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Ready for a 30-something Director? How About a 20-something?

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by Craig Mellow

When Tassos D. Recachinas joined the board of Allied Defense Group, the financially troubled ammunition manufacturer, in 2008, he was candid about what he saw as his fellow directors' shortcomings.

"I found myself using the word 'accountability' a lot in the boardroom," recalls Recachinas, who had spent a year as a board observer before formally taking his seat. "You have to tell people they had a job to do and failed at it. Sometimes they're not so receptive."

That bluntness wasn't the only reason the new guy's message was hard to swallow. Recachinas was 24 when he took his board seat on the McLean, Virginia, company, which meant that most of his fellow directors were old enough to be his parents. Perhaps worse, the CEO (and fellow director) who endured his lectures on accountability, John J. Marcello, was not only 59 but also a retired major general who had commanded a U.S. Army corps during the first Gulf War while the board's latest member was still in grade school.

Recachinas, now 27 and a fine example of extreme youth and aggressiveness in the boardroom, started his financial career trading stocks out of his dorm at George Washington University, where he was the top-ranked aerospace-engineering graduate in the class of 2005. Two years later he was right-hand man to Tom Hudson, founder of Pirate Capital in Greenwich, Connecticut, a now much-diminished hedge fund known for its confrontational swagger. Back then Pirate was Allied Defense's biggest shareholder and had fought hard for a board seat. Demands for such representation among hedge funds and private equity firms that take big stakes in companies are not unusual, of course, nor are they new (see "Hedge Funds Into the Boardroom," *Corporate Board Member*, January/February 2007). What does seem to be changing is that these interlopers now often represent a generation and weltanschauung markedly different from those of the more harmonious incumbents occupying the other board seats.

Another example is Arnaud Ajdler.

At 34, he is a senior managing director of Crescendo Partners, a New York City investment firm, and a veteran of seven boards. "One of the added values that I bring to a board is a sense of urgency, of not accepting the status quo," says the Belgian-born Ajdler, who moved to the U.S. in 1998 to earn graduate degrees from MIT and Harvard Business School, then joined Crescendo in 2003 and took his first directorship at 30. He currently sits on the boards of three companies in which Crescendo has a stake, including family restaurant chain O'Charley's, which voluntarily added three board seats and offered them to Crescendo in 2008 (see "More Hedge Funds Get Board Seats," *Corporate Board Member*, July/August 2008). That same year Ajdler joined the board of Charming Shoppes, the parent company of retailers Catherines, Fashion Bug, and Lane Bryant. This seat was harder to come by and represented the victor's spoils after a tough proxy fight between Crescendo and the company. His third board: specialty retailer Destination Maternity Corp., in which Crescendo had also invested. Its founder and CEO left soon after Ajdler joined the board.

Ajdler does not make very much of what might be a connection between a stale prevailing order and middle age. Other boardroom enfants terribles are less diplomatique. "Energy, enthusiasm, and passion tend to skew younger," says Timothy Weingarten, 35. He joined several boards, including that of Internet service provider Cogent Communications, while he was a general partner at the Silicon Valley investment firm Worldview Technology Partners. "Older people have a harder time opening their eyes to see the glass is two-thirds full," he says. He left Worldview last year to become CEO of Visage Mobile, a start-up that aims to help companies track wireless-communications use and spending, but remains on Cogent's board.

Directors who skew older tend to decline comment on their cocksure young peers; General Marcello did not return phone calls seeking his views, for example. But occasionally a more seasoned hand speaks up. "It's very refreshing to have someone like Arnaud on the board," says Michael Goldstein, 68, a former CEO of Toys "R" Us who, like Ajdler, serves as a director of Charming Shoppes.

"Diversity of thought is important, and diversity of age is underappreciated."

Youth is indeed a final frontier of sorts in the integration of the U.S. boardroom. Generations X and Y may be lauded for their technological prowess and fawned over as consumers, but they are rarely invited onto the boards of big corporations, even those that live or die on their youth appeal. According to the most recent proxies, the average age of independent directors at Apple is 63, for instance, and at the Gap, 57. Even some older board members think this relative decrepitude is a problem. “Look at a company like Ford, whose future depends on winning over young car buyers. How in the world does a group of 60-year-olds in the boardroom [Ford’s outside directors actually average 61] evaluate whether young buyers are going to make the Ford Flex a hit?” asks David M. Eskenazy, 48, CFO of privately held housing provider Aegis Living and a director of Coinstar, which makes the ubiquitous supermarket machines that turn coins into store vouchers. The average age of the directors at Coinstar is 54. Its youngster is Arik A. Ahitov, 34, who was born in Israel, raised in Turkey, and trained at UCLA Business School and Salomon Smith Barney. He is now a vice president at Roy Disney-founded Shamrock Capital, which has an investment in Coinstar and fought a proxy battle for the board seat Ahitov has occupied since 2008.

According to *Corporate Board Member*’s database, 553 directors under the age of 40 occupy 618 board seats, out of a universe of 28,755 directors and 35,505 board seats. Most of the younger crowd are with newly launched public companies that they joined in start-up days, representing early investors. The majority of the others are on the boards of small to midsize corporations, ones with a market capitalization of $1 billion or less, where activist investors have placed them to shake things up and increase value.

The young directors themselves, despite their heterogeneous surnames, also hew to a pattern: precocious careers in finance, often blended with technology, and a near- total absence of management experience. Rivaling Tassos Recachinas as a young man in a hurry is Jonathan Dash, 30, president of Dash Acquisitions in Beverly Hills and a director of the Western Sizzlin steakhouse chain. At 16, Dash adopted Warren Buffett as a personal hero and a year later contrived to meet him by buying one share of Berkshire Hathaway stock and flying to the company’s annual meeting in Omaha. That night Dash went to the local Gorats Steak House (not part of the Sizzlin chain), which he knew to be a Buffett favorite. Buffett, sitting at a table with family members and friends, saw that Dash was carrying one of his books and offered to sign it. Later Dash volunteered via a waitress to pick up the tab for Buffett’s table, and Buffett accepted— a tradition that continues to this day.

The 20- and 30-somethings deliver to boards a generational perspective that’s peculiar to Wall Street. There the age of 45 marks retirement for a successful practitioner. In the inner sanctums of corporate America, 45 is about when an executive starts reaching for the top rung. The youth brigade also boasts as second nature various skill sets that some of its elders admit they will never master. “More young people will be going on boards because of the unbelievable importance of alternative media,” predicts Michael Goldstein, the former Toys “R” Us CEO. “They really understand what you can do with an iPhone, Twitter, and Facebook.”

Young directors insist that they are in closer touch with current financial events too. “The energy of youth is a euphemism for being among the people who are really doing the deals. A guy who’s 65 is generally going to be reading the report that a guy who’s 35 is writing,” says Steven C. Chang, 37, a co-founder of Clearlake Capital Group in New York City. Chang was 28 when he joined his first public board, Otelnet, a software company. He has left there but now serves as a director of Lawson Software and Purple Communications, both high-tech outfits in which Clearlake has a stake.

There's an eagerness among members of Chang's age group to put their financial expertise to work once they get seated, and that can be a good thing. The stereotype of financial engineering is that of loading a company down with debt until it buckles under the weight. But Ajdler, Recachinas, and their peers call more often for radical slimming that gets rid of dud assets and reduces borrowing. Within months after Ajdler joined the board of Charming Shoppes, for example, the company sold its catalog operation, bought back some of its debt at a deep discount, and unloaded its store-brand credit-card business. It also signed up a new CEO, James P. Fogarty, 40, a veteran of restructuring firm Alvarez & Marsal, where he helped out companies like Levi Strauss & Co., American Italian Pasta Co., and Lehman Bros. Holdings, among others. The Charming Shoppes board also moved aggressively on the governance front, notably ending the staggered election of directors and installing an independent chairman, Alan Rosskamm, 60, formerly chairman and CEO of Jo-Ann Stores Inc. All this seems to be paying off for shareholders. Despite a rough fourth quarter, the stock rose 48% for the 12 months that ended March 31. Another of Ajdler's companies, Destination Maternity, has de-staggered its board and added three new directors with retail experience.

Allied Defense was also a near basket case when its 20-something, Tassos Recachinas, joined the board. The company had received a "going-concern qualification" from its auditor, a formal warning that it was about to go broke. With the strident youth haranguing management to make changes, Allied divested five non-core divisions for a combined $84.3 million and returned its focus to the traditional munitions business. The company trimmed its losses from $21 million in 2007 to $10 million in 2009. Shareholders saw their stock hold steady through those two years and then collected a 54% premium when Allied was bought by British defense contractor Chemring Group in January.

"Tassos brings great knowledge of how capital markets work and how shareholders perceive the company," says fellow director Frederick G. Wasserman, 55, a New York City financial and management consultant. Wasserman joined the board of Allied as a representative of Wynnefield Capital, a client that owned a piece of the company, and has since been elected to the seat by a majority of other shareholders. "If you have the right guy in the right room, a young person can bring a perspective that needs to be heard," he says. A nominating committee chaired by 67-year-old retired Army general Ronald H. Griffith backed Recachinas for a second term in 2009—remarkable, perhaps, since Pirate Capital had by then sold its stake in the company and Recachinas had quit that same year to launch his own Sophis Investments LLC in New York City.

The elixir of youth does not always work magic, however, at least not immediately. Coinstar has unleashed a whirlwind of restructuring since Ahitov signed on, replacing the whole of top management and divesting its "entertainment services" business, which owned such things as coin-operated kiddie rides and machines that let players use cranes to try to scoop up prizes. It invested instead in Redbox, a company that operates DVD-rental vending machines in supermarkets, McDonald's restaurants, and 7-Eleven convenience stores. Investors have not been bowled over. Coinstar shares are still well below what they were when Ahitov joined the board, standing at $32.50 on March 31.

Should corporations that are not under investor assault start a voluntary search for directors whose formative decade was the ’90s, not the ’60s? Should youth be a standard building block of the balanced board, along with industry experience, accounting and legal expertise, and the right blend of ethnic backgrounds and genders? Not necessarily, cautions early investor William C. Martin, 32, who served on the board of Bankrate Inc., a Web-based aggregator of financial-rates data, until its $570 million sale in 2009 to private equity fund Apax Partners.

“If you’re talking about a very large, multinational business, the pool of people my age qualified for the boardroom is pretty thin,” Martin says. “You don’t need young people just for the sake of young people.”

Out of the mouths of babes! Boards always need to be on the lookout for new members, but they should recruit only those who can provide the skills they need, regardless of race, creed, gender—or date of birth.

A Sampling of Other Boardroom Wunderkinder

Mick J. Beekhuizen, 33
Day job: Vice President in the Merchant Banking Division, Goldman Sachs, New York City
Board: Education Management Corp. (postsecondary educational institutions)

Michelle R. Cinnamon Flores, 35
Assistant Vice President of Finance, Sundance Property Management, Cincinnati
Isramco Inc. (oil and gas exploration)

Jeffrey P. Gunst, 33
Principal, Avista Capital Partners, Houston
Pinnacle Gas Resources (acquisition, exploration, and development of onshore reserves)

Alex Hocherman, 32
Vice President, Quadrangle Group, New York City
Protection One Inc. (home security)

Avshalom Kalichstein, 35
Managing Director, J.C. Flowers & Co., New York City
Affirmative Insurance Holdings (auto insurance)

Joey Levin, 29
CEO, Mindspark Interactive Network Inc., White Plains, New York
Tree.com Inc. (online financial information)

Courtney R. McCarthy, 34
Principal, Wachovia Capital Partners, Charlotte, North Carolina
Comsys IT Partners (information-technology staffing and consulting services)

David B. Sambur, 29
Principal, Apollo Management, New York City
Verso Paper Corp. (paper production)

Camille D. Samuels, 38
Managing Director, Versant Ventures, Menlo Park, California
Transcept Pharmaceuticals (therapeutic-products development)

Kareem E. Sethi, 30
Managing Partner, Streetwise Capital Partners, Toronto
Emerson Radio Corp. (consumer electronics)

Christopher S. Shackelton, 30
Managing Partner, Coliseum Capital Management, New York City
Interstate Hotels & Resorts (hotel management)
Rural/Metro Corp. (medical and emergency transportation)

Nate Walton, 32
Vice President in the Private Equity Group, Ares Management, Los Angeles
Stream Global Services (technical support and other outsourcing services)

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