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THE ROLE OF THE DIRECTOR IN CORPORATE ACCOUNTABILITY

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In each of my careers, I have had the opportunity to observe the gestation of legislation regulating business. The script is standard -- only the length of the acts and the names of some of the actors seem to change. Act one typically consists of the occurrence of several isolated human events -- some of which might attract broad interest and press coverage -- followed by thinly scattered comment from public interest types to the effect that perhaps we should do something to prevent such things from happening again. At the curtain of act one, the plot seems insignificant and easy to ignore.

Act two is usually the long act -- not much new happens at first. Then events begin to accelerate. Public sentiment is fanned, usually by the reporting of further incidents of the same type as opened the drama. Public interest groups form. Congress shows interest. Often legislation is introduced but goes nowhere, lulling opponents into a false sense of security. Act two closes with a bang, however, when Congressional and public interest, sometimes inflamed by a single dramatic and widely publicized occurrence, lead to a full blown legislative effort.

The last act is always the same -- legislation. The moral with which the viewer is left seems to be: It takes a law to get business to behave responsibly. Recognize the play? Call it "Auto Safety," Truth in Packaging," "Occupational Health and Safety," ERISA," what ever.

The most unbelievable and aggravating part of the entire script is the role business plays. Typically, business ignores the early rumbles of dissatisfaction and then turns to the stone-walling approach. Finally, usually late in act three, business begins to engage in the legislative process, but too late, and often only to exaggerate the dire consequences which will follow if legislation is passed. Only infrequently does business participate in the legislation scenes in a timely and constructive manner. To the extent that it does, it may be able to avoid legislation, or at least to help shape it positively so that the purposes are more clearly defined and are achieved with a minimum of dislocation and cost. Even more rarely does business consider positive steps to alter its conduct, or to correct the perception of its conduct, as a means to avoid or minimize the legislative solution.

What does all this have to do with directors and corporate accountability? To put it succinctly, I believe we are in the early stages of act two of a play entitled "Federal Legislation

on Corporate Accountability -- subtitle: Federal Regulation of the Corporate Decision-making Process." I am one of the players. I help focus the problem -- and thus perhaps I contribute to the likelihood of a legislative solution. But I don't like the script. I want to see act three rewritten. The superior economic achievement of our private enterprise system and our unequaled political and personal freedoms are closely intertwined and mutually reinforcing characteristics in our society; we must be extremely cautious in tampering with their balance. The only viable alternative to corporate governance legislation which I have been able to come up with -- that is, without changing the basic governance structure we now have -- is to organize the corporate board so that it can truly discharge the responsibilities it already has under state law. The only other alternative script I can visualize is to convince everyone that things are fine as they are. But I don't believe that it would have a long run either in Waukegan or Washington.

As a consequence, and as you may have heard, I proposed in a speech last January that public corporations should -- voluntarily -- take steps to structure their boards so that the board is able to exercise more meaningful oversight and control over corporate management. I expressed at some length my concern that the corporate sector must recognize the gap between the public's perception of business responsibilities

and the private sector's own understanding of its role. In order to meet that challenge, I suggested that, as an ideal, the board should be composed entirely of independent directors with one exception; that the corporate chief executive officer should be the sole management board member; and that the role of corporate CEO and the role of chairman of the board should be separate.

The reactions to my talk have been numerous, diverse, thought-provoking, and often quite emphatic. A number of communications from outside directors, company employees, and shareholders were very supportive. Some corporate executives responded that they were in agreement with my thoughts and that their boards already came close to the ideal I had proposed. Others told me that they shared the concerns and agreed with the principles underlying my proposals, but not with the proposals themselves, particularly with regard to excluding all but one management representative from the corporate board. A number of CEO's, but with notable exceptions, were not particularly attracted to the prospect of relinquishing the board chairmancy. Still others who responded were unreservedly critical. Some of those who disagreed most strenuously with my views directed their displeasure primarily at points which I had <u>not</u> made. For example, my suggestions were characterized as an "ill-advised attempt to expand the authority of the

SEC;" in fact, the central point of my talk was that corporations should explore ways to respond to the demand for greater accountability voluntarily in order to avoid further encroachment of government regulation. I was chastized for advocating "special interest" directorships on corporate boards, a position I never mentioned and strongly oppose. And one correspondent accused me of being among what he called the "sinister forces" favoring nationalization of American industry.

I intend to undertake this afternoon to amplify somewhat on my views concerning the role of corporate directors and, in that way, to respond to some of the criticisms which were leveled at my earlier comments. I do not do so defensively or because I believe that my proposals are flawless or because the Commission is about to impose them upon public corporations, but rather to pursue a vital dialogue. The process by which corporate power is effectively and responsibility exercised, in a manner consistent with public expectations concerning corporate accountability, is one which cannot be meaningfully strengthened by fiat or prescription. Legislation, and government regulation in general, necessarily embody one solution which those regulated must apply to many

circumstances. Corporate accountability cannot, in my view, be addressed in that fashion. Even mandating independent directors, for example, could not alone ensure that the board would play its proper role; the Commission's release on its investigation of National Telephone Company is a recent demonstration of that. What is indispensible is that corporate directors and managements be committed, in their own long term self interest, to making the board work. No legislation or rule can substitute for that commitment.

For that reason, my goal is to stimulate the corporate sector to greater sensitivity and appreciation of the need for it to address squarely the issue of corporate accountability. If too many business leaders insist that there is no problem or that, as one of the critics of my speech stated, the "vehicle for corporate accountability is the bottom line," then I suspect that the political processes will ultimately take more and more of the control of the corporate sector out of the hands of private managers and transfer it to the hands of government regulators. And that is a prospect which I would neither greet with enthusiasm nor expect to be, in the long run, consistent with a system of private enterprise.

The task of shaping the mechanisms of corporate accountability in a way which is a positive alternative to the enactment of a statute or the creation of a regulatory agency is not an

easy one. The job is one which requires continuous sensitivity to the need to match corporate processes to the constantly changing social environment in which we live. And, in my view, a board of independent directors -- that is, directors who are not merely "outside" in the sense of holding none of the corporation's managerial posts, but are also unencumbered by any other conflicting links to the corporation -- provides the best solution consistent with today's corporate governance and decision-making structure.

Corporate Accountability and Regulatory Solutions

Over the years, a vast array of remedial social legislation has injected the government into the regulation of areas traditionally regarded as private. Indeed, as a society, we tend increasingly to look to government -- and that more and more often means to the federal government -- to regulate the performance of private conduct in order to insure that it is directed to what is perceived to be the public good.

The signs are beginning to multiply that the structure and governance of corporations may not long remain immune from that trend. The media have sensitized the public to examples of corporate "unaccountability," -- and accusations substantiated and otherwise, of such unaccountability continue to multiply. Public opinion polls reflect the predictable

response to these sorts of well-publicized incidents. On the one hand, the public retains its confidence in the efficiency of American business -- its ability to provide goods and services -- and still overwhelmingly supports the private enterprise system. At the same time, however, the public has a deep-seated unease over the exercise of what is perceived as the enormous power of American business; the narrow, self-interested way in which that power is used, or perceived as used; and the lack of perceived congruity between business's goals and objectives and those of the rest of our society.

Some who wrote to me regarding my remarks on corporate accountability argued that, whatever business's stature in the public mind, government's is worse. While this may be so, I think that corporate leaders who take consolation from that fact -- or use it as an excuse to cling to the status quo -- seriously err. Despite mistrust of government regulators, articulate and influencial advocates of the view that corporate power needs to be further bridled by government action continue to be heard. Indeed, a recent survey of attitudes toward business concluded:

> "Given the strength of public concerns about business' irresponsibility in its pursuits of profits, we find generally strong support for government regulation of business. Fewer than 1 out of 4 Americans think that business is overregulated. Moreover, while over 7 out of

> 10 Americans will complain about government in terms of waste, inefficiency, and red tape, only 25% will complain about too much regulation."*/

Moreover, lack of trust in government is, I believe, a manifestation of an erosion of confidence in large institutions generally. The same survey I mentioned a moment ago also concluded:

> "At the same time, however, our results indicate a continuation of a growth in public cynicism and mistrust directed at institutions. Indeed, there is no institution in America which has not, at some time in the past ten years, suffered a serious decline in public confidence. In the case of business, confidence has fallen from the 70% level in 1968 down to 15% in 1977." **/

Accordingly, rather than comfort ourselves with the notion that other institutions may enjoy still lower esteem, each of us needs to examine the reasons for the disintegration of institutional confidence and to determine what our role can be in rebuilding the trust which cements the social order.

The Role of the Corporate Director in Fostering Accountability

With that thought in mind, I want to turn to the role of the director in corporate accountability. In my judgment, the strengthening of corporate accountability -- and ultimately

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*/ Yankelovich, Shelly and White, Inc., Report to Leadership on 1977 Findings of Corporate Priorities at 10 (1977).

**/ Id. at 5.

of public confidence in business as an institution -- depends on the strengthening of the process by which those who exercise corporate power are held responsible for their stewardship. The independent director is the component in the existing form of corporate structure which can best perform this function.

Recognition of the need for independent directors is not new. One of my predecessors as Chairman of the Securities and Exchange Commission put it this way:

> "[B]oards wholly or dominately filled with 'shirt-sleeve directors drawn from the executive management, without outside representation, are apt to suffer from myopia and lack of perspective. It is one thing to operate a business efficiently, but it is quite another to be sufficiently detached from the business to be able to see it in relation to its competitors, trade trends, and the like. * * * The minimal requirements in this regard are statutory provisions that a board of directors shall be composed of stockholders who are not employees or officers of the corporation * * * ." */

The writer was William O. Douglas, and the year was 1934.

The role of the independent director can be broken into three overlapping parts. First, the presence of non-management directors compels management to justify its proposals to the board in a more disciplined and thoughtful way. For example, I think that it is fairly obvious that the chief executive officer who is submitting to a group of responsible independent directors a management recommendation to launch a

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*/ W. O. Douglas, Directors Who Do Not Direct, 47 Harv. L. Rev. 1305, 1313-14 (1934).

tender offer, to embark on a new line of business, to initiate antitrust litigation against a competitor, or to take some other major corporate action is in a different position than the chief executive who, at the other extreme, is asking a board composed entirely of his own subordinate officers to endorse the same management recommendation. The type of discipline -- the checks and balances -- inherent in the process of persuading responsible, knowledgeable, independent directors is, in my view, much more likely to produce policies beneficial to the corporation, the economy in which it functions, and the legal structure of which it is a part than is the exercise of "convincing" one's subordinates. To the extent that the board is a blend of the two types of directors, the consequences are likely to be somewhere along the continum between the two extremes.

Stated differently, independent directors perform a vital function for management. They provide a source of accountability and self-correction. They can serve management constructively by calling for management to examine decisions and actions in the light of new and different perspectives and hard questions. They create a sort of tension between management and the board -- not tension in the sense of antagonism or strife,

but tension in the sense of a pressure working against management's natural tendency to structure a board which will make life easier for management rather than a board which will require management to be rigorous and persuasive in its dealings with the board and which exposes management to the risk that, if the results of management's stewardship are not satisfactory, the board may become a source of discomfort. To the extent that independent directors perform these functions, they strengthen management rather than being management's adversaries. And, in so doing, they serve to strengthen the trust of the shareholders and of the public.

Second, independent directors offer a corporation the benefits of broader -- or at least different -- perspectives. Directors from different industries or fields of endeavor, and with different sets of experience, can be of real value to the corporation.

Third, responsible independent directors can afford management a certain amount of protection. Some recent court decisions suggest that, at minimum, when the board seeks the shelter of the business judgment rule, the courts will look closely at who made the business judgment, in what context it was made, and what the relationship was between the decisionmakers and those who benefit from the decision. Although the courts

are struggling with the issue, I believe that directors who are, in fact, selected and functioning independent of management do play an important role in protecting management and the corporation from liability.

How should the board be structured in order to maximize the benefits which independent directors offer? I have stated previously that, as an ideal, the kind of accountability which I visualize can best be obtained with a board on which management is represented only by the chief executive. The roles of managing and of overseeing management are in conflict and can not be performed by the same individuals. Further, management presence on the board often tends to deter the board from being effective. Finally, it is usually an automatic rather than in independent vote for management recommendations.

Let me provide several examples of the kinds of concerns and experiences that lead me to this conclusion. How can an independent director raise a question at a board meeting about whether a given corporate division should be sold when the man whose career depends upon that division is sitting at the meeting? How do you turn to your fellow board member and observe, I thought that was a lousy presentation -- what did you think?" when the manager who made it is on the board? How do you raise matters at the meeting which reflect some criticism of the chief

executive when a number of his subordinates are on the board? How many instances can you recall of subordinates on boards who disagree with, let alone vote against, the CEO and the management recommendation?

The second aspect of my ideal board proposal is that the CEO should not be the chairman of the board. Control of the agenda process is a powerful tool, and the sense that management is accountable to the board is considerably strengthened when the issues to be presented at board meetings are not under management's control. It does not follow, however, that the agenda would fail to include all matters important to management. Additionally, the intimidating power of the chair, especially when occupied by a chief executive to whom many on the board owe their directorships and perhaps their livelihood, is a factor which deserves serious consideration.

On this point, several of those who wrote to me concerning my prior remarks on corporate accountability offered useful insight from their own experience. For example, the President and CEO of a large eastern company, in a letter to me, put the issue in another perspective. He wrote, "I demanded an outside chairman be elected because I felt unable to fairly present management's positions to the other directors while simultaneously feeling required as chairman to take the negative side of any

argument." And, an individual who has just resigned as chairman and chief executive of a large and well-known manufacturing company noted that --

> 'There is, in my opinion, an inherent conflict between the Chairman of the Board, the Chief Executive Officer, and the Board's responsibility for evaluation of the Chief Executive Officer's performance. In addition, in today's increasingly complex business environment, I believe these are two full-time jobs with different skill requirements."

The final characteristic of my "ideal" board is that the independent directors should be individuals who are truly independent of, and unaffiliated with, the corporation. That criterion, of course, excludes many people who have traditionally served on corporate boards and who, as individuals, often make excellent directors -- the corporation's outside counsel, its investment bankers, its commercial bankers, directors and officers of its or suppliers, and others who also serve the corporation in some capacity other than as directors and who, therefore, look to it for rewards other than those which accrue to directors. I am not suggesting that these individuals are dishonest or even that self-interest usually clouds their judgment; on the contrary, they are valuable sources of expertise and experience. But both the perception and the reality of the accountability function mean that directors who serve

the corporation in a dual role are imposing costs on the accountability process.

If this seems unrealistic, consider why the investment investment banker, commercial banker, lawyer, or major supplier joins the board. More often than not, I suspect, the reason is in order to protect or enhance the economic interests of the organization by which the director is employed. I certainly have no objection to bankers and lawyers who do not do business with the corporation being on boards. But, when they do have a business link with the company, how can we separate their responsibilities as directors from their interest in either obtaining, maintaining, or protecting their firm's relationship with the corporation?

The Critics

I believe that the steps I have just outlined would go a long way toward enhancing a positive atmosphere of corporate accountability without subjecting the substance of corporate governance to stringent -- and probably counterproductive -- government regulation. I do not mean to suggest, however, that my proposals offer a panacea, or that they must be adapted rigidly or inflexibly. On the contrary, if my thoughts serve to focus attention -- rather than dogmatic or defensive reaction -on how to strengthen the accountability of business and enhance confidence in its processes, my primary purpose will be served.

With that caveat, I would, however, like to respond to some of the criticisms which have been leveled against my ideal board. I should observe that the great bulk of the comments which I have received indicate acceptance of the concept of a majority of independent directors on corporate boards. Giving independent directors majority status is certainly an important step and one which goes a long way towards accomplishing the objectives which I have outlined.

Some critics suggested, however, that there was danger in limiting management to one seat since this would leave the board without the benefit of sufficient information about the business, place it at the mercy of those with scant interest in its affairs, and render it vulnerable to deception and concealment by the single management representative -- the CEO.

I must confess that I found this last criticism -- that the presence of a second or third insider will make it more likely that the CEO will be candid with the outside directors -- surprising and perplexing, particularly in light of the frequency with which it was raised. The fact that mainstream representatives of the corporate community share that kind of unease about, and distrust of, corporate management says something about the larger question of the need to examine very carefully the existing mechanisms of corporate accountability. Perhaps reflecting the same attitude, a number of

individuals, particularly those who apparently did not read the full text of my earlier remarks, assumed that, in making the suggestion that boards restrict themselves to one management member, I was attributing to management and CEOs some sort of generalizable malevolence or bad faith. I was not and do not. But they are not perfect -- and they are not and should not believe themselves omnipotent. In view of the pressures, demands, and motivations of the jobs, particularly the pressure for short term accomplishments, the interests of management will not, at all times, necessarily be consonant with the long-term interests of the corporation, its shareholders, or the larger society. The other side of the coin was presented in a recent Lou Harris survey of outside directors (including some who would not qualify as independent). In response to the statement, "You can't expect a chief executive officer to expose all sides of an issue at a meeting where subordinates are present," 48 percent of the outside directors polled responded that they agreed and 49 percent disagreed.

In any event, by proposing that only the CEO serve on the board, I certainly do not envision the board as meeting in isolation or the outside directors as limited in their knowledge of the corporation or their dialogue with its managers to the presentations of the chief executive officer. Other management

representatives can and should be present when the board meets in order to afford the directors the benefit of their counsel, expertise, and knowledge; the opportunity for interchange between directors and managers outside of board meetings should also be fostered. A disingenuous CEO would, therefore, be inhibited from misleading the board as much by the input of his key subordinates as by their voting membership on the board.

The concept of staff participation in board deliberations and interchange with directors also responds to the criticism that a board composed of outsiders would lack information about the business. Similarly, I think it should largely alleviate the concern that, by depriving junior members of management of the opportunity to serve on the board, the corporation is deprived of a valuable training ground for its future chief executive officers. On the contrary, I visualize non-director members of management as playing a very active and vigorous role in board deliberations, and receiving perhaps more valuable experience and more stimulation than would be derived from service on a management-dominated board. The point at which the line should be drawn is not at the ability to exchange information with the board or at the ability to debate and discuss policy issues, but rather at the point of decision.

The board must have the opportunity, after management's input is complete, to discuss the issues and to arrive at its consensus without the constraints of management's presence

I also received some criticism -- critcism which I think is less thoughtful -- sounding the theme that an independent board means a board composed of amateurs or individuals unfamiliar with or unconcerned about the corporation's business. Today, I think it is quite widely recognized that the position of outside director is one which carries heavy burdens and one which demands that the incumbent be competent and willing to devote serious amounts of time and energy to familiarizing himself with the problems and activities of the corporation he serves. Those who do not, expose themselves to very substantial threats of liability and expose the corporations on whose boards they sit to real risks. For example, the Commission's recent report on the outside directors of the National Telephone Company and its earlier report on the outside directors of Stirling Homex Corporation give some indication of the degree of involvement and familiarity which are expected of outside directors. By the same token, however, those reports -- and the events which precipitated them -- illustrate that the presence of outside directors cannot, in itself, guarantee the kind of corporate accountability necessary. Where directors do not demand the kind of information essential to the performance of their role

do not take the trouble to probe and analyze, and do not subject management to a realistic oversight process, the benefits of independent directors are lost.

Some of the most forceful criticism of my thoughts concerning corporate boards was reserved for the suggestion that outside counsel, investment bankers, commercial bankers, and others whom I characterized as "suppliers" to the corporation be excluded from the board. Various correspondents pointed out to me that these individuals are among the most intellectually qualified directors and often are those most willing and able to probe and criticize management. At the same time, however, none of the comments came to grips with the conflict of interest problem created by the board membership of those whose income, in some measure, depends upon their business dealings with the corporation; with the public perception problem created by that conflict; or with the obvious inhibitions on the other members of the board in terminating or criticizing the service rendered the corporation as a result of another director's business relationship.

These criticisms, or others, may be persuasive to some and unpersuasive to others, depending upon their experiences and the dynamics of the boards and managements with which they are familiar. In some cases, perhaps the honesty and reliability of information available to the directors is enhanced by having two or even three management representatives voting

on the board, and in some cases perhaps the corporation does indeed benefit from having its investment banker as a board member. Of course, these individuals can always be invited to attend, and they could attend with regularity. Further, if investment bankers or commercial bankers or lawyers make valuable directors -- and obviously many do -- then corporations could ask members of those professions other than those engaged in business relations with the corporate to serve on the board. And, if disinterested bankers or attorneys decline to serve in place of those who do business with the company, perhaps we should ask ourselves what this says about the motivations and independence of supplier-directors.

In any event, however, as I have emphasized, the point is not to devise a set of inflexible rules -- with respect to director independence or any other aspect of board membership -- which should be imposed on every corporation. Rather, we should explore the principles which maximize accountability in each particular corporation. In a particular corporation, the members of the board -- especially the independent members of the board -- may well determine that the benefits to be derived from more inside directors, or more management suppliers or a chief executive's chairmancy outweigh the costs. The costs to the corporation of the potential conflict are nonetheless real. There is an impediment to accountability -- to the detriment

of the corporation -- when directors serve conflicting roles and interests. And there is a cost in terms of erosion in confidence in the accountability process as a result of the appearance of a conflict of interest. The crux of the problem is to make sure that decisions concerning board composition reflect a reasoned and thoughtful balancing of these costs against the benefits expected from a given director's board service. This determination, itself, should be made by the independent members of the board.

Independent board members may be more sensitive to these costs than most managements realize. In the Harris survey of outside directors which I referred to earlier, when asked whether specific businessmen should serve on the boards of their clients, as to commercial bankers the response of 49 percent of the outside directors was that they should, while 42 percent said that they should not. As to investment bankers, 36 percent said they should serve -- 55 percent said they should not. As to legal counsel, 36 percent favored their board membership, while 56 percent did not.

Although these results are sharply split, it is evident that a large proportion of outside board members are keenly aware that there are costs incident to outside directors with other economic links to the corporation. The results are particularly significant given that 44 percent of the companies

on whose boards the interrogated board members sit had commercial bankers on their boards. Thirty percent had members of the outside law firms on their boards, and 23 percent had members of investment banking firms on their boards.

While the ideal I have proposed may not be achievable or even appropriate for all, the concepts underlining it deserve examination. For example, it should be apparent that I believe that a majority of independent directors is more than an ideal; it is essential. Further, I believe that, regardless of the number of management directors, committees composed exclusively of independent directors for audit, nomination of directors, executive compensation, and conflict of interest are essential. Audit committees are critical because of the fundamental role which the independent auditor plays in corporate accountability and the special trust which the public places in the auditor's work. The New York and American Stock Exchanges, the National Association of Securities Dealers, and AICPA are all engaged in initiatives which would compel those public companies which still do not have independent audit committees to establish them. These efforts are important, but the next question which must be faced is the definition of the audit committee's responsibilities. At present, many

audit committees are, undoubtedly, not working effectively and may serve more to provide windowdressing than to add substance to the accountability process. This subject is worthy of more attention than I can give it here. But no consideration of the role of directors is complete without underscoring the importance of an effective audit committee.

A second important mechanism -- one less widely recognized -- is the independent nominating committee. In fact, the independent nominating committee is perhaps the key to resolving many of the issues which the implementation of my "ideal" board raises. For such a committee to be effective, it must concern itself with board composition and organization. It can thus be the vehicle to deal more objectively with the trade-offs between the benefits of, for example, additional management representatives on the board and the costs of those representatives. As long as those decisions are out of the hands of management and in the hands of knowledgeable, concerned independent outsiders, I believe that the environment will be right for the kind of accountability which I envision.

Conclusion

One of the critics of my prior speech on corporate accountability expressed amazement that, despite my experience

in the business world, I had failed to "grasp the idea that the foremost 'social' responsibility of a company is to earn money." On the contrary, however, I have said in a number of speechs over many years -- and still believe -- that the most socially irresponsible conduct a corporation can engage in is to be unprofitable. I am, however, concerned that businessmen who adhere myopically to the philosophy my critic expressed will, in the long run, do much to bring about the demise of our profit-based economic system. The importance of earning a profit does not provide a cloak for any and all corporate conduct. Increasingly, society is demanding that power be accountable and subject to checks beyond the professed good intentions of those who exercise that power. This is certainly true in government, but it is no less true in the private sphere.

At the same time, however, if management's only purpose in implementing any of the suggestions I have described is to make a concession or offer a token, then I would urge that they not be implemented. Audit committees which are, for example, "for show" only and which do not function may, momentarily, provide the corporation with the facade of being contemporary and responsible. But if the corporate leadership, including its board, does not believe in audit committees, if they are not committed to making them effective, then they

are misrepresenting themselves, misleading others, and ultimately helping to foster the conclusion that audit committees are ineffective.

I quoted earlier from one former SEC Chairman, William Douglas; I want to close by quoting from another who has commented on this same point. Ralph Demmler recently wrote me:

> Artificial exclusionary prophylactic rules are no more than band-aids for corporate ills. In the long run people of integrity and ability -- neither of which can be legislated -- will do a responsible job of corporate governance and people lacking integrity or ability will suffer to exist the evils we seek to eradicate."

While Chairman Demmler disagreed with many of the specifics of my ideal" board, we are, I think, in agreement on the fundamental principle. The basic issue in corporate accountability is the commitment and dedication of the people who operate the mechanisms of corporate control. Accordingly, each of us who believes in the corporate system we enjoy today must give serious thought to his or her personal role in promoting corporate accountability. The economic system under which we operate a decade from now will be the sum of the individual and corporate decisions which business makes during the interim. And that is a personal challenge in which each of us must share.