


JOSEPH NEUBAUER

for consistently holding his board companies' feet to the fire as Audit Committee chair



A SELF PROCLAIMED  
WORKAHOLIC, JOE  
NEUBAUER SEES BOARD  
SERVICE AS ONE WAY  
TO GIVE BACK TO THE  
FREE-ENTERPRISE  
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# Boardroom

**Y**ou know the old EF Hutton ad? 'When EF Hutton speaks, people listen.' That's the way it is with Joe," says Bob Campbell, former chairman and CEO of Sunoco and a Cigna director, with a smile.

Joe Neubauer is a force of nature in the boardroom. Though he stepped down from the Cigna board in April 2005, he continues to serve on the boards of Wachovia, Verizon and Federated Department Stores. That's in addition to his day job as chairman and CEO of \$11 billion Aramark, which outsources food, uniform and cleaning services.

How does he find time to do it all? "I'm an insomniac," he says, grinning. "And I enjoy the intellectual stimulation." Colleagues applaud the skill and tenacity Neubauer brings to the audit committees that he joins—and often chairs. "There are long hours, a lot of work, frequent meetings and a lot of interface with the auditors," notes fellow Cigna director Louis Sullivan, president emeritus of Morehouse School of Medicine and former secretary of health and human services. "Joe hunkers down and plows through."

Terry Lundgren, CEO of Federated, adds, "Joe will say, 'I know what you mean here on page 264, paragraph five, but I suggest changing this word.'" Neubauer shrugs. "I spend my time reading page 264, paragraph five. Someone else might play golf three times a week."

They moved to Israel, where Neubauer was born. When he was 14, his parents sent him to America to live with an aunt and uncle he'd never met. The first foreigner—and the first Jewish student—at his high school, Neubauer spoke only a few words of English, which he'd picked up from watching John Wayne movies. At the end of his freshman year, the high school principal didn't give him a report card. "He said, 'You've only been here a few months. We're going to move you up, and if you pass your sophomore year, we'll know you passed freshman year, too.' It was the best deal I've ever made," he says, chuckling. During his undergraduate years at Tufts University, an econom-

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LOUIS SULLIVAN • FELLOW CIGNA DIRECTOR

ics professor proposed him for a full scholarship to the University of Chicago's business school.

"When it comes to striving for success, no one ever does it alone," Neubauer has said. "Once you have achieved success, it is your obligation to help those just beginning the struggle." He believes his corporate board work is one way of giving back to the free-enterprise system

1990s Cigna was in need of just such focus, as it sought to transform itself from a financial services holding company to a health care and employee benefits provider. The transition was not easy, as the company had to sell its domestic individual life and annuity businesses, as well as its individual property-casualty business. "It was important to sell those businesses in the least disruptive way, for the best price, while retaining our key managers," says Sullivan. "Joe could give bad news in a way that rallied people to the task rather than driving them away. Cigna is now a stronger company."

Campbell continues, "The world has changed dramatically. Cigna had to reassess everything they were doing. We had a new CEO, Ed Hanway, who was relatively inexperienced as a CEO. Joe was very constructive in helping him." After several years of restructuring, job eliminations, technology glitches and increased competition in a shrinking pool of health-plan members, Cigna appears to be on the right track. For the first quarter of 2005, the carrier's earnings increased to \$436 million, versus \$68 million a year earlier. The increase exceeded expectations and boosted the stock.

Neubauer also brings to his boards experience in mergers and acquisitions, much of which he gained while at Aramark. He joined the company in 1979 as CFO and was named CEO in 1983. In 1984, he and his colleagues took the company private in a management buyout. "We mortgaged our homes, our retirements, our kids' college education and everything else we could think of. Not much focuses the mind like when you borrow a billion dollars," he quips.

While on the Bell Atlantic board, Neubauer worked through the company's purchase of GTE in 2000 to form Verizon. He helped guide the First Union board during the purchase of Wachovia in 2001. And he sits on the board of Federated, which reached an agreement in February 2005 to purchase May Department Stores. "He's been around the horn with mergers and acquisitions," explains Federated's Lundgren.

# Bulldog

In part, Neubauer is fueled by his difficult climb to the top. His parents fled Nazi Germany in 1938, leaving a comfortable home and a thriving business.

that has given him so much.

"I'm a firm believer in building on your strengths," says Neubauer. "There's enormous power in focus." In the mid-

**BORN:** October 19, 1941, in Israel

**EDUCATION:** B.S. in chemical engineering, Tufts University; M.B.A., University of Chicago

**CAREER HIGHLIGHTS:**

Chairman/CEO, Aramark; various senior positions at Aramark; various senior positions at PepsiCo, Inc.; various finance positions at Chase Manhattan Bank

**HOMETOWN:** Philadelphia, Pa.

**FAMILY:** Married Jeanette Lerman-Neubauer, October 11, 1996; one son and one daughter; four grandchildren

**MOST MEMORABLE SUMMER**

**JOB:** Working as a lab assistant in Germany

**BEST VACATION IN THE PAST FIVE YEARS:** Trip to Sydney, Australia

**BEST BOOK READ OVER THE PAST YEAR:** *Titan: The Life of John D. Rockefeller, Sr.*, by Ron Chernow

**FAVORITE ARTIST:** Wassily Kandinsky

**FAVORITE COMPOSER:** Gustav Mahler

**SOMETHING MOST PEOPLE WOULD BE SURPRISED TO KNOW ABOUT ME:**

"I like to cook and clean up afterwards."

**WON'T LEAVE HOME WITHOUT:** Keys to return

**CURRENT BOARDS:** Federated Department Stores, Verizon Communications, Wachovia Corporation



"He helped strategize the approach, so that we could make this thing happen at the right price and in the right way."

"I try to understand the macro rationale for a merger or sale," says Neubauer. "I worry about the why more than the how. How is it going to affect your employees, your customers, your marketplace? Let's figure out what we're trying to accomplish, rather than just getting into transaction mode."

Neubauer worries that the post-Enron reforms may wind up stifling entrepreneurs and limiting value creation. At the same time, his fierce integrity makes it hard for him to imagine people deliberately crossing the line. "Doing the right thing is not complicated. You don't have to know a lot of rules and regulations," he says.

Former New Jersey governor Tom Kean, chairman of the 9/11 Commission and an Aramark director, can attest to that. "Joe assembled a top-notch board at Aramark, and he did it when it was a private company. They were people of real independence and integrity. We had that board for a good 10 years before going public [in 2001]." Neubauer proudly adds, "We had an audit committee then and we didn't release any numbers until the audit committee signed off." As proof of its clean bill of health, Aramark didn't have to make any changes to its board structure after Sarbanes-Oxley.

Some corporate governance watchdogs question whether Neubauer isn't over extended. They favor limiting the number

of boards on which a director can serve. Peter Larson, a Cigna director and member of the NYSE Special Committee on Governance, agrees: "I do believe there should be a limit, but I don't believe Joe is exceeding that limit. There's a capacity issue. Some people shouldn't even be on one board." The goal, says Larson, is "to try to bring perspective from other boards so that the value exceeds the cost. Joe does that." Kean adds, "Joe is a workaholic. It takes a particular kind of person to be on so many boards. He outworks everyone around him."

As the head of Aramark, Neubauer has earned accolades from the press, stockholders and his peers. The company consistently is at or near the top of its category in Fortune magazine's "Most Admired Companies in America" feature. A Business Week cover story in 2002, "The Good CEO," named Neubauer "The Straight Shooter." He was ranked by Business Week as one of the best managers of 2002, in such company as Michael Dell, Reuben Mark and Steve Ballmer. While he became executive chairman in January of 2004, naming 20-year Aramark veteran Bill Leonard CEO, Neubauer was drawn back into the CEO spot nine months later. "To the disappointment of Joe and the board, it very quickly became apparent the succession wasn't working out," says Aramark director Karl von der Heyden. "We decided to change it." Neubauer has committed to stay as chief until at least 2007.

Neubauer contributes outside the boardroom to the arts and to education. He chairs the Philadelphia Orchestra Association. And since 1994, he has funded a chair in entrepreneurship and finance at the University of Chicago business school. In 1994, he received the prestigious Horatio Alger Award. He joined the board of the Horatio Alger Association, and is soon to become its chairman.

At 63 he still hasn't slowed down, even finding time for the occasional tennis game. "You know you're in trouble when one of your employees sends you a handwritten note asking you to take a vacation," says an unabashed Neubauer. ○