

**A BOOK REVIEW:** A Real Look at Real World Corporate Governance by David Larcker and Brian Tayan, Stanford, 2013. 157 pages. Reviewed by David Levien, MD, MBA

This book was chosen for review because it provides a practical and concise explanation of the role of Corporate Board Members and how these Boards effect corporate performance. Larker is Professor of Accounting at the Graduate School of Business at Stanford University and courtesy Professor at the Stanford Law School. He has a doctorate in Business from the University of Kansas. He has been recognized as one of the 100 most influential people in the boardroom and named to the NACD Directorship 100. He is senior faculty at the Stanford Rock Center for Corporate Governance. Tayan received a BA from Princeton University, an MBA from Stanford Graduate School of Business. He is a member of the Center for Leadership Development and Research at the Stanford Graduate School of Business.

The authors indicate that the quality of the Board matters and illustrate this with examples where Board oversight of the executive team was inadequate. They indicate that “best practices” as espoused by consultants are often too simplistic for complex situations faced by Boards. In terms of Board composition, decisions which must be made are whether the Chairman of the Board should be independent, should the Board be Classified (elected for three years rather than one), insulating them somewhat from stockholder pressure, what percentage of the Board should be independent. Larker and Tayan point out that The New York Stock Exchange has standards. Boards must have standing committees overseeing audit, executive compensation, director recruitment, and corporate governance. Members of these committees should be independent, and members of the audit subcommittee should be financially literate, the authors emphasize. Boards should not be interlocking. The authors point out that while these standards are considered “best practices” and are listed as standards by the NYSE, there is little evidence that these structural standards influence performance

A persistent theme of this book is that while the above structural standards can't be proven important, the quality of the Board is. The authors use the examples of the Lehman Brothers, Royal Dutch Shell, Baker Hughes to exemplify the pitfalls of what they consider inadequate Board oversight. In the latter case, failure to prevent running afoul of the Foreign Corrupt Practices Act was the infraction. They use a number of companies as examples of what can happen if Boards are derelict in their responsibilities of effective executive succession planning. The authors, using examples from several corporations, discuss executive compensation and whether or not CEO health status should be private or public.

The authors use data effectively to make their points. When good evidence is lacking, they say so. Their book is rich with examples to make it accessible. Although many hospitals may be not for profit, they typically follow the corporate model and often have substantial revenues and thus face complex challenges. This book is a useful primer for hospital Board Members.