

## **Food for Thought**

**March 2008**

### **Where is the bottom half?**

Food for Thought is our way of sharing interesting concepts on corporate leadership and management with others who might find it useful. The thoughts offered are intended to be controversial and thought provoking. They always follow our motto of helping develop logical leadership.

This month's topic is perhaps the most controversial item in our talk titled, "Internal Corporate Governance," that we offer to public company boards. One item in our ten point recommendation included in the talk deals with term limits for directors and chairmen of public company boards. We recommend that directors should remain associated with a board for no longer than three 3-year terms, or about 10 years. The most common argument against this proposal comes from a school of thought that such formulaic solutions are too simplistic for such a complex issue as the tenure of a director.

Our belief is based on the observation that half the directors of public companies are below the median amongst their peers. You probably do not want anybody from the bottom half in your board room. Then, where are they? As they say at the poker table, "If you don't know who the mark is, its you!" Based on a similar observation about their employees – that half the employees are below the median amongst their peers, - many companies institute a systematic topgrading process. But those executive style tools used to manage employee tenure are not as applicable to an elected board that tries to operate with a feeling of collegiality and a mode of consensus. The result is directors are seldom asked to leave. And, when they are, it is more likely to be for political reasons than performance reasons. Hence our contention, that a formulaic approach provides a solution with net positive benefits.

While term limits for directors is often received with some reservation by directors, the second half of our proposal – term limits for serving as a chairman – is mostly met with warm reception. The belief by most is that rotating the chair, say every three years, allows for a change in dynamics within the board room while maintaining the continuity

of thought and conversations amongst the directors. In any case, changing the cast of characters in the board room causes the board to be less content with status quo.

We have received many responses to our Food for Thought mailings, asking if you can freely share and forward these thoughts. Indeed you can. All we ask is that a clear attribution to LogiStyle and our contact information are included. For the interested reader, we have archived some of our recent Food for Thought mailings at our website, and can be viewed at [LogiStyle: Food for Thought Archive](#). As always, we welcome your comments. We hope your business is doing well. If we can be of any assistance please feel free to call – even, if just to chat.

Best Regards,

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