DONALD PERKINS

Don Perkins is hailed by
director and CEOs alike as the quintessential
corporate director. At last count, the
former CEO of Jewel Industries has
logged more than 300 years of corpo-
rate board service. He sat for nearly
20 years on the board of Time Warner
during its evolution into a multi-
media giant. He was on the AT&T
board for 17 years, the Illinova board
for nine years, the Cummins Engine
board for 25 years. He stepped up
from director to run Kmart for five
months when the discount chain
encountered problems in 1995.

Undoubtedly, there are other corpo-
rare directors with similarly impressive
board portfolios. What sets Perkins
apart is not the number of boards
upon which he has served, but the
consistently high level of participation
and preparation he brings to each.

“Don takes the job of being a corpo-
rare director very seriously. It’s almost
a vocation for him,” stresses Cummins
Engine CEO Jim Henderson. And
boardroom attendance logs back this
up. Perkins estimates he attends
roughly 200 board and committee
meetings each year.

Perkins’ strong boardroom work ethic
has not only gotten him kudos from
his peers. It’s also made him a vocal
champion for formal CEO evaluation
programs.

Institutional investors and the press
increasingly hold directors account-
able for a CEO’s poor performance.
As a result, formal CEO evaluations
are now recognized as an essential
governance tool. Nearly 75% of the
boards of large companies – those
with $10 billion of assets and up –
formally evaluate their CEOs. For
medium-sized companies, with $5 to
$9.9 billion of assets, that number is
roughly 50%.

But formal evaluations were not
always de rigueur. Boards shield away
from such a regular, structured pro-
cess, concerned that implementing
one would disturb the collegiality of
the boardroom. Director peers credit
Perkins with either spearheading or
strengthening formal evaluation pro-
grams on many of the boards he has
joined.

“When I became CEO of Inland Steel,
there hadn’t been any kind of formal
– or for that matter, informal – CEO
evaluation process,” explains former
CEO Bob Darnall. “I told Don that I
wanted to have open lines of commu-
nication with the board about my per-
formance.”

Perkins and Darnall designed a pro-
cedure. Each year, Darnall presented
the board a list of his 10 or 12 finan-
cial, operational, and organiza-
tional goals. The board, led by Perkins,
would review the list and suggest
changes. When the final list was
approved, Darnall was measured
against it year-end.

Perkins served as the lead director
throughout the process. “He was just

BORN
March 22, 1927, in St. Louis,
Missouri

EDUCATION
B.A., Yale University; M.B.A.,
Harvard University

CAREER HISTORY
Former chairman and CEO,
Jewel Companies; interim
chairman, K-Mart Corp.

FAMILY
Married to Jane; three children,
two step-children, six grand-
children

HOME
Winnetka, Illinois; North Palm
Beach, Florida

HOBBIES
Golf; travel, including family trips
with kids and grandchildren; civic
and non-profit activities

RECENT BOOKS
The Innovator’s Dilemma, by
Clayton Christensen; “murder
mystery junk”

MOST ADMIRED PEOPLE
Those who know when they’ve
made the maximum contribution
to an organization and know
when to step aside

FAVORITE VACATION
Safari with family in Africa

CURRENT BOARDS
AON, Cummins Engine, Lucent
Technologies, Ryerson Tull,
Springs Industries, Putnam Funds
naturally the right person,” explains Darnall. Perkins would give Darnall verbal feedback from the board after the meeting. A week or so later, Darnall would get the board’s written assessment of his performance. The process worked so well that the Inland Steel directors took it and applied it to other boards on which they served.

“When the board is going to be responsible for determining the compensation of the CEO, then the compensation decision ought to be preceded by an evaluation,” Perkins reasons. Moreover, he believes that board members, as well as CEOs, should be evaluated. “Directors should be evaluated before they’re up for re-election,” he declares.

At Illinova, the holding company that controls Illinois power, he was a major proponent of a cutting-edge individual director evaluation program. In these programs, directors assess each other’s contribution to the board as a step in the re-nomination process. Director evaluation programs also were added during his tenure at Time Warner, Ryerson Tull, Lucent, and the Putnam Funds.

But there is more to Perkins’ boardroom skills than a commitment to formal evaluation programs. Time Warner chairman and CEO Gerald Levin defines a great director as one who has the ability to oversee a company whose basic definition and survival are at stake; whose structure and shape are changing; or whose management is being restructured. “All of those things happened to Time Warner when Don was on the board, and he was pivotal in all of those changes.”

Perkins served on the Time Warner board from 1979 to 1998, “probably

the most critical period in the emergence of the company,” notes Levin. Those years saw the merger of Time Inc. and Warner Brothers, the hostile bid for Time by Paramount, and the merger with Turner Broadcasting System.

The company suffered losses for several years running in the 1990s, and the stock was out of fashion. Perkins, says one fellow Time Warner director, asked the tough questions.

“He helped us deleverage the company,” explains Levin. “He held our feet to the fire in a very constructive way and helped us improve our balance sheet.” Wall Street analysts credit the cost-cutting at Time Warner with the subsequent improvement in the company’s performance—and uptick in its stock price.

“Don is thorough and persistent,” agrees Henderson. “If he thinks there’s something management isn’t paying attention to, he’ll bring it up. Again and again, if he has to. He doesn’t mind the awkward silences.” When Cummins Engine’s management was very excited about making a major engine investment, Henderson illustrates, “Don made us think it through. He asked a lot of questions.” The company went ahead with the expenditure, but did so from a position of greater understanding.

Walter Elisha has known Perkins as a CEO—Perkins served on the Springs Industries board from 1984 to 1999—and as a fellow Cummins Engine director. “His questions are excellent,” Elisha says. “He is able to ask questions without being threatening.” Another

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—Jim Henderson, CEO, Cummins Engine

skill that Perkins boasts, smiles Elisha, “He’s very good at praising in public and admonishing privately.”

Perkins himself defines the job of a corporate director as, “knowing when to challenge management and when to help management,” but acknowledges that only through experience does one know “when to do which.”

To those lobbying directors to trim the number of boards on which they sit, Perkins replies, “I’ve found it useful to get ideas from one board for another, or to get two companies on whose boards I serve to talk to one another.”