

THE WALL STREET JOURNAL.

WSJ.com

MARCH 23, 2010, 5:52 PM ET

The Human Victory Cigar: Corporate Edition

Want to make more money for your shareholders.

Here is an approach: Lynn Swann.

Or Billie Jean King. Or Elizabeth Dole. Or what people in business call “celebrity directors”—politicians, Tour de France winners, etc.



Bloomberg News

Lynn Swann, ex-football player and H.J. Heinz board member.

But surely such “celebrity” directors are a wasted board seat, right? After all, what does a tennis player know about Sarbanes-Oxley? Or a politician about R&D? Certainly Stephen Ferris and his confreres expected come to that conclusion when they began looking at the question last year. Instead, after studying 700 celebrity appointments to corporate boards from 1985 through 2006, the business professors concluded that companies really ought to be reaching for the stars. In short, that boards that include celebrities enhanced shareholder value over one, two and three-year periods.

“The selection of such an individual to a board provides an opportunity for the firm to increase its visibility through the prominence and status associated with a celebrity director,” the study says. “Further, such an individual can provide important networking connections or help to balance investors’ perceptions and attitudes towards the firm in a more positive direction. This enhanced visibility can ultimately lead to increased share valuation.”

Surely the global financial crisis changed all this, right? “I would argue that these same questions were asked in the run-up to the Sarbanes-Oxley Act and after the law’s passage,” says Ferris, the J.H. Rogers Chair of Money, Credit and Banking at the University of Missouri’s Trulaske College of Business. “We asked these hard questions then. Still, it is interesting that the SEC started these hearings in 2009, and now there is increased disclosure regarding directors qualifications, and this issue is still bouncing around. We can not empirically say what happened to shares of companies that announced celebrity directors in 2008-2009. We are at working on updating the figures.”

The SEC, for its part, is considering a series of rules that would call into question the relevant qualifications of certain celebrity directors that have found a place on public company boards.

Meantime, Geoff Hibner just can’t seem to get a board position. According to this CFO.com article, the 60-year-old executive has vast corporate experience: finance chief of five companies (four of them publicly traded); industries ranging from consumer products to manufacturing; and a Harvard M.B.A. He has accomplished nearly all of his career goals, except one: getting on a corporate board.

This even as banks are working to bulk up their boards with more financially minded directors, according to [this WSJ Heard on the Street](#) column.

Ferris and his team how are drilling deeper. “We are still looking at two broader questions: How effective/active are celebrities on a board or directors, and does the naming of a celebrity director change the board culture,” he said, citing co-authors Kenneth A. Kim of the State University of New York at Buffalo’s School of Management, Takeshi Nishikawa of

University of Colorado at Denver's Business School and Emre Unlu, of the College of Business Administration at the University of Nebraska-Lincoln. "Say you are on a midsize company's board that meets, say, three times a year. Then the company names Bill Clinton, or George W. Bush to the board, to use political names. Are other directors more reticent about speaking up at meetings? Or does their presence change the board dynamics in other ways? Those are the kinds of followup questions that we want to look at."

He expects to finish that study next year.

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