村经济发展。

## 美企业欲设公司治理

新华社北京10日电 美国企业界近日提出新的公司治理理念，强调透明度和问责制，以提高企业治理水平。

## 人文高考 背后是改革

新华社北京10日电 随着人文类高考题目的改革，考生和家长开始关注人文素养的培养。这反映了教育改革的深入，旨在全面提升学生的综合素质。

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新华社北京10日电 专家指出，管理与监督是企业管理的两个重要方面，角色不能混淆。有效的管理需要明确的职责分工和严格的监督机制。

## 江西贫困县全面进入医保与实行改制改制

新华社南昌10日电 江西省近日宣布，全省贫困县将全面进入医保，并实行改制改制，以改善民生，促进农村经济发展。

## 美企业欲设公司治理

新华社北京10日电 美国企业界近日提出新的公司治理理念，强调透明度和问责制，以提高企业治理水平。

***The China Reform Daily*** (CRD) was founded in 1994 by the National Development and Reform Commission. *CRD* is the official Chinese newspaper letting the world know the process of China's reform policy providing in-depth reports and feature stories.

### **Translation**

The preceding interview was translated and published, in part, in ***The China Reform Daily*** (see highlighted portion, bottom right).

### **Management and Supervisions: These Roles Should Not Be Combined**

More and more Chinese companies are preparing to list on American stock exchanges in order to obtain American capital. To do so, these companies need to comply with all the regulations of the U.S. Securities and Exchange Commission (SEC) and company governance requirements. Recently, the Graduate School of Business at the University of Chicago and Motorola hosted a delegation of Chinese business executives. The group consisted of 40 executives representing 16 different companies, which included: Shanghai Boa Steel Corp., China Mobile, China Ocean Shipping Company, China Unicomb, China General Technology Corp, and China Netcom, as well as officials from the State-Owned Assets Supervision and Administration Commission of the State Council. In an interview about company management, James O'Connor discussed his experience and viewpoints on the topic. O'Connor now is the lead director of the Board of Directors at United Airlines and Corning.

O'Connor pointed out that it is crucially important for a Board of Directors to meet a company's special needs when he talked about how to form a board in a globalized company. For instance, he stated, we always believed that it was essential to have well-known individuals who have knowledge and capabilities in finance, sales or management to become directors at Corning. In addition, since Corning is a high-tech company relying on innovations for future development, we need directors on the Board with an understanding of technology. Three of our directors meet this specification. Most importantly, selected directors should also have international business experience. Whether they are from outside of the States is not important to us.

In the USA, it is common to replace a Chief Executive Officer (CEO) if forced by the shareholders. However, this situation usually happens within the Board Directors' meetings, not with the general shareholders. In some cases, shareholders may question the CEO's performance. Yet, when facing a crisis on CEO leadership, the Board of Directors always takes the necessary actions. One of the major elements to determine if a CEO needs to be replaced is that the Board of Directors has noticed that the top managers have lost their confidence in the CEO. Sometimes, a CEO's leadership which has been so strong for many years,

changes suddenly. This is unacceptable, so the Board of Directors will involve itself, taking action to change the situation, and possibly the CEO.

O'Connor thinks that it is best when the CEO is also the Chairman of the Board of Directors in a company. People would like to see a CEO with the following characteristics:

- Leadership – able to unite people from different groups for a common goal,
- Strategic ability – proposes an achievable strategic plan,
- Coaching ability – offers the benefit of his/her experience to others,
- Financial sensibility – capable of communication with investors,
- Human capital development – encouraging, training, assisting and directing colleagues,
- Communication – being the key spokesperson,
- Interactive – knowing what directors are saying and answering their concerns
- Personality – honest, just, dependable and constant.

Fifteen years ago, when American businesses faced a challenge as to whether they had solid and reliable management, the answer was always "Yes". However, a company's management has changed dramatically. What is necessary to have strong management? What can be done to improve investors' confidence? And what will the company get in return? To these questions, O'Connor replied that it is indeed better to highlight a solid management team. If a company has solid management, people will concentrate on it. This involves many valuable viewpoints of a company – honesty, quality, focusing on individuals and responsibilities to the community. This is part of how to make a company stronger and maintain its strength. We should take the time to comprehend the impact of a change in company management. We need to take it seriously. We have to be careful not to mix the different roles between managers and members of the Board of Directors. Managers are for management, while members of the Board of Directors are for supervision.



## JamesDruryPartners

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