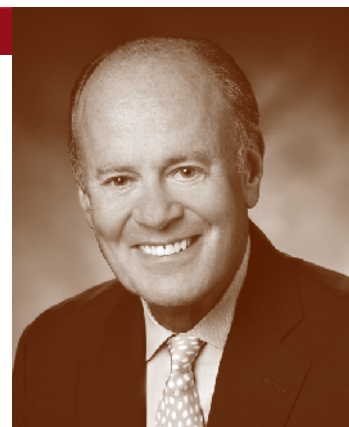


Directors' Lives: Before and After SOX

When he was chairman and CEO of **RJR Nabisco**, **Steven Goldstone** says he didn't have "ten seconds" to sit on an outside board. That changed with his retirement in 2000. He accepted his first directorship with **American Standard** in 2002, at a time when corporate America was going through the painful transition to Sarbanes-Oxley. Since then, directors' lives and governance trends have changed dramatically.

At **ConAgra**, a board he joined shortly after American Standard, Goldstone became directly involved in one governance trend: the move to split the CEO and chairman positions. Fellow directors have nominated Goldstone as a 2008 Outstanding Director in part for his role as non-executive chairman at ConAgra. He recently spoke with **Agenda** about his time as a board member, his experience as non-executive chair and his opinion of what's one of the best jobs for a board member to have.



Steven Goldstone
*Retired chairman and CEO of
RJR Nabisco*

*Director at American Standard,
ConAgra, Greenhill and Merck*

Splitting the CEO and Chair Roles

Q You were chairman of RJR Nabisco and you're non-executive chair at ConAgra. How are those two roles different?

A It's an interesting question. When you're executive chairman and chief executive of a company you're an insider. In that sense, you are an equal and a leader of the board, but at the same time you're reporting to that board.

As chairman of RJR Nabisco I did perform many of the governance responsibilities; so do other chairmen of other companies, and they are leaders of their boards. But under those circumstances, today of course you would have a lead director as a balance.

When I was chairman of RJR Nabisco we did not officially have a lead director, but there were one or two senior directors on the board who informally took on the role of lead director. Because you need to have some balance when your chairman is an inside person.

Q Shortly after you joined the ConAgra board, the company split the CEO and chairman roles. What was going on at the company when you joined the board and what steps were taken?

A When I came on the board, ConAgra was in the midst of transforming itself from a fairly far-flung conglomerate in the food industry to one more focused on the consumer packaged food business. While it had been making progress in selling some businesses, it really hadn't made progress in creating an efficient operating model. So we went through a management transition, and that's where, as a relatively new director, I came in, in the sense that the board asked me to lead the effort to find a new CEO... And that turned out to be Gary Rodkin, who was head of U.S. operations at PepsiCo. Gary has a great marketing background and a great reputation as a boss.

Q Was it your intent to bring in someone from the outside because of this push toward a new strategy, or was he the best candidate overall, regardless?

A Of course, the goal is always to pick the best candidate, but who is best depends on the challenges facing the company. In the last few years I have been the head of two search committees, one at ConAgra and an informal search committee at American Standard. At ConAgra, primarily because there was no ready successor and, in any event, we were looking for a new strategic direction, our natural direction was to look outside. At American Standard, we had a strong management team and good operating fundamentals, so we had the option of choosing from a roster of attractive inside and outside candidates. I think most companies will find themselves at least taking a look outside... just because it's fundamental due diligence.

The Effects of Sarbanes-Oxley

Q What do you think has changed in boardrooms as a result of Sarbanes-Oxley?

A Particular roles, such as that of the audit committee, have become a bit more complex. It's more time-consuming. There's no question about that. So if you assume that a director's time is absolutely finite, then you would have to say that the more time people spend on matters in the audit committee, the less time they have to consider broad issues of strategy and the like. But in fact I don't think it's happened that way. While I think there are more obligations, procedural issues that have to be engaged and governance issues that have to be minded, directors simply spend more time at the job than they used to. So directors have expanded the effort they put into the job. I don't believe the attention directors give to strategic issues, to operating issues, issues concerning the environment surrounding the company and its business, have changed much in recent years.

Life on Comp Committees

Q How long have you been on compensation committees?

A I've been on [the comp committee at American Standard] either as a member or as chairman for four or five years. It's close to the same amount of time I've been a member of the compensation committee at ConAgra. And I'm chairman of the compensation committee at Greenhill. And of course I was very interested in the goings-on in the comp committee at RJR Nabisco. So I've had a good amount of time to watch these committees and to participate in their work.

Q How would you say the responsibilities have changed for compensation committees as a result of pressure from shareholders and the media as well as regulatory changes?

A You know, I think the fundamental requirements have not changed that much in the sense that compensation committee members who do their jobs understand that they have independent obligations to the company and its shareholders. But I do think since SOX compensation committee members are more mindful than ever that they have an independent obligation. It's not just an independent obligation to be a watchdog, but on the positive side they need to help their companies compete effectively. That's the only way to create fair value for shareholders. To compete, any chief executive will tell you, if you can't recruit and if you can't motivate and you can't retain top talented executives, you're not going to be successful in the marketplace. So the challenge for compensation committees is to create an effective program without overspending. Finding the right balance is the difficult job of any compensation committee. In a way, I think increased disclosure has created a database of more comparative data for compensation committees and

their experts and their HR people to look at. So in a way that's a positive thing.

Q Positive in the sense that you know what's competitive pay?

A Yes, exactly. You have a better sense of what you need to do to be competitive and what you don't need to do. And I think that's helpful.

Q Is there a downside when there's more information out there for your competitors looking to poach? Is that a concern?

A Of course, that goes both ways. I'm not sure there's a tremendous amount of information like that. I think what it is, is there's more of the reasoning, justification for the programs.

Q So there's more comparative information for you about how competitors, say, are connecting compensation to the growth strategy of the company?

A You got it. Of course, companies are always concerned that they don't want to disclose their strategies. And those are fair concerns. That's the natural tension you now see in some of these disclosure issues.

Q What kind of advice would you give to other compensation committee members reading this for serving on a comp committee today?

A Let me start out by saying that I happen to believe being a compensation committee member is one of the most interesting and even fun and gratifying jobs a director can have. You know, any good chief executive is going to tell you that his or her success is almost entirely dependent on the quality of the management team, not just the top few people, but the management team that the company is able to recruit, and to motivate and to retain. And that is really

Questions good compensation committees should be asking, according to Steve Goldstone

What kind of management team are we creating?

Are we motivating them through our pay?

Are we able to retain them?

Putting aside dollars, are we doing enough to develop our management?

What kinds of educational programs are we making available to our management?

What kinds of promotion opportunities [are available]?

What kind of analysis do we do about each individual manager's particular strengths and weaknesses?

How do we want that person to improve and how can we help that person improve?

right in the heart of the purview of a compensation committee.

More Directorships?

Q You're on four boards now. Would you consider more?

A Actually, American Standard is ending. Because we will be merging, that will drop one board off this summer. Maybe I would consider it. You know, being a director these days, just as we talked about, is not an honorarium. If you want to be a director you have to put in the time and the work. So, certainly for me, four boards is my limit. I don't see, given my other responsibilities in life, that I could possibly do more than that.

Q And that's in retirement. When you were CEO and chairman of RJR Nabisco you didn't serve on any outside boards?

A I didn't have ten seconds to serve on another board.

Editor's Note: This is the sixth of 11 discussions with this year's Outstanding Directors. The Outstanding Directors program, a sister program to Agenda, recognizes a select group of directors annually for making valuable contributions to their boards. Nominations come from fellow board members, with final selections made by the Outstanding Directors Editorial Board. Questions and answers have been condensed.