1991

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Repository Citation

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Reducing Tenure in the Boardroom

By JAYNE BARNARD

With all the recent attention on term limits in Congress, perhaps it's time to consider bringing term limits into the boardroom. The problem is that term limits may not be sufficient to ensure that directors remain focused and invested in their roles. Term limits would force directors to focus more on shareholder expectations and less on building long-term relationships with top executives, and might discourage high-dollar compensation packages for top executives. They would also permit the graceful diminution of ineffective directors.

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Companies that have long-standing, powerful board members can find it difficult to change the board. Terminating a director who has outlived their usefulness can be a difficult task, especially for companies that are also getting rid of employees. Term limits could help ensure that companies are not held back by outdated or ineffective board members.

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