

## WHAT GOES BETTER WITH COKE?

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As investors, we are aware that CocaCola Company has announced a new plan to compensate their outside Directors. There are numerous arguments pro and con for this change. In the end, we have lost sight of the all-important fact that Directors are appointed to serve Shareholders' interests and that these arcane compensation methods lack safeguards to ensure those interests are well served. Paying directors for making the numbers look good exactly replicates the motivation behind Enron, WorldCom and the like.

1. Aligning Directors' interests with Management is disastrous if Management's interests are not aligned with those of the Shareholders. The very existence of the board is to motivate a corporate governing body to do the right thing, not to do the thing that makes management the happiest.
2. Basing any form of compensation on Earnings per Share is nonsensical, since Earnings per Share is the easiest number to manipulate -- and has been most often manipulated -- in any income statement.
3. Directors should be worried about the means used to get earnings, not simply the end results. Audit Committees are relied upon to promote transparency under the accounting standards which call for conservatism -- let's motivate them to do that.
4. Regardless of the method of calculating their compensation, Directors should be compensated over a time frame that exceeds Management's expected tenure. This approach, while impractical, reduces the potential conflict of the Managers and Directors' interests being aligned against the interests of the Shareholders.

Can't Coke and others pay Directors a fair cash value for their service to the Shareholders? And if not, why don't the Shareholders determine the Board's compensation directly? It's time Directors stopped working for Management and started working for the shareholders.

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