

- a guarantee that his cash-out on RJR stock options would yield him \$9.9 million—that is, protection for Gerstner from any decline in RJR's stock price up until he made the switch
- a series of perks that, generally speaking, are part of any self-respecting CEO's package in this day and age, such as use of company airplanes, cars, and drivers; security appropriate to the head of the world's largest computer company; generous health and disability benefits; retirement benefits; and in Gerstner's case paying the fee of \$25,000 he had incurred for financial planning advice while he was at RJR Nabisco

The total value of Gerstner's package for joining IBM was estimated at \$21.9 million. I include the component amounts because the specifics are generally interesting and were widely published, but such details are irrelevant. Certainly, IBM got its money's worth. For employees everywhere, not just at the top of major corporations, it was the nature of the package and the publicity attendant on its acceptance that was the seminal event. All of a sudden the sky was the limit—or at least as much of the sky as an individual could negotiate in head-to-head dealings with a prospective employer. Another element of Gerstner's deal foretold future trends: The deal was so complicated that he employed a high-priced lawyer from a New York firm, Joe Bachelder, to negotiate the package for him. And IBM paid the lawyer's fees.

Bachelder, a little-known figure except in corporate boardrooms, played a major role in changing both CEO and eventually all employee compensation practices in the latter stages of the twentieth century. A Harvard-trained tax lawyer, Bachelder was hired by McKinsey & Company (the world's leading management consulting firm, where he likely met Gerstner and other future clients) in 1971 to help it figure out the ramifications of President Richard Nixon's plan to reduce the top marginal tax rate from 70 percent to 50 percent. In 1972, Bachelder was hired by the Nixons to advise them on their tax strategy. In 1973, he was hired by the Nixons to advise them on their tax strategy. In 1974, he was hired by the Nixons to advise them on their tax strategy. In 1975, he was hired by the Nixons to advise them on their tax strategy. In 1976, he was hired by the Nixons to advise them on their tax strategy. In 1977, he was hired by the Nixons to advise them on their tax strategy. In 1978, he was hired by the Nixons to advise them on their tax strategy. In 1979, he was hired by the Nixons to advise them on their tax strategy. In 1980, he was hired by the Nixons to advise them on their tax strategy. In 1981, he was hired by the Nixons to advise them on their tax strategy. In 1982, he was hired by the Nixons to advise them on their tax strategy. In 1983, he was hired by the Nixons to advise them on their tax strategy. In 1984, he was hired by the Nixons to advise them on their tax strategy. In 1985, he was hired by the Nixons to advise them on their tax strategy. In 1986, he was hired by the Nixons to advise them on their tax strategy. In 1987, he was hired by the Nixons to advise them on their tax strategy. In 1988, he was hired by the Nixons to advise them on their tax strategy. In 1989, he was hired by the Nixons to advise them on their tax strategy. In 1990, he was hired by the Nixons to advise them on their tax strategy. In 1991, he was hired by the Nixons to advise them on their tax strategy. In 1992, he was hired by the Nixons to advise them on their tax strategy. In 1993, he was hired by the Nixons to advise them on their tax strategy. In 1994, he was hired by the Nixons to advise them on their tax strategy. In 1995, he was hired by the Nixons to advise them on their tax strategy. In 1996, he was hired by the Nixons to advise them on their tax strategy. In 1997, he was hired by the Nixons to advise them on their tax strategy. In 1998, he was hired by the Nixons to advise them on their tax strategy. In 1999, he was hired by the Nixons to advise them on their tax strategy. In 2000, he was hired by the Nixons to advise them on their tax strategy. In 2001, he was hired by the Nixons to advise them on their tax strategy. In 2002, he was hired by the Nixons to advise them on their tax strategy. In 2003, he was hired by the Nixons to advise them on their tax strategy. In 2004, Mr. Adelson became a partner at his present firm, at the following address:

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twenty to twenty-five corporations in a typical year—in effect, crossing over to sit on the other side of the negotiating table. His fees of \$650 an hour are almost always paid by the corporation he is negotiating for or against, not the CEO who hired him. His success at the top of the executive-advising-league table has spawned a slew of imitators across the United States and around the world.

### The Rise of the Third-Party Agent

Consider, for example, the case of Robert Adelson. Adelson was a young corporate lawyer in his native Boston in the early 1990s. Struggling to build a practice, he spent a good deal of his time calling on the high-tech companies that had sprung up in the Boston suburbs, asking them to consider his firm for their next major piece of corporate legal work. One day in 1992, one of the executives he was calling on in a software company pulled him aside after the meeting was over and sought his counsel on a personal matter. The executive was about to take a job with a rival firm and wondered if Adelson could represent him in the negotiations with his prospective employer. Adelson, who was well grounded in tax issues, readily agreed. After he had successfully completed this initial assignment, Adelson got a call from an executive in a biotech firm who was similarly changing jobs. Then he heard from another and another. Although Adelson's fees may not be as high as Bachelder's and his client list not quite so famous in the business press (his clients earn upward of \$70,000 a year in base salary, with most comfortably in the six-figure area), he has created a thriving and lucrative practice in one of the fastest-growing areas of corporate law. Today Adelson represents around twenty or thirty executives a year involved in job switches and another twenty or so companies that have come to respect his expertise at the negotiating table. One of the beauties of the practice is that it encourages repeat business with little or no effort on Adelson's part. An executive pleased with the first package Adelson negotiated for him is almost certain to return to him the next time a job switch opportunity appears. With turnover rates in executive ranks nearing 30 percent, Adelson's future is secure.

Adelson is not alone. Every major law firm in Boston (and every major city across America) and many smaller firms as well have lawyers representing clients negotiating for new jobs. Executive search and human resource consulting firms are also getting in on the trend. There is now even a Web site (<http://www.salarymaster.com>) that offers to take on all comers involved in computer-related professions, and as part of its service it provides links to other Web sites that give details of wages paid for various kinds of technical jobs across the country.

# THE END OF SHAREHOLDER VALUE

## CORPORATIONS AT THE CROSSROADS

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