

Food for Thought

May 2008

Can your board face Warren Buffett?

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.

Each of us have our own favorite example of a poorly performing public company with an entrenched board, and we wonder why they have not taken any action with so many quarters of poor performance. This pattern seems to be more common amongst smaller public companies that fly below the radar of corporate raiders and the big private equity firms. For boards of smaller public companies, we offer a provocative exercise.

Directors of a small public company board, while theoretically answerable to the shareholders, are in no practical danger of being thrown out of the job. Conscientious directors of such companies should ask themselves if they would survive a rigorous scrutiny – which we call the Warren Buffett test.

Warren Buffett is used merely as an icon of a smart, simple investor with a no-nonsense, no-hype attitude. Imagine that your company is entirely owned by Warren Buffett, who has left the board and management intact. Further, imagine that the Chairman of the board, or the lead independent director, had to make a trip out to Omaha, Nebraska after every board meeting and explain to Buffett the performance of the company and what the board and management are doing to improve it. Ask yourself the kind of questions that Buffett would ask, and discuss if he would exhibit the same patience with you as a board that you have demonstrated with management. This discussion could even be conducted during the independent directors' session with one of the directors playing the role of Warren Buffett. We posit that this exercise, conducted with integrity, will give pause to some directors of poorly performing companies.

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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