

**Millstein, Ira M. – The Activist Director**

*Columbia Business School Publishing, 2017, [Business] Grade* ★★★★★

In this text spanning more than 60 years, Ira Millstein portrays the huge changes that have occurred within the area of corporate governance. Millstein at the business law firm Weil, Gotshal & Manges was one of the early pioneers in establishing an area that we today take for granted. The direction of the field was no so certain in the 1950's when Millstein set out to improve structures and by this came to challenge many imperial minded CEOs.

In the first chapter the author paints a bleak picture of today's stock market. He then provides a solution in a board centric imperative. In chapters 3 through 9 noteworthy events during Millstein's long career are presented. Most of these are disasters due to lack of board oversight and accountability and where the author was called in to clean up the mess. In the last formal chapter Millstein returns to deeper discuss the desired profile of a director. In this section the author adds a number of checklists for interviewing and choosing potential activist directors. These are immediately useful as they as a complement to more practical issues, focus on integrity, courage, intentions etc. Finally, a short written biography in an appendix binds together the previous events.

Even though Millstein's story told clearly depicts the benefits of breaking the hegemony of the managerial capitalism without accountability to owners that long was the norm, Millstein is not pleased with the state of current owners. There are wolf packs of activist hedge funds and increasingly power is concentrated to index funds or relative performance funds that have few incentives to look to the long-term development of companies. Too many CEOs cave in to the demands of the myopic market and passive directors dare not protest. As long as the company earns money they don't want to rock the boat.

The solution to this mess and the protection from the market is in Millstein's mind a board centric cultural revolution. He advocates so-called activist

directors who know the business and its finances in depth, who are fully engaged and can act as partners to the CEO in strengthening the long-term competitiveness of the company and by this benefit the shareholders over the long-term. At the same time the activist director must protect the shareholders' money by preventing the CEO from venturing on foolish projects. More compliance issues should be delegated to committees to free up time for the board to discuss strategy.

Only part of the change can come from board practices. The other part must come from the institutional owners who too often have little experience in managing corporations and thus are ill equipped to search for new directors. During his career Millstein has worked to improve the communication between board directors and institutional investors and to help the latter to find their role as owners. With the increasing power of institutional owners comes a societal obligation to look beyond one's own portfolios and work for the benefit of the business sector and the economy.

Most change is small and gradual but at times there are large, dramatic breakthroughs that over decades tips the balance from the CEO to the board and shareholders. The most attention-grabbing event described in the book is the board revolution in GE where Millstein was instrumental. A string of CEOs were running the company towards the abyss while keeping the board in the dark. It was seen as betrayal if independent directors discussed issues without executive managers present. In the end the board revolted to save the company, sacked CEOs and as one of the first firms wrote their own corporate governance guidelines.

It would surprise few if a text by a lawyer was winded and complex. The opposite is the case here. Perhaps the book is a bit two-pieced as part memoirs, part pamphlet on corporate governance, but if you want to understand how today's practices developed and why they need to develop further Millstein's book is perfect.

Mats Larsson, December 14, 2017