



Companies, People, Ideas

## Public Shunning

Neil Weinberg 10.30.06

### **Public ownership takes another body blow: Now even chief executive officers don't want to sit on corporate boards.**

Blue-chip companies are going private. foreign companies are scorning public markets in the U.S. and going public--abroad. And now, in another sign of disenchantment with public ownership, chief executives are shunning board seats.

This latter trend--the number of chief executives sitting on public boards is dropping rapidly--is shown by new research done by longtime headhunter James Drury. It's troubling, he says, because directors themselves say the best directors tend to be active or retired chief executives. Drury pointed out that while Hewlett-Packard is one of America's largest and best-known public corporations, its dysfunctional board includes only one chief executive officer of another public company: John Hammergren of McKesson Corp.

One big reason chiefs are fleeing boards is that serving on a public board is a huge drain on time. It also entails open-ended and murky exposure to legal liability, much of which stems from reporting requirements imposed by the Sarbanes-Oxley Act.

"I'm hearing [chief executives] for the first time say it's easier to build a great company when it's private than public," says Drury, who runs his firm out of Chicago.

The pendulum has swung away from U.S. public ownership with startling speed. Nine of the ten top leveraged buyouts ever have taken place since the beginning of last year (KKR's 1988 purchase of RJR Nabisco is the exception). The number of initial public offerings in New York is off 7% in 2006, even as London's is up 126%, says Dealogic. In 2000 seven of the top ten non-U.S. public offerings listed in New York. This year only one has.

The consolation for people who make their living from the public securities market is that someday the private equity firms will want to cash out--and one way to do that is to sell shares to the public.

# Seller's Market

A decade back, going public in the U.S. and sitting on an American corporation's board were the hottest tickets in business. These days boards are going begging for directors, public firms are going private and New York is eating London's dust.

