Book it: Best bets for board reading

From a roundup of new books, insights on mutual fund directors and general counsels, measuring the ROI of human capital investment, graceful exiting at the top . . . and the pause that refreshes.

Fund directors’ exact holdings? That’s secret

From The Clash of the Cultures by John C. Bogle. Copyright ©2012 by the author. Published by Wiley (www.wileyfinance.com).

I prefer fund directors, executives, and portfolio managers who “eat their own cooking” by investing importantly in the shares of the funds they direct or manage, but not necessarily to the exclusion of other funds in the same fund complex. A few firms even take this philosophy to an extreme, requiring their insiders to invest all of their liquid assets in their funds, but that will not always be possible.

Unfortunately, there’s little solid information on this vital issue, and no requirement that management company officials and portfolio managers disclose their transactions in the shares of their funds.

As to fund holdings by directors, a serious, indeed inexplicable, information gap continues to exist. Somehow, the Investment Company Institute persuaded the SEC to exempt fund directors from disclosure of the precise number of shares they own, the standard for all other public corporations. Rather, fund directors need only disclose the range of their holdings: none; $10,000 or less; $10,000 to $50,000; $50,000 to $100,000; over $100,000, both for the fund and for all funds in the group. That may be better than no disclosure at all.

But why shouldn’t an investor know if a director of the fund has increased his investment from say, $101,000 to $1 million? Or, perhaps even more important, reduced it from $1 million to $101,000. Yet that information remains secret, and present regulations suggest that it’s indeed “none of your business.” The sooner we revise the regulations to provide exact disclosure rather than inscrutable ranges, the better.

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Be a graceful exiter

From Leaving on Top by David Heenan. Copyright ©2012 by the author. Published by Nicholas Brealey Publishing (www.nicholasbrealey.com).

For many, letting go of a successful career means change, and such transitions are never easy. “Often they’re frightening and painful,” says Martin Groder, a Chapel Hill, N. C., psychiatrist and business consultant. “But on the other side of the struggle is a sense of rebirth and renewal.” Therefore, those nearing the final role should start anew while they’re still able enough to face new challenges.

Far too many people, though, seek solace in the familiar. Rather than explore new directions, they cling to the safe, risk-free environments that can become self-constructed prisons. Eventually, these people lose their capacity for self-renewal, costing them soul and substance. Postponing the inevitable,
they bury themselves deeper and deeper in their work, de­priv­ing themselves of emotionally rewarding experi­ences. Individuals so ensnared soon discover that the workplace, while a good servant, can become a bad master.

“Man cannot discover new oceans unless he has courage to lose sight of the shore,” wrote Andre Gide. Graceful ex­iters are undaunted risk­takers. For years, Sony Corp. chairman and CEO Norio Ohga had a rich life outside the company as a jet pilot, a calligrapher, an operatic tenor, and an orchestra conductor. Instead of haunting Sony’s offices in Tokyo, he chose to fly around the world pursuing his musical interests. Not your average salar­y­man, this managerial maestro tapped his baton in leading sym­phonies on almost every continent and later chaired the Tokyo Philharmonic. When he left the top slot at Sony, Ohga simply rekindled his musical passions — and never looked back.

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A time bomb of an email

From Exposure by Michael Woodford. Copyright ©2012 by Michael Woodford Associates Ltd. Published by Portfolio/Penguin (www.penguin.com).

IT WAS HIGH SUMMER when the email arrived. A silent ping into my inbox. It lay there quiet and unattended. That July of 2011 Europe sweltered in the grip of an unusual heat wave. I was traveling, as so often, chairing meetings in Hamburg, the north­German city where Olympus has its European headquarters. The board sat expectantly round a large circular table, a change I had made so people actually looked at and listened to each other.

I had been presiding over meetings there for years, but was doing so now as president of the entire global company, and the deference I was newly accorded was palpable; a novelty which nevertheless also prompted a slight sense of unease. We went through the agenda with me fulfilling my usual role of questioning and challenging, always endeavoring to solicit the views of everyone around the table. We were finished by late afternoon.

I got back to my hotel room and flipped open my laptop to greet the stream of incoming emails. I was known for always responding promptly to messages, meaning I put myself under a relentless pressure. As I looked at the screen, there it was — a tiny time bomb of a missile that was to change my life forever.

The email’s subject read: URGENT NEWS.

Funny how everything around you can unravel so quickly, unstitching the fabric of all you know, or rather of everything you thought you knew.

Michael Woodford joined Olympus as a medical equipment salesman in 1981, rising to CEO in October 2011 when he was then abruptly dismissed by the board for challenging questionable payments made by the Japanese company.

How to measure HR’s performance?

From Optimize Human Capital Investments by Frank J. DiBernardino. Copyright ©2012 by the author. Published by Dog Ear Publishing (www.dogearpublishing.net).

Shortly after launching Vienna Human Capital Advisors in 2004, my partner and I met with the CEO of a pharmaceutical company who asked an innocent enough question: “What is the best way to measure HR’s performance?” She went on to say that her company invests a lot of money in people and programs, and HR seems to have an endless appetite for more of the company’s limited financial resources. But how can she be assured those precious financial resources are producing bottom-line results?

We thought surely there must be an established approach we could use, so we embarked on an HR research project. To our surprise, we couldn’t find any credible approach that could answer her questions. Sure, there had been a lot written on the topic, but nothing that we could find that would pass a CFO sniff test. Numbers needed to be hard if