Timeline of Corporate Governance

(Sources: Eugene A. Imhoff, Jr. – Ernst and Young Professor of Accountability, Director of Potter Accounting Center, University of Michigan Business School – “history of accountability” and James Kristie, “Timeline: The Evolution of 20th Century Corporate Governance”, Directors & Boards, Fall 1997, pp 37 – 45)

1688 White Paper Makers form a company and present themselves to Parliament
1691 National East-Indian Joynt Stock Company formed
1697 Bank of England – good governance criteria
1700 – 1790 Internationally, the Industrial Revolution separated management from ownership, creating capital markets and stock exchanges to measure the new wealth.
1780 and 1790 Financial panics
1792 New York Stock Exchange is founded
1810 – 1860 U.S. Industrial Revolution begins
1817 November 3: Arthur Gifford purchases the first seat and becomes the first official member of the New York Stock Exchange.
1820s Frank Cabot Lowell established a new cotton mill town in Lowell, MA to industrialize loom cloth production; extensive reliance on farm daughters “awaiting matrimony” as new labor source.
1844 Sarah Bagley organized Lowell Female Labor Reform Association to get 10 hour work days
1857 NY City garment workers marched and picketed for improved working conditions, 10 hour days, and equal rights for women
1873 Financial panic and the first major U.S. encounter with severe unemployment
1890 Congress passes the Sherman Anti-Trust Act to try to restrain corporate oil barons
1894 Jacob Coxey’s army marches from Ohio to Washington, DC to deliver a "living petition" on behalf of the unemployed.
1902 – 1904 Ida Tarbell investigative report on The History of Standard Oil for McClure's magazine
1911 Supreme Court trust busting ruling against the Oil Trust
1914 Congress passes The Clayton Act, extending the Sherman Act, prohibiting persons from serving as a director or officer of a competing company.
1918  Dodge vs. Ford Motor Company: Michigan Court rules that “A business corporation is organized and carried on primarily for the profit of the shareholders.”

1923  American Law Institute is founded as an organization of distinguished practitioners and corporate law professors.

1924  Barnes vs. Andrews addresses “director’s duty of care”: the linkage that must be established between director inattentiveness and corporate loss in determining liability

1925  Dodge Brothers Inc. and other companies begin issuing non-voting common stock and having it listed on the NYSE

1926  NYSE institutes a policy establishing the “one share/one vote rule” and refused to authorize the listing of nonvoting stock

1929  The Great Crash

1930s  London Directors & Officers insurance


1933  Securities Act of 1933 – imposition of civil liability on directors for material defects in registration statement for a public offering

1934  Securities Exchange Act of 1934 established the Securities and Exchange Commission as “the investor’s advocate” to monitor financial markets; Section 14 of the Act gave the SEC power to regulate the solicitation of proxies by public corporations and to limit management’s dominance of the proxy process


1937  The SEC requires an annual “independent audit”


1939  The American Institute of Certified Public Accountants (AICPA) forms a Committee on Accounting Procedures (CAP) to help establish accounting principles (GAAP – generally accepted accounting principles).

1940  The SEC recommends establishment of an audit committee which shareholders elect at the annual meeting; recommends a committee of non-officer directors nominate the auditors.

1940  The Investment Company Act of 1940 extends governance protection to mutual fund shareholders

1942  SEC adopts the Shareholder Proposal Rule, requiring companies to put shareholder resolutions to a vote.

1946  Wilma Soss establishes the Federation of Women Shareholders of America Inc.

1947  SEC vs. Transamerica held that governance-oriented resolutions could not be excluded from the company’s proxy; SEC was able to enforce provisions of its shareholder proposal proxy rule
1948 Myles L. Mace writes The Boards of Directors of Small Corporations (Harvard)

1955 Fortune magazine introduces its first Fortune 500 ranking

1956 Spencer Stuart director search practice was established

1959 AICPA’s Accounting Principles Board replaces CAP

1962 AIG, through its National Union Fire Insurance Company of Pittsburg unit, begins offering Directors & Officers insurance (D&O) covering errors, omissions, and other wrongful acts of directors and officers.

1962 Felice Schwarts founds Catalyst as an organization to help women advance in Corporate America

1964 J.I. Case Co. vs. Borak – U.S. Supreme Court rules that private citizens may bring suit to ensure proper compliance with federal proxy rules.

1965 Asa T. Spaulding, head of the largest black-owned insurance company, is elected the first black director to a major corporation, W. T. Grant Co.

1966 J.M Duran and J. Keith Louden write The Corporate Director, a 400 page study of board responsibilities and director conduct commissioned by the American Management Association.

1967 AICPA advocates the widespread establishment of “audit committees” composed of outside directors

1968 SEC vs. Texas Gulf Sulfur Co. sets a new rigorous standard for the interpretation and prosecution of insider trading.

1970 Penn Central Co. bankruptcy

1971 Patricia Roberts Harris is the first female to be elected to a board at IBM

1971 A South Africa related proxy resolution is presented to General Motors by the Episcopal Church, the first church sponsored proposal.

1971 The Interfaith Center on Corporate Responsibility is founded

1971 Myles L. Mace writes “Directors: Myth and Reality”

1972 Myles L. Mace writes “The President and the Board of Directors”, Harvard Business Review

1972 General Motors Corp. establishes a nominating committee of its board

1972 The Investor Responsibility Research Center is established as a not-for-profit governance research institute


1973 Financial Accounting Standards Board (FASB) is established as a private-sector “independently funded, full time [accounting] standard-setting organization”

1973 Korn/Ferry International releases its first Board of Directors Study, an annual survey of over 1,000 directors and chairmen and their board compensation and practices
1973 – Nixon government imposes pay controls unsuccessfully

1974 SEC requires disclosure in proxy statement of whether or not a corporation has an independent audit committee

1974 Passage of the Employee Retirement Security Act of 1974 (ERISA) imposing strict liability standards of conduct for the management of pension plans

1974 The first hostile takeover of a Fortune 500 company: Inco Ltd. (International Nickel) acquires ESB Inc. (Electric Storage Battery)

1974 – 1976 Accounting firms act as both “independent auditors” and “financial/management consultants” to public companies; massive corporate mergers

1975 Myles L. Mace begins writing the column “From the Boardroom” in the Harvard Business Review; first article is “Legal Guidelines for Directors”

1975 SEC begins requiring all managers with investment discretion over $100 M in equity securities to report those holdings on Form 13F.

1975 Directors & Board magazine is established as “the journal of thought leadership in corporate governance”

1976 Massive undisclosed payments made to foreign agents for business contracts are revealed at Lockheed Aircraft Corp., Exxon Corp., and others

1977 Congress passes the Foreign Corrupt Practices Act, requiring publicly held corporations maintain even stricter internal accounting controls

1977 The Sullivan Principles: Rev. Leon Sullivan, a black employment activist and director of General Motors, develops a set of guidelines on equal rights and opportunities for workers of a multinational corporation

1977 National Association of Corporate Directors (NACD) is established as the organization to provide information and education to U.S. Corporate board members

1977 Harold M. Williams becomes SEC Chairman and is a strong advocate for the accountability of corporate power and the concept of an ideal board consisting of independent directors; CEO as the sole management board member; chairman and CEO roles separated.

3-31-1978 “Michigan State University Board of Trustees voted to not own stock in companies that were operating under apartheid in South Africa. This was the foundation of a national movement of sanctions against South Africa.” Howard Wolpe, President Bill Clinton’s special ambassador for the Central African Region.

1978 NYSE adopts a rule that listed companies must have an audit committee composed solely of independent directors

1978 The Business Roundtable publishes “The Role and Composition of the Board of Directors of the Large Publicly Owned Corporation” and the American Bar Association publishes “The Corporate Director’s Guidebook”

1978 SEC rules that proxy solicitations disclose a description of significant economic and personal relationship existing between directors and the company on whose boards they serve.
1979  The first “golden parachute” is devised for Reliance Electric Co. prior to its acquisition by Exxon Corp.

1979  Institutionalization of “leveraged buy-out financing” as Kohlberg, Kravis, Roberts & Co., acquires the Fortune 500 industrial company Houdaille Industries for $380 M.

1980  Chrysler Corp. desperately in need of union concessions to keep operating, appoints UAW President Douglas Fraser to its board, the first union president appointment to a board.

1982  “The Poison Pill” is created by Martin Lipton, attorney, as an anti-takeover weapon. Its first use is as a preferred stock dividend with El Paso Co. He uses the warrant or stock purchase right form of the poison pill in 1984 with Crown Zellerbach and Household International.

1982  ALI begins to release drafts of its Project on Corporate Governance (started in 1980), embracing an expanded definition of director’s functions and “duty of care” and a narrow definition of “the business judgment rule”.

1982  Stern Stewart & Co. is founded by Joel M. Stern and G. Bennett Steward III to promote EVA, Economic Value Added, a performance measurement system that helps managers and boards determine which strategies will deliver the most value to shareholders.

1983  SEC tightens its qualifications for shareholder presentation of proxy proposals; requiring higher voting hurdles for resubmission of proposals.

1983  Institute for Research on Board of Directors is founded by Dr. Leslie Levy to conduct practical, observational-based research on the workings of boards.

1983  Fortune publishes “America’s Most Admired Corporations”

1984  Stanford Business School establishes an educational program for board members of publicly held companies. (In the 1990s, it moves to the Stanford Law School as the Director’s College).

1984 – 1987  Anti take-over actions of corporate managers

1984  California State Treasurer Jesse Unruh got together with NY State Controller Ned Regan to ban "greenmail" by company managers, where they would pay off corporate raiders with shareholders' money in an effort to save their own jobs.

1985  Council of Institutional Investors is established by New York City Comptroller Harrison Golden and California State Treasurer Jesse Unruh in response to controversial take over activities that threaten the interests of pension fund beneficiaries.

1985  Smith vs. Van Gorkom ruling by the Delaware Supreme Court challenges the standards of “informed” decision-making by boards. After that, boards develop more elaborate processes of deliberation.

1985  Institutional Shareholder Services, Inc. is founded by Robert A. G. Monks, former Administrator of the U.S. Department of Labor’s Office of Pension and Welfare Benefit Programs, as a consultancy to institutional investors on corporate governance issues.

1985  Moran vs. Household International – Delaware Supreme Court upholds a company’s right to adopt “shareholder rights plans” (aka “poison pills”); Unocal Corp. vs. Mesa Petroleum Co. and Revlon Inc. vs. MacAndres & Forbes Holdings Inc.
1986 United Shareholders Association is founded by T. Boone Pickens as a shareholder rights advocacy group; publishes an annual “Target 50” list of shareholder-unresponsive companies; wages a major campaign for proxy reform. It grows to 65,000 members before disbanding in 1993.

1986 Alfred Rappaport (a member of the editorial advisory board of Directors & Boards) publishes “Creating Shareholder Value: The New Standard for Business Performance”


1987 “Wall Street” movie introduces the concept of “greed is good”: “Today management has no stake in the company.” -- Gordon Gekko, corporate raider to shareholders.

1987 The California Public Employees’ Retirement System (CalPERS) sponsors shareholder proposals seeking recission of “poison pills” at 30 companies, the first such governance proposal.

1987 The Financial Accounting Standards Board (FASB) issues FAS 95 Statement of Cash Flows, requiring all business enterprises to include a statement of cash flows as part of a full set of financial statements.

1987 The Treadway Commission (The National Commission on Fraudulent Financial Reporting) issues its final report, calling for enhanced oversight role for the audit committee.

1987 NACD inaugurates its Director of the Year Award, naming Juanita Kreps, former U.S. Secretary of Commerce (first woman to hold this government office) as its first awardee.

1987 The Catalyst Award for companies and professional firms honored organizations with model initiatives that promote women’s leadership.

1987 October stock market crash.

1988 January 12 - AICPA Rule 502 – rule adopted prohibiting false, misleading or deceptive advertising; in effect for the first time allowing CPA firms to advertise, compete, cut costs, low-ball bid and therefore consolidate to 5 leaders.

1988 RJR Nabisco board takes control of the auction of tobacco and consumer products (CEO F. Ross Johnson bid against Kohlbert Kravis Roberts); KKR won the largest M&A transaction in history (to the mid-1990s) at $25 B.

1988 The Institutional Investor Project is established at Columbia Law School under the direction of Ira Millstein, Chairman; Louis Lowenstein, Director, Carolyn Kay Brancato, Chief Economist, to track the growth in asset and equity holdings of U.S. institutional investors.

1989 The Valdez Principles are developed by a group of investor organizations as a code of environment conduct in response to the Exxon Valdez supertanker oil spill in Alaska; campaign is undertaken to promote proxy resolutions with the Valdez Principles for board approval.

1990 Pennsylvania passes the most restrictive anti-takeover law in the nation; adding an explicit statement that the interest of shareholders need not be the primary consideration in determining the best interest of the corporation.

1990 FASB issues FAS 106 establishing standards for the accounting of post-retirement (primarily health care) benefits.
1991 Graef S. Crystal conducts first study of excessive corporate CEO salary for Fortune magazine: Pay of the average worker declined 1% over the past 20 years (1972 – 1992, in inflation discounted dollars adjusted for taxes); pay of the average CEO rose 400% over the same period.

1991 CalPERS CEO Dale Hanson sends a letter to General Motors board members inquiring as to their succession planning for the pending retirement of Roger Smith.

1991 Civil Rights Act established a 21 member bipartisan commission to study and recommend ways to eliminate the barriers minorities and women experienced when trying to advance into management and decision-making positions in the private sector.

1991 and 1992 DOL issued reports which included compliance reviews of several corporations, an evaluation of independent research, and interviews with representatives from business, labor, women’s and civil rights organizations.

1992 Secretary of Labor Lynn Martin established The Glass Ceiling Commission to investigate the phenomenon in corporations and to make recommendations for eliminating the ‘glass ceiling’.

1992 Robert A.G. Monks uses a full page ad in The Wall Street Journal to name the directors of Sears, Roebuck & Co. “Non-Performing Assets” as part of the ISS president and Sears campaign re: separation of the CEO and Chairman, share ownership requirements for directors, and a proposal that the board conduct a study of spinoffs of non-merchandizing businesses.

1992 SEC disqualified many shareholder resolutions pertaining to social issues: diversity, discrimination; overturned this rule in 1998.

1992 SEC ruled that shareholder resolutions concerning executive compensation would no longer be considered "ordinary business issues" excludable from proxy statements. SEC amends its proxy rules to make it easier for shareholders to communicate among themselves on management performance and matters presented for shareholder vote; also lower the regulatory cost of conducting a solicitation by management, shareholders, and others. SEC also issued new executive pay disclosure rules, requiring comprehensive accountability in proxy statements.

1993 Wharton/Spencer Stuart Director’s Institute is established using role-playing approach to exploring decision-making at the board level.

1993 The Glass Ceiling Commission of the U.S. Dept. of Labor solicites proposals for research on ‘the glass ceiling’.

1993 U.S. Congress passed legislation that prohibited companies from deducting more than $1 M from the taxable income paid to any of the top five executives, with the major exception of "performance-based compensation"; IRS Tax Code changes to Section 162 (m).

1993 Graef S. Chrystal publishes, “In Search of Excess: The Overcompensation of American Executives”.

1994 CEOs kicked out by Boards: IBM’s John Akers, American Express’s James Robinson III, Westinghouse Electric’s Paul Lego, Bordon’s Anthony D’Amato, Kodak’s Kay Whitmore.

1994 GM publishes it’s “GM Guidelines on Significant Corporate Governance Issues” to codify the board’s mission statement and governance standards.

1994 IRS rules that compensation committees must have at least 2 outside directors, a response to increased criticism of CEO overpayment for non-performance.
1994  U.S. Dept. of Labor advocates an activist role for pension plans; issues clarifying guidelines urging pension plan managers to vote their proxies and to actively monitor the management of companies in which they invest.

1995  Director compensation becomes a hot target of shareholder activism; companies begin to drop director pension plans and increase the stock component of director pay.

1995  Private Securities Litigation Reform Act is passed to reduce abusive and meritless litigation.

1995  Wharton/Spencer Stuart Director’s Institute introduces The Board of the Year Award; Mallinckrodt Group Inc. is the first recipient.


1996  Financial Accounting Standards Board issues SFAS 125 which let a "sponsor" create a limited liability corporation, "a special purpose entity" to which it could transfer assets and related debts; a practice grossly abused by energy companies, such as Enron.

1996  Teamsters Union releases a study of “America’s Least Valuable Directors”, increases shareholder activism.

1996  All time high M&A, IPO and spinoff activity.

1996  Alan Greenspan speech on New Economy market valuations, coins the expression "irrational exuberance".

1997  SEC announces it is again considering amending its shareholder proposal rule to make it easier to include a broad range of proposals in proxies.

1997  The Business Roundtable issues “Statement on Corporate Governance” - “the substance of good governance is more important than its form; adoption of a set of rules or principles or of any particular practice or policy is not a substitute for, and does not itself assure, good corporate governance.”

1998  NYSE and NASD form “Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees”.


1999  SEC supports recommendations.

1999  The Corporate Library was founded an independent investment research firm providing corporate governance data, analysis & risk assessment tools by Nell Minow and Robert A.G. Monks, long-time partners in Lens Investment Management, co-authors of Power and Accountability (1991) and the textbook, Corporate Governance (originally published in 1994, now in its third edition).

2000  Yale Economist Robert Shiller used the expression "irrational exuberance" to describe "the behavior of private investors during speculative bubbles in public stock markets" "wishful thinking on the part of investors that blinds [them] to the truth of [their] situation". Shiller argued that irrational investment behavior is driven by a set of external variables which he call "precipitating events" that supercede rigorous return-on-investment analysis. The checks and
balances that are supposed to guard private investment decision-making from irrational behavior are overcome by "amplifying mechanisms" that tend to reinforce wrong investment decisions.

July 2000 National Association of Corporate Directors joins with the International Women's Forum, an exclusive invitation-only membership organization of about 1,000 internationally and politically positioned females, allegedly to promote women on boards of directors.

2000 – 2002 Massive corporate malfeasance

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<tr>
<th>Date</th>
<th>Event Description</th>
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<tr>
<td>October 26, 2001</td>
<td>SEC publishes prosecution standards</td>
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<td>January 30, 2002</td>
<td>SEC provides additional guidance for MD &amp; A disclosure</td>
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<tr>
<td>April 15, 2002</td>
<td>SEC proposes major changes to public company reports</td>
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<td>May 17, 2002</td>
<td>SEC proposes new disclosure requirements for accounting estimates</td>
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<td>May 22, 2002</td>
<td>New NYSE and NASD rules regarding analysts’ conflicts, compensation and communication</td>
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<td>May 23, 2002</td>
<td>SEC mandates electronic filing for foreign issues</td>
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<td>June 24, 2002</td>
<td>SEC proposes to require corporate officers to certify accuracy of periodic reports.</td>
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<td>June 25, 2002</td>
<td>SEC proposes changes to Form 8-K to add disclosure items and an accelerated filing schedule</td>
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<td>June 28, 2002</td>
<td>SEC orders CEOs and CFOs of 1,000 largest US companies to submit sworn statements on public filings</td>
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<td>July 30, 2002</td>
<td>Sarbanes-Oxley Act is passed; restrain creative accounting</td>
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<td></td>
<td>restrain excessive compensation</td>
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<td>lack of director independence</td>
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<td>absence of board leadership</td>
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<td>poor information and communication</td>
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<td>Section 906 of the Sarbanes-Oxley Act adds to the Federal Criminal Code a requirement for CEO and CFO certification of each periodic report containing financial statements filed with the SEC by any public company</td>
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<td>August 6, 2002</td>
<td>Section 402 of the Sarbanes-Oxley Act places significant restrictions on personal loans extended to directors and executive officers by issuers subject to the reporting requirements of the Exchange Act, as well as by companies that have filed a registration statement under the Securities Act of 1933, even if the registration statement is not yet effective.</td>
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<td>August 7, 2002</td>
<td>Section 403 of SOX amends Section 16(a) of the Securities and Exchange Act to accelerate the transaction reporting requirements for Section 16 reporting persons, and authorizes the SEC to adopt rules to implement the new requirements</td>
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<td>August 15, 2002</td>
<td>Whistleblower provisions of SOX</td>
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<td>August 29, 2002</td>
<td>SEC final rules take effect for Section 16 reporting</td>
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<td>August 31, 2002</td>
<td>Section 302 of SOX requires public companies to maintain “disclosure controls and procedures” designed to ensure reliable disclosures; also adopted rules requiring CEOs and CFOs to certify annually and quarterly reports.</td>
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<td>October 11, 2002</td>
<td>SEC adopted rules phasing in accelerated filing deadlines for Forms 10-K and 10-Q</td>
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October 24, 2002 Section 303 of the SOX: proposed regulations to prevent improper influence over the conduct of an audit of a reporting company’s financial statements.

October 30, 2002 Sections 404, 406, and 407: proposed regulations prescribing new disclosure requirements concerning internal control evaluations, the existence and application of ethical codes for senior management, and financial experts on audit committees; final rules to be in place not later than January 29, 2003.

November 15, 2002 Section 401(a): proposal for detailed disclosures of management discussion and analysis of off-balance sheet arrangements, contractual obligations and contingent liabilities and commitments.

November 22, 2002 Section 802: proposal requiring auditors to retain workpapers and other documentation for up to 5 years after the end of the fiscal year in which an audit is completed.

December 2, 2002 Section 307: proposal setting minimum standards of professional conduct for attorneys appearing and practicing before the SEC and representing public companies; require attorneys to report evidence of material violations by the issuer or other parties “up the ladder” within the issuer.

December 2, 2002 SEC proposals regarding “pro forma” financial information that do not conform to generally accepted accounting principles.

December 13, 2002 SEC proposed amendments under Title II of SOX, enhancing the independence of accountants who audit financial statements filed with the SEC; prohibit non-auditor services, clarify and enhance the relationship between auditor and audit committee; strengthen the conflict of interest standards; clarify and enhance the auditor-partner rotation rules; and expand the required proxy statement disclosure fees paid to auditors.

July 3, 2003 In her "In The Lead" column for the Wall Street Journal, Carol Hymowitz updated her 1986 findings with the article entitled: "'Glass Ceiling' Barely Shows A Crack in U.S. Boardrooms". [Wall Street Journal, July 8, 2003]

June 21, 2004 The Calvert Women's Principles are released by The Calvert Group Ltd. of Bethesda, the country's biggest family of socially responsible mutual funds, managing 27 funds. First systematic effort to apply standard affecting women directly and specifically to corporate conduct. (Barbara Krumsiek, president and CEO of Calvert.)