

Richard Hanselman

A non-executive chair who has the savvy of an insider. A corporate diplomat who melds companies and cultures. A pioneer in board evaluation programs, and a tough-minded investment committee chair. These are among the many accolades colleagues shower on Health Net director **Richard Hanselman**.

It's Hanselman's people skills that paved the way for his success. An example is the first board meeting of California-based Health Net. The directors were mingling in two separate groups. Health Net had just been forged from the merger of **Health Systems International** and **Foundation Health Corp.** Hanselman, a former Foundation director, had just been appointed Health Net's non-executive chairman. "I decided to break the ice," he recalls, "to get the board to start thinking of itself as one. I began talking to the directors I hadn't worked with before. Then everyone gradually started talking to each other."

This was one of Hanselman's many small touches that helped meld two

ailing companies into a well-financed, well-respected new Health Management Organization. Hanselman was asked to be non-executive chair to help new CEO **Jay Gellert** become more accustomed to his new post—a task Hanselman has handled commendably.

"Dick is the epitome of what a non-executive chair should be," says Health Net CEO Gellert. "He helped find the commonality and successfully brought together a board that came from two companies and cultures." Hanselman says Gellert has been an extremely solid CEO in his own right, but he adds, "If you ever have an unseasoned CEO, it's good to have a person with some gray hair around to help out."

Gellert says Hanselman's board experience at several medical companies makes him a strong advisor on substantive issues. Besides Health Net, Hanselman has been on the board of **FHC Managed Health Services** and **Becton, Dickinson**, the global medical technology concern. "Sometimes I'm simply a sounding board," says Hanselman. "When you've been around 50 years you've made just about every mistake that can be made." He's been the CEO of four companies, including **Genesco**, a marketer of branded footwear and **IMCO Recycling**.

Experience is critical but there's no substitute for performance. And Health Net is off to a robust start. The firm's stock is up about 30% over the past year. "You have to give the management team the lion's share of the credit," says Hanselman, who adds that "we haven't surprised the street negatively. We've built our credibility."

And a lot of that credibility is attributable to Hanselman. "He has a tremendous effect on people from share-



BORN

Oct. 8, 1927, Cincinnati, OH.

EDUCATION

B.A., Dartmouth, 1949.

CAREER HISTORY

Formerly Chair, President and CEO of Genesco, Inc.

FAMILY

Married, two grown children.

HOME

Nashville, TN.

FAVORITE BOOK

Citizen Soldiers, Ambrose.

FAVORITE MOVIE

Patton.

FAVORITE MUSIC

Beethoven's Fifth Symphony.

FAVORITE RESTAURANT

Picholine (New York).

I DON'T LEAVE HOME WITHOUT...

My toothbrush.

CURRENT BOARDS

Chairman of Health Net, Inc., Arvin Meritor, Chairman of Wollin Products, Inc., Metal Powder Products, and Globe Tool and Manufacturing Co.

holders to regulators,” says Gellert. “He shows them the board is on top of things. He knows the industry well enough to be a credible, substantive spokesman.”

In the world of HMOs, this is not always easy. Whether it’s a flurry of industry lawsuits or maybe just bad press, HMOs sometimes have to work doubly hard to put their best face forward. Hanselman adeptly runs analyst and shareholder meetings, and repre-



Dick and his wife, Beverly, on a trip to Italy in May 2000.

sents the company at Washington conferences.

“Many times people don’t expect a non-executive chairman to have the kind of knowledge depth that Dick has,” says Gellert. “We don’t have to prime him. It’s really rare that a board member can contribute in many different areas without being on the payroll day to day.”

“He has a tremendous effect on people from shareholders to regulators.”

—Jay Gellert, CEO, Health Net

Much of this knowledge is gathered first-hand. Hanselman spends a great deal of time on the ground level, visiting employees and management. “The visits give people a sense of belonging,” Hanselman attests. “It’s a chance to interchange thoughts. I tell them about how important they are to the company. It helps with their motivation.”

At Becton Dickinson, Hanselman also motivates directors through evaluation. He helped to create one of the first board evaluation programs in about 1995. At the time the program was a little rough around the edges. “We used simple scales—just a few ratings such as ‘good’, ‘improving’ or ‘worse’ so we could measure from year to year.”

Hanselman and his colleagues found their evaluation program very useful. “There is nothing better than introspection, as long as it is objective. And collective introspection is very objective.”

He started similar programs at other companies, including the **Arvin Industries** and **IMCO Recycling** boards. At Arvin he implemented the numerical approach. “I think we rated ourselves on a scale of one to five, based on 17 criteria we had agreed to.”

Ed Ludwig, president and CEO of Becton Dickinson, who spent a few years on Becton’s board with Hanselman, says he is a first-rate organizer who often brings up good ideas from his experiences elsewhere. “I think Dick is great. He was very thorough in

everything he did for the company. The Becton board was composed mainly of directors who either had a background in science or business. “Dick represented the best practices in general business.”

At Becton, Hanselman made an especially large contribution while chairing the investment committee. He used a disciplined, thorough methodology in picking outside managers to run the company’s pension fund. The emphasis was not just on a manager’s prior success, but on a thorough interview process. “He also wanted people who understood our company’s outlook and philosophy. And for over 15 years our funds outperformed any benchmark we could name,” touts Ludwig. In fact, for several years Becton’s pension fund performance was ranked in the highest 1% of company pensions.

During Hanselman’s time as investment chair, the board also had to make some tough decisions. “We changed managers at least once when they didn’t meet our benchmark,” says Ludwig. “It was good, tough-minded financial discipline.”

Health Net directors have found Hanselman’s own personal and business discipline extremely valuable. **Ray Troubh**, also a Health Net director, points to the main reason for Hanselman’s success: “He gained the absolute respect of the board, and it’s composed of 10 very different personalities with different points of view. I’d say he has a lack of ego, which is very important in a sensitive role.”