The Nightly Business Report

The State of the Boardroom

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The Sarbanes-Oxley Act – known as SOX – came into being two and a half years ago in response to a spate of corporate scandals. It caused a sea change in boardroom expectations. One measure of success: Has director performance improved?

The answer is yes. In the boardrooms where I serve, there have been strong efforts to comply with the new regulatory regime and do even more. Board work now takes more time and more energy.

But two weeks ago there was another bombshell. The outside directors of WorldCom agreed to pay $18 million out of their own pockets to settle a class action lawsuit brought by investors. Enron directors made a similar settlement.

The trial of the Disney Company directors is proceeding before the Delaware Court. If they are found to have breached their fiduciary duty in hiring former president Michael Ovitz and awarding him a large severance package, this could have implications for directors.

In other words, even though directors are working harder and better, it appears that standards for director performance and liability are evolving and perhaps getting tougher.

We wonder if a new round of corporate scandals would trigger a new wave of regulation. I hope not. What corporate America needs now is a breather. We need the opportunity to assess how well we are doing and to self-correct. That's what 2005 should be about.

I'm Barbara Hackman Franklin.