

## **More companies are splitting CEO/chairman combination**

**ROD WALTON** World Business Editor | Posted: Sunday, September 8, 2013 12:00 am

Whether it's a sea change or a tempest in a teapot, a corporate wave is beginning to break up the combined roles of CEO and chairman of the board in many companies.

This call for a separation of powers is all the rage, if not always successful, in corporate America. Highly publicized splits of CEO/chairman roles have happened at Chesapeake Energy Corp. and Hess Corp., among others, while similar battles have failed at Disney and JP Morgan Chase.

Even Tulsa companies are shaking it up, mostly for different and more amicable reasons. Shareholders and corporate accountability types are pushing harder for independent chairmen on those boards.

"The big shareholders believe that when you separate those roles you have checks and balances. You have a constructive challenge to the CEO," said Fred Russell, principal of Fredric E. Russell Investment Management Co. of Tulsa. "It's just human nature. I couldn't run a successful venture unless I had colleagues constructively challenging what I do."

Close to half of the Tulsa-based public companies have different leaders in the executive suite and the boardroom, and two other major firms will be doing that in the near future.

Hans Helmerich has guided contract driller Helmerich & Payne as CEO for about 25 years, and has served as chairman since his father, Walter Helmerich III, passed away in early 2012. The younger Helmerich will stay on as chairman but will retire as CEO and cede the role to current Chief Operating Officer John Lindsay in March.

Lindsay will be the first non-Helmerich to run day-to-day operations at the company in more than 90 years. For most of his CEO career, Helmerich's father was the chairman.

"In a close call, I would favor a separated CEO and chairman," Hans Helmerich said. "A core strength is when you have a strong independent board which sees their duty as 'Hey, we're representing shareholders here.' "

## **'Too much power'**

One big argument in favor of the split is that some CEO/chairmen become so powerful and so revered that they can become the proverbial emperor to whom no one wants to tell the truth.

Some analysts believe this is what happened at Oklahoma City-based Chesapeake Energy, where co-founder Aubrey McClendon allegedly made questionable decisions surrounding company debt and drilling leases that eventually forced him to lose his chairmanship to Archie Dunham and led to McClendon quitting his company.

Hess Corp. CEO John Hess also lost his combined role when General Electric veteran John Krenicki was brought in as independent chairman. Usually the split happens with a chairman staying and the CEO forced out, such as with Mark Hurd at Hewlett-Packard and Steve Jobs in his first term at Apple many years ago.

Activist shareholders and corporate accountability groups increasingly are holding companies' feet to the fire. GMI Ratings, a New York-based watchdog for boardroom governance, has pushed hard to companies to split up the CEO and chairman roles.

"There is certainly evidence to back it up," said Lev Janashvili, a managing director at GMI. "It does concentrate too much power in the hands of a single person."

And that consolidation of power leads to potential trouble, according to GMI's view of the CEO/chairman dynamic. Some believe that companies such as Chesapeake are more prone to excesses without someone to challenge the CEO's vision.

Helmerich certainly doesn't disagree with that, although he warned that splitting up the CEO/chairman roles is no "silver bullet" to avoid corporate mistakes such as excessive compensation or ill-founded investments.

"If you have bad players, they can make a good system not look so good," he said. "I think you have a duty to the board that 'Hey, I'm not going to surprise you ... I'm not going to put you in harm's way.'"

At the same time, Helmerich added, the board must have an active role.

"You've got to have the very best board you can find," he said. "I've been with my board forever. I want those guys engaged. I want their input ... I want there to be a very dynamic exchange of ideas and dialogue."

## **Proactive splits**

Some companies split up their CEOs and chairman not because of the current situation but because of the desire to avoid past problems.

SemGroup Corp. CEO Norm Szydlowski had a stellar reputation in the energy pipeline sector when he was hired - and still does as he readies for retirement - but John Chlebowski was named chairman of the board as the Tulsa midstream firm emerged from Chapter 11 bankruptcy nearly four years ago.

Some companies, such as ONEOK, soon will split up their roles because it makes sense during a transitional period. Current CEO John Gibson will retain his chairmanship when successor Terry Spencer takes over day-to-day control, similar to what will happen at Helmerich & Payne.

But those kind of quiet transitions don't make national headlines. CNBC viewers or Wall Street Journal obviously know more about the move to oust Mark Hurd from Hewlett-Packard or the unsuccessful push against Jamie Dimon at JP Morgan Chase.

Various industry statistics indicate that more companies are splitting their CEOs and board leadership duties as well as leaning toward independent chairs. The combined roles may not necessarily breed megalomania and corruption, but why not separate those powers and remove most doubt?

Janashvili agreed. "In what way does holding only one of those positions diminish your ability to apply the full range of your talents to this job?" he said. "It's good and important to be kept honest."

Many Tulsa companies would probably contend that honesty isn't the issue. More and more of them, however, are keeping the CEO and chairman roles in different hands - perhaps to be on the safe side of things.

And shareholders challenging leadership over issues like a healthy balance in power and pay should be welcome, one financial expert noted.

"All of this pressure to split the roles and focus on CEO compensation is a long time coming," Russell said. "I hope we see more of it."

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## **Oklahoma companies that have split up their CEO/chairman roles**

<b>Company</b>	<b>CEO</b>	<b>Chairman</b>
Williams Inc.	Alan Armstrong	Frank MacInnis
BOK Financial Corp.	Stan Lybarger	George Kaiser
SemGroup Corp.	Norm Szydlowski*	John F. Chlebowski
Matrix Service Co.	John Hewitt	Michael Hall
Mid-Con Energy Partners	Randy Olmstead	Clark George
Unit Corp.	Larry Pinkston	John Nikkel
Chesapeake Energy Corp.	Doug Lawler	Archie Dunham
Devon Energy Corp.	John Richels	Larry Nichols

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## **Companies currently combining CEO/chairman roles**

<b>Company</b>	<b>CEO and Chairman</b>
ONEOK Inc.**	John Gibson
Helmerich & Payne***	Hans Helmerich
AAON Corp.	Norman Asbjornson
Laredo Petroleum	Randy Foutch
Magellan Midstream Partners	Michael Mears

Alliance Holdings GP

Joseph Craft

NGL Energy Partners\*\*\*\*

Michael Krimbill

*\* Szydlowski will retire when successor CEO is named \*\* Gibson will retire and become chairman when ONE Gas is split off. Terry Spencer will be ONEOK CEO \*\*\* Hans Helmerich will retire early next year and remain as chairman. John Lindsay will be CEO \*\*\*\*NGL Energy has a board but currently no elected chairman.*

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**Rod Walton 918-581-8457**

rod.walton@tulsaworld.com SUBHEAD: corporate trend: separation of powers More firms are dividing CEO/chairman combo

Original Print Headline: Splitting heads