On a recent Monday morning, Frank C. Carlucci dashed downtown from his suburban Virginia home for a staff meeting of the Carlyle Group, a Washington investment bank where he is vice chairman.

Later that day, he flew to St. Louis for a committee meeting of the General Dynamics Corp. board of directors, then to Kalamazoo, Mich., where he worked until nearly 11 p.m. at a committee meeting of the Upjohn Co. board.

The following day, the former defense secretary attended a meeting of all the Upjohn directors, then returned to Washington in time for a conference call at National Airport about General Dynamics.

Over the next three days, he attended a board meeting of a nonprofit Middle East policy group, met with the chief executive of one of several companies Carlyle owns—and on whose board Carlucci sits—and flew to Toronto for a Northern Telecom Ltd. board meeting.

Meanwhile, he even squeezed in a director's meeting in the midst of a medical appointment, thanks to an understanding doctor who let Carlucci use an empty office for a conference call.

It was a typical week for Carlucci, who sits on the boards of 20 for-profit companies and more than a dozen nonprofit organizations.

The nine companies that Carlucci said require the biggest time commitments held more than 235 board meetings last year, an average of more than four a week. Add in the other companies where he is a director, and he had enough board meetings for every weekday of 1992.

"How do you do it? With hard work and long hours," said Carlucci, 62. "It's not an impossible task. It requires a rigorous schedule; it requires physical stamina."

No one occupies more board seats than Carlucci, but the list of those who rival him is dozens of names deep and includes Vernon E. Jordan, President Clinton's transition adviser, and former Federal Reserve governor Andrew F. Brimmer, according to Directorship magazine and other organizations that keep track of corporate boards.

But such directors as Carlucci are under fire from shareholders and management experts, who say they are part of the problem of weak management and poor competitive performance of many corporations. Directors who sit on numerous boards spread themselves thin and often are popular with management because they don't rock boats, the critics contend.

In the wake of board-led management shake-ups in the past year at financially troubled giants such as General Motors Corp., Westinghouse Electric Corp., American Express Co. and International Business Machines Corp., investors increasingly are focusing on the role of professional directors. (Carlucci is also a director at Westinghouse.)
porate Whirl
Symbol of Company Governance Gone Awry

"Many shareholders express doubts that a director on eight or 10 boards, no matter how talented or well-intentioned, can spend the time and thought that's needed," said Peg O'Hara, a spokesman for the Investor Responsibility Research Center, a nonprofit group that collects information on how corporations are run. O'Hara said directors will be a hot topic during this spring's proxy season.

William T. Allen, chancellor of the Delaware Court of Chancery, the nation's premier court on corporate governance law, put See CARLUCCI, H14, Col. 1
it this way in a recent speech to securities lawyers: "Directors should function as active monitors of corporate management, not just in crisis, but continually.... The demands of the position, if properly understood, are inconsistent, in my opinion, with service on an impressively long list of boards."

**Carlucci for the Defense**

Carlucci is the first to say that his board responsibilities appear ridiculous. But he argues that fewer than half of the 32-plus boards that he is on demand any significant attention.

Citing concerns about conflicts of time and interest, management experts say that more than four or five boards is too many for anyone, no matter how smart and fit.

Carlucci said the companies that demand the most from him—in addition to General Dynamics, Westinghouse, Upjohn and Northern Telecom—are Ashland Oil Inc., Bell Atlantic Corp., Kaman Corp., Quaker Oats Co. and Connecticut Mutual Life Insurance Co.

He is well-compensated for his efforts. Those nine companies alone paid Carlucci more than $342,000 in fees last year, not to mention tens of thousands of dollars more in perquisites such as health care insurance, retirement benefits, stock and stock options, according to company spokesmen and proxy statements. This is on top of his Carlyle salary, which Carlucci would not disclose but said is the source of most of his income.

Carlucci also is on the boards of a dozen nonprofit companies and organizations, but only three—the Rand Corp., the Center for Excellence in Education and the American Academy of Diplomacy—demand much attention, he said.

In theory, the chief executive answer to directors and directors answer to shareholders. The role of outside directors such as Carlucci—those board members who hold no management position at the company—in this model is especially important.

"But we have all known for a long time that for public companies, theory doesn't conform to the fact," the Delaware Chancery Court's Allen said. "In fact, management appoints the [outside] board, and shareholders more or less automatically bless that selection. But as our economy comes to be seen as less able to compete effectively in a global marketplace, we can expect the wise to ask this question: 'Is this wise?'

Jay W. Lorsch, a Harvard Business School professor and author of "Pawns or Potentates: The Reality of America's Corporate Boards," contends that one of the biggest problems facing boards is the reluctance of directors to challenge the chief executive. That CEO also is likely to be chairman of the board and thus, in effect, in charge of the committee responsible for monitoring his performance as head of the company.

In the wake of well-publicized, multimillion-dollar pay packages for chief executives whose companies are performing badly, this cozy arrangement attracted the attention of President Clinton, who recently said he favors eliminating the tax deductibility of compensation above $1 million. Several congressional committees have held hearings into how directors and top managers are paid.

"For a long time now, too many directors have basked in the glory of prestige and benefits without making the hard-nosed decisions on corporate management and pay," said Linda Gustitus, staff director of the Senate Government Affairs Subcommittee on government management.

**Taking an Active Role**

Why does Carlucci believe he's so popular with the directorship set? He'd rather the answer come from the companies, but, if pressed, will say it's not for the undergraduate degree from Princeton or the degree from Harvard Business School.

Carlucci said he believes "the principal thing that you bring to a board is judgment and integrity and, when you reach a certain state in life, experience. And if any board doesn't want me for those qualities I'm not terribly interested. No board has ever come to me and said, 'We want you to be a rainmaker for our board.'"

Carlucci, who headed the Defense Department in 1988, has served in both Republican and Democratic administrations. He has been deputy director of the Central Intelligence Agency; ambassador to Portugal; undersecretary of the Department of Health, Education and Welfare (now Health and Human Services); and deputy director in the Office of Management and Budget.

He also was president and chairman of Sears World Trade Inc., a Washington-based subsidiary of the giant retailer that was created in 1982 to dominate import-export markets but instead lost $80 million, was a constant corporate headache and was phased out in 1986.

Carlucci said he prides himself not just on being a good director, but for giving companies extra time. In recent years, he has traveled to Russia with the former chairman of Westinghouse to generate business. He visited Saudi Arabia, Kuwait and Morocco on trips that combined business interests for Ashland Oil, General Dynamics and Carlyle. And he served as intermediary to help Upjohn set up a joint venture in China.

Spokesmen for companies on whose boards Carlucci serves seem unanimous in their praise for his contribution, citing his intelligence, experience, and, in the words of a Northern Telecom spokesman, "stellar" attendance record.

Despite his many directorships, Carlucci tries to buck the notion he's a
In 1988, Carlucci was giving briefings on Soviet military power; today he sits on the boards of 20 for-profit companies.

professional director, spending most of his time on Carlyle business.

But critics say he and others with similar resumes are indeed professionals at directing, though not the way they would like. The critics favor a new type of professional director who has no other job and sits on just a few boards. The rewards of several hundred thousand dollars a year plus benefits, they argue, should provide a sufficient living.

High Ratings From Calpers

Despite concerns that he's on too many boards, officials of the California Public Employees Retirement System, the nation's largest public pension fund, recently told him that they wanted him to stay on the Westinghouse board. The reason: Despite his role since 1989 in approving Westinghouse's disastrous foray into commercial real estate, he also was instrumental in convincing Westinghouse's then-chairman and chief executive, Paul E. Lego, to undertake a restructuring that Calpers and other large institutional investors favored.

But some management experts say that acting properly when backed against a wall will no longer suffice. "The pattern for directors has been to do well only in one situation: a crisis," said Ronald Gilson, a professor of law at Stanford and Columbia universities, who specializes in corporate governance. "And then they do quite splendidly."

Carlucci acknowledged that tension can be created for directors when one person is both CEO and board chair-

A Question of Conflict

In addition to time demands, critics raise questions about possible conflicts of interest for directors who serve on numerous boards.

For example, a group of activist retirees who have invested in the company and who have watched the per-share value of their stock drop by half since 1990 question the appropriateness of Carlucci's involvement in a business deal that could have given Thomson-CSF, a French competitor with Westinghouse in world markets, a long-sought foothold in the United States.

The sale involved a bid last year by the Carlyle Group and Thomson to buy the defense and aerospace units of bankrupt LTV Corp. Carlucci, who testified several times before Congress that Thomson should be allowed in this market, said there was no conflict with his role as a Westinghouse director—even though the sale would have helped a direct Westinghouse competitor.

If the sale had been completed, he said, Carlyle and Thomson planned to split the newly acquired operations and run them independently, with Carlyle taking over LTV's aircraft operations and Thomson taking over LTV's missile operations. (The sale was ultimately blocked by the Bush administration, and Carlyle completed the sale in tandem with two other American companies.)

Carlucci has other business ties to Westinghouse beyond his directorship. Carlyle teamed with Westinghouse and another company in a failed bid for Ford Aerospace Corp., then a defense division of Ford Motor Co. and now a division of Loral Corp. And Westinghouse's troubled real estate division invested $30 million with Carlyle in a buyout from Sears, Roebuck and Co. of its Coldwell Banker Real Estate Group (now known as CB Commercial Real Estate Group Inc. and another company on whose board Carlucci sits).

A spokesman for Carlyle said that the Coldwell Banker buyout took place before Carlucci joined Carlyle in 1989. Since then, however, Westinghouse has invested in a Carlyle fund that makes acquisitions.

Carlucci said he recuses himself on any board matters where there might be an appearance of a conflict of interest. As to staying on schedule, he keeps where he's supposed to be and what he must know straight with the help of a computer and two "very organized assistants."

"There are surprisingly few conflicts," Carlucci said. "I'm a very time-conscious person. I run on a very tight schedule and I'm almost never late."

Of course, he said, to keep it that way "you end up doing some funny things," like using a doctor's office for a directors' meeting.