

CHAPTER 12

Board of Directors





Nature

The Scorpion and the Frog is a fable about a scorpion that asked a frog to carry him across a river. The frog was afraid of being stung, but the scorpion reassured him that if it stung the frog, the frog would sink and the scorpion would drown as well. The frog then agreed; nevertheless, in mid-river, the scorpion stung him, dooming the two of them. When asked why, the scorpion explained, "I'm a scorpion; it's my nature."

Business Lesson

In March, 2008, Richard Fuld, CEO of Lehman Brothers received a cash bonus of \$22 million. Six (6) months later, Lehman Brothers filed for Chapter 11 bankruptcy protection leaving all its shareholders penniless. John Thain, CEO of Merrill Lynch, was named the highest paid CEO among companies in Standard & Poor's 500 Index in 2007 with \$83.1 million in salary and bonuses. Nine (9) months later Merrill Lynch was saved from bankruptcy by Bank of America when it purchased all its shares of stock for next to nothing leaving Merrill Lynch shareholders with ... well, next to nothing. Scorpions have changed little in the 400 million years since they first climbed from the ocean. So until we find a surefire way to keep them out of top management positions, the best thing we can do to protect shareholders is to place Elf Owls and lizards (scorpion's natural enemies) on the Board of Directors of publically-held companies.