



THE CONFERENCE BOARD

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Charles R. Shoemate on the Challenges Facing Business and Restoring Public Trust

Charles R. Shoemate was Chairman, President and CEO of Bestfoods until it was acquired by Unilever in 2000. He became an advisory director in 2001. He is a Director of Cigna Corporation, International Paper Company, Texaco Inc. and is a former Chairman of the Board of Trustees at The Conference Board.

Q: What is the greatest single challenge facing business? What are the barriers to success?

Shoemate: The single greatest business challenge is to maintain worldwide economic liberalization and growth.

In the short term, the barriers are the distrust and the crises of confidence in the business establishment that have resulted from the high-profile failures in a few large U.S. corporations. Although the most recent problems have involved questionable accounting and ethical lapses in U.S. corporations, none of the world's businesses or governments is immune from excesses that undermine confidence.

I can recall crises of confidence in Eastern and Western Europe, Asia, and Latin America, all resulting from some type of excess or abuse. The crises of confidence in the developing world have historically resulted from issues about how the benefits of free market capitalism and open trade regimes are shared within the population. Establishment of strong democracies is the key in these cases.

Q. What about in the long-term?

Shoemate: Longer term, we will undoubtedly see other types of excesses or abuses of the economic system, which will require correction. The good news is that our Western free market capitalism, when coupled with stable, enlightened governments and



Charles R. Shoemate

open markets, can produce sustainable economic growth and improvement in the well being of all that participate in the "system."

The barriers to success are in some ways inherent in the strengths of the system. Personal choice, linkage of rewards to personal effort, freedom of action, openness, and transparency are what make the system work and also what allows excesses and abuse to occur. The good news is that the benefits of free enterprise and open economies are widely recognized and they are firmly established. Open political systems are also adept at self-correction.

Q. What must happen to restore public and investor trust?

Shoemate: In the recent U.S. problems, restoration of public and investor trust requires swift punishment of those who broke laws or abused the trust. That is inherent in our free market system. The corrective actions currently being undertaken in the United States have been swift and balanced. Stronger accounting oversight, improved transparency in executive compensation, and clarity on responsibility for reporting corporate results are right on the mark. The high level of publicity of the

Mario Monti Briefs The Conference Board

Mario Monti, European Commissioner for Competition, gave The Conference Board's Board of Trustees a timely update on economic and legal relationships between the United States and Europe.

He explored a wide range of issues, from how to deal with illegal cartels and mergers to liberalizing trade. Monti said that jurisdictions in Europe and the United States are working closely together and reach agreement on the vast majority of cases before them.



Mario Monti (center), Commissioner, Competition Directorate-General, European Commission, at The Conference Board's Trustees Meeting in Europe.

No Double-Dip Ahead

U.S. economic growth will rise in the third and fourth quarters of 2002, according to the latest analysis from The Conference Board.

"The recent U.S. stock market declines will have a bigger impact on businesses than consumers, as companies drive profitability and cash flow to meet market expectations," says Gail D. Fosler, Senior Vice President and Chief Economist of The Conference Board. "A so-called double-dip recession in the United States is practically impossible without some unexpected external shock to consumer prices or national security. The concern going forward is now growing deflationary pressures in the global business environment and the absence of any signs of long-term structural strength particularly in emerging markets."

Source: *StraightTalk*, July / August 2002, The Conference Board



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transgressions should ensure an equally high level of publicity for the corrective actions. Hopefully, this will re-establish confidence and trust.

Q. What role do you see The Conference Board playing in strengthening corporate governance?

Shoemate: I see The Conference Board as a very important player in the current situation in the United States as it initiates, researches and shares best practices in corporate governance, transparency of results, and accounting disclosure. The record of The Conference Board as a non-political, research-oriented business organization is well known. This “brand” strength ensures that the Blue Ribbon Commission report can contribute to meaningful change.

Q. Do you use Conference Board research?

Shoemate: My former company, Bestfoods, and I were “heavy users,” in the jargon of the consumer products business. We used The Conference Board’s research, conferences, networks, education, and economic reports.

Personally, I found most value in CEO forums and Gail Fosler’s economic insights. I particularly valued the international conferences and forums for the global business insights that were developed.

More Consumers Buying Online

A new Conference Board barometer will help business strategists find out who’s doing what on the Internet.

Long known for its Consumer Confidence Index, The Conference Board has created the new Consumer Internet Barometer, which provides a quarterly report of buying patterns, satisfaction levels, and other critical market information. The new Barometer, launched in October, is a joint effort with Forrester Research and NFO WorldGroup.

Latest findings show that more consumers are buying products and services online. While younger families are the heaviest buyers, older families are rapidly catching up. But there are widespread concerns about security, which is becoming a key for companies trying to land repeat business.



Michael Skapinker, Management Editor at the Financial Times, at the Board’s Corporate Citizenship Conference.



Hanns Glatz, Delegate of the Board of Management, DaimlerChrysler, at The Conference Board’s European Council on Corporate Communications.



John Bogle, Founder and former Chairman, Vanguard Group, Inc., meets the press at a Conference Board meeting.



Susan Randall, Senior Vice President, Corporate Business Services, J.P. Morgan Chase, at the Shared Services meeting in Geneva.



Stephan Fazakas, Director, European Shared Services, Ashland International Inc., at the Board’s Shared Services meeting in Geneva.

Blue-Ribbon Commi Proposes Reforms on C

The Conference Board’s Commission on Public Trust and Private Enterprise has proposed a wide-ranging series of reforms to strengthen corporate compensation practices and help restore trust in America’s companies and capital markets.

The 12-member Commission called for the expensing of stock options and for more independent compensation committees. Among its other recommendations: compensation committees, not management, should hire and fire compensation consultants and directors; and top management should own substantial amounts of their companies’ stock for specified periods of time.

Upcoming Commission reports will examine corporate governance and accounting and auditing issues.

Said the Commission report: “The Commission shares the public anger at the misconduct leading to the current breakdown in public trust.”

The Commission is co-chaired by Peter G. Peterson, Chairman of The Blackstone Group and former Secretary of Commerce, and John W. Snow, Chairman, CSX Corporation. Other members of The Conference Board’s Commission are:

John H. Biggs
Chairman, President and CEO
TIAA-CREF

John Bogle
Founder and former Chairman
Vanguard Group, Inc.

Charles A. Bowshe
former Comptroller General

Peter Gilbert
Chief Investment Officer
State Employees’ Retirement System
Commonwealth of Pennsylvania

Andrew S. Grove
Chairman of Intel Corporation

Ralph Larsen
former Chairman and CEO of Johnson & Johnson,
former Chairman of The Business Council

Arthur Levitt
former SEC Chairman and
former Chairman of the American Business Conference

Lynn S. Paine
Professor
John G. McLean Professor of Business Administration
Harvard Business School

Warren Rudman
Former Senator,
Paul, Weiss, Rifkind, Wharton & Garrison

Paul A. Volcker
former Chairman of the Board of Governors
Federal Reserve System



ssion Corporate Compensation

Corporate Citizenship Gaining Attention

Once seen as a purely philanthropic activity—a source of general goodwill, with no bottom-line consequence—citizenship is becoming a central concern at leading companies, according to a report by The Conference Board.

More and more companies are accepting corporate citizenship as a new strategic and managerial function with bottom-line repercussions that require their attention.

Nearly 90 percent of corporate managers report that their companies have a citizenship goal as part of a statement of core values or business principles. The study found that these goals have been in place an average of 14 years. While traditional corporate relations, community affairs, and contributions programs predominate, an emphasis on a broader citizenship approach, including the environment and sustainable development, is emerging as a new model.

Source: *Corporate Citizenship in the New Century: Accountability, Transparency, and Global Stakeholder Engagement*, Research Report #1314, The Conference Board

More Business Ethics Scandals Ahead

Top corporate ethics officers say that a stronger ethical culture still wouldn't have stopped the Enron debacle.

A majority of the nearly 100 senior ethics and compliance executives attending The Conference Board's annual Business Ethics Conference say that even if Enron's senior management had received extensive ethics training, it would have made little or no difference in preventing what happened.

"These findings show that an absence of ethical leadership and a culture of 'anything goes as long as it makes a buck' will prevail over even the best training, code of conduct or hotline," said Steve Priest of Ethical Leadership Group, who conducted the survey. "This emphasizes the critical importance of building integrity into the essence of the corporation."

Source: *Benchmark Questions Survey / Conference Board Business Ethics Conference*, May 20-21, 2002. For a copy of the survey results, contact: carol.courter@conference-board.org



Senior executives tour the Gettysburg Battlefield with top military officers at one of the Board's increasingly popular leadership briefings.



The Conference Board Commission on Public Trust and Private Enterprise issued a series of recommendations to strengthen corporate compensation practices at a press briefing in New York. **Warren Buffett**, CEO of Berkshire Hathaway Inc., addressed the press conference, expressing his support of the reforms.



Job Satisfaction on the Decline

More Americans are expressing unhappiness with their jobs, The Conference Board reports in a special survey.

Growing numbers of Americans are less satisfied with their jobs compared to seven years ago. Only about half of those surveyed say they are happy in their jobs, down from 59 percent in 1995. The decline in job satisfaction is found among workers of all ages and across all income brackets.

The survey is based on a representative sample of 5,000 U.S. households, conducted for The Conference Board by NFO WorldGroup, a member of The Interpublic Group of Companies (NYSE: IPG).

Source: *Special Consumer Survey Report: Job Satisfaction on the Decline*, The Conference Board-July 2002, www.consumerresearchcenter.org

Singapore and Governance

Singapore can significantly improve its economic stature by continuing to develop world class corporate governance standards, according to a major study released by The Conference Board.

Dr. Carolyn Kay Brancato, Director of Global Corporate Governance at The Conference Board, is the author of the report, entitled: *Singapore Corporates and Investor Confidence: A Corporate Governance Handbook for Directors and Officers of Corporations in Singapore*.

The report finds that although Singapore was not hurt as drastically as its neighbors in the latest economic crises, its ability to centralize reforms is a major competitive advantage, as Singapore continues to improve the quality of corporate governance in its listed companies. Says Dr. Brancato: "The country's major challenge now will be to convert these reforms into altered behaviors in boardrooms and management circles, thus transforming Singapore into a truly world-class financial center."



The Women in Leadership Conference in Berlin.



Ralph Larsen, former Chairman and CEO of Johnson & Johnson, a member of The Conference Board's Commission on Public Trust and Private Enterprise.



John F. Smith, Jr., Chairman of General Motors Corporation, examines keys to leadership at the Board's Women in Leadership Conference in Berlin.

Organization Charts on Demand

The Conference Board's popular Organization Chart Collection—showing how leading companies organize their operations—can now, for the first time, be downloaded through The Conference Board's website.

At www.conference-board.org/charts, visitors can receive actual organization charts of approximately 300 leading companies in 15 industries, without the fuss of fax machines or messenger services. Customers can go to The Conference Board website to instantly browse, purchase, or download the charts.

The Conference Board Organization Chart Collection, the only source of this important business intelligence, shows the corporate level structural designs of major firms. The charts are offered by company, by industry, or as an entire Collection. More than 500 companies are currently using the Collection to gain a competitive edge. Companies in the Collection range from IBM to Girl Scouts of the U.S.A.



Richard Cavanagh, President and CEO, The Conference Board; **Alan Dachs**, President and CEO, Fremont Group, LLC, Trustee of The Conference Board; and **Gérard Worms**, General Partner, Rothschild et Cie Banque, Global Counsellor, The Conference Board.

AGENDA 2002

THE CONFERENCE BOARD



Meeting with The Conference Board's Council of Chief Legal Officers: **Franni Lundy**, Senior Manager, Councils, The Conference Board; **J. Pedro Reinhard**, Executive Vice President and CFO, The Dow Chemical Company; **Gail Fosler**, Senior Vice President and Chief Economist, The Conference Board.



Jörg Hackel, Managing Director, Global Service Center, Deutsche Bank AG, with **Leland Forst**, Managing Director, The Amherst Group Ltd., at The Conference Board's Shared Services Conference in Geneva.



Carolyn Green of Sunoco, Inc., at a joint meeting of the Chief EH&S Officers' Council meeting.

U.S. Calendar

Business Education Conference

November 5-6, 2002

Hilton New York, New York, NY

Purchasing Conference—Sourcing Leadership for Competitive Excellence

November 6-7, 2002

The Waldorf=Astoria, New York, NY

Gettysburg Leadership Experience

November 7-8, 2002

Antrim 1844 Inn, Taneytown, Maryland

Investor Relations Conference—New Rules for Global Engagement and Disclosure

November 7-8, 2002

Hilton New York, New York, NY

West Coast Shared Services Conference / New Approaches to Leveraging—How to Achieve Major Improvements During Recessionary Times

November 12-13, 2002

Coronado Island Marriott Resort, San Diego, CA

Corporate Security and Crisis Management Conference

November 19-20, 2002

Inter-Continental The Barclay, New York, NY

European Calendar

European Work-Life and Diversity Conference

November 13-14, 2002

NH Barbizon Palace Hotel, Amsterdam

The Netherlands

Corporate Image Conference—Rediscovering your Corporate Image and Brand Equity During Turbulent Times

November 20-21, 2002

Royal Garden Hotel, London U.K.

11th Annual Environment Forum / New Frameworks for Waste-Handling—The Search for Efficiency

Hosted by Hewlett-Packard

January 16, 2003

Brussels

For further information on any of these events, please visit: www.conference-board.org



Rear Admiral (ret.) James Hinkle, Former Commander, Navy Personnel Command, US Navy, at the Customer Loyalty Conference.



Tim Keeney, Northeast Utilities, at a joint meeting of the Chief EH&S Officers' Council meeting.



Corporate directors and top executives regularly meet under Conference Board auspices to improve their governance processes. Shown above, **Jacques Mistral**, French Government Minister and Financial Counselor; **Carolyn Brancato**, Director of the Board's Global Corporate Governance Research Center; **John F. Olson**, Partner in the law firm of Gibson, Dunn & Crutcher LLP.



Kate Fish, Vice President, Public Policy, Monsanto, with **Gene Endicott**, Director of Public Affairs, Agilent Technologies, at the Board's Leadership Conference on Global Corporate Citizenship.



At a meeting of the Board's Council of Chief Legal Officers: **U.S. Attorney General John Ashcroft**, and **Jon Groetzinger**, Senior Vice President, General Counsel and Secretary, American Greetings Corporation.



Peg Anthony, Senior Vice President of Opinion Research Corporation, at the Customer Loyalty Conference.

AGENDA 2002

THE CONFERENCE BOARD



New Associates April–July 2002

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| Albany Molecular Research | Federal Managements Systems, Inc. | Mediamark Research Inc. |
| Alstom Holding (Europe) | Fila Holding (Europe) | Mercer Human Resource Consult (Europe) |
| American Management Systems | FM Global | Nationwide Recovery Systems, Ltd. |
| American Payment Systems, Inc. | FMC (Europe) | Polska Telefonía (Europe) |
| American Society for Industrial Security | Formica Corporation | Prophet Brand Strategy |
| Ameron International Corporation | Forsythe Solutions Group Inc. | Reader's Digest Mexico, S.A. |
| Ariba Inc. | Fulton County Government Economic Division | Robert Bosch Co. Ltd. (Hong Kong) |
| Balchem Corporation | Georgia Center for Nonprofits | Rockwell Collins, Inc. |
| Best Buy | Global Sage Ltd. (Hong Kong) | Roland Berger Strategy Consultants |
| Black & Veatch | Grupo Nacional Provincial | RPSI Inc. |
| BOC India Ltd. | Heckler & Koch Inc. | Ruder Finn Asia Ltd. |
| Bright Side Inc. | Heidrick & Struggles | S B Power Tool Company Inc. |
| Canieti | Hercules International (Europe) | Samsung Electronics America |
| CATIC | Housing Authority of the City of Atlanta, Georgia | Southwestern Adventist University |
| Centerbeam | ICF Consulting | Sutkowski & Rhoads Ltd. |
| Christmas Tree Shop | IFPM of the University of St. Gallen (Europe) | Tata Teleservices Ltd. |
| CNOOC Limited | Grupo Monte Felix | TechParGroup |
| Coloplast (Europe) | IKEA (Europe) | The Carter Jones Lumber Co. |
| CombineNet, Inc. | IMG Capital Markets, LLC | The First Church of Christ, Scientist |
| Communication Architects Inc. | Indian Oil Corporation Ltd. | The Indian Hotels Company |
| Credet Industriel Et Commercial | Industrias Venado S.A. | The Scotts Company |
| CyberRep, Inc. | Intuit | Thomas Publishing Co. |
| Deloitte Consulting (Europe) | JG Summit Holdings, Inc. | Trinity Industries, Inc. |
| Dick's Sporting Goods | John Zinc LLC | UFJ Institute Ltd. |
| Dubai Municipality | Kern Direct Marketing Inc. | Unicco Service Company |
| Edison Welding Institute Inc. | Kessler Enterprise Inc. | Unitech Systems Inc. |
| Element K | Kolbus America Inc. | Valeo (Europe) |
| Emerson Electric Co. | Lionshare Corporation | Viking Range Corporation |
| E-Peopleserve | Macho Products, Inc. | Vocaldata, Inc. |
| e-profile | Manitowoc Company Inc. | |
| Eurasia Group of Companies | Marathon Oil Company | |



Members of the European Council on Work-Life and Diversity meeting in London.