DONALD PERKINS

Don Perkins is hailed by fellow directors and CEOs alike as the quintessential corporate director. At last count, the former CEO of **Jewel Industries** has logged more than 300 years of corporate board service. He sat for nearly 20 years on the board of **Time Warner** during its evolution into a multimedia 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 corporate 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 corporate 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.

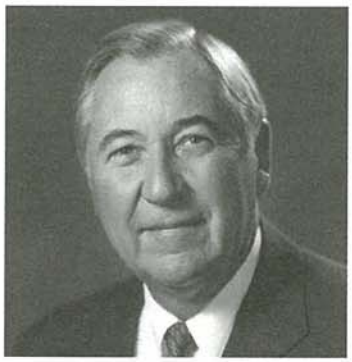
Institutional investors and the press increasingly hold directors accountable for a CEO's poor performance. As a result, formal CEO evaluations are now recognized as an essential governance tool. Nearly 75% of the boards of large companies – those with $10 billion of assets and up – formally evaluate 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 shied away from such a regular, structured process, concerned that implementing one would disturb the collegiality of the boardroom. Director peers credit Perkins with either spearheading or strengthening formal evaluation programs 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 communication with the board about my performance."

Perkins and Darnall designed a procedure. Each year, Darnall presented the board a list of his 10 or 12 financial, operational, and organizational goals. The board, led by Perkins, would review the list and suggest changes. When the final list was approved, Darnall was measured against it at 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 grandchildren

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

Perkins and family on safari in Africa.

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 re-structured. "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 skill that Perkins boasts, smiles Elisha, "He's very good at praising in public and admonishing privately."

"Don takes the job of being a corporate director very seriously. It's almost a vocation for him."

—Jim Henderson, CEO, Cummins Engine

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."