Martin Walker

Long after two companies have merged, their boards of directors are still sometimes working on merging themselves. It takes time for directors of the old companies to come together and work together as a unit. At **ArvinMeritor**, it happened much more easily thanks to the presence of **Skip Walker**.

"He's one of the best chairmen of audit committees I've ever experienced."

—Eugene Miller, chairman, Comerica

ArvinMeritor came to be when **Meritor Automotive** acquired **Arvin Industries** in July 2000. The two boards combined into one. The new management also decided to recruit a new director who wouldn't be tied to either side. The hope was that the newcomer could help resolve any conflicts between the two boards. The individual would bring a fresh, independent and outside perspective that both sides could count on to be unbiased.

The person who took the job was Skip Walker. And his fellow directors soon found he was far more than a tiebreaker. He became one of their most involved, productive and forceful directors. They found him unafraid to gently confront management and delve into financial minutiae. He led complex projects and followed through on them.

Through his quiet leadership, colleagues say, Walker became a respected voice that helped meld the two boards and resolve differences of opinion.

Oddly enough, Walker might not have been considered all that independent at first. A few years earlier, he had been a Meritor director.

ArvinMeritor CEO **Larry Yost** appreciated Walker's willingness to tactfully challenge him and other top management. For example, Walker raised his hand during a management presentation about the company's debts. "He asked a question about our fixed-floating policy on a debt. How much was variable, how much was fixed," Yost recalls. Walker was concerned that too much of the debt was the kind that lenders could call in on short notice.

As a result of Walker's question, the company conducted a full-scale reevaluation of its debt policy. It sought independent assessments from three outside firms. "It turned out to be an excellent question to ask," Yost says. As a result, ArvinMeritor's management and board are in a much better position to understand the issue.

The company also tweaked its debt policy to make it more conservative. It wasn't as much as Walker originally advocated. But Walker says he's

BORN
June 25, 1932; Indianapolis, Ind.

EDUCATION
B.A. and honorary doctor of management, GMI Engineering and Management Institute (now Kettering University), Flint, Mich.; M.B.A., Michigan State University

CAREER HISTORY
Currently principal, MORWAL Investments. Formerly Chairman and CEO, M.A. Hanna Co.

FAMILY
Wife, Mary; three children, 16 grandchildren

HOME
Belleair, Fla.

MOST ADMIRED PERSON
Abraham Lincoln

RECENT BOOK
Business @ the Speed of Thought by Bill Gates. Favorite authors: Robert Ludlum, John le Carré and Tom Clancy.

I DON'T LEAVE HOME WITHOUT…
A cell phone, Palm Pilot and a book to read.

CURRENT BOARDS
ArvinMeritor Inc.; Comerica Inc.; Goodyear Tire & Rubber Co.; Lexmark International, Inc.; Textron, Inc.; Timken Co.

"much more comfortable" with it after having heard presentations conducted during the review.

Another case where Walker's leadership and independence came in handy was the board's recent creation of a committee to study who would succeed CEO Yost. Walker chaired the committee. The process led to the selection of **Terry O'Rourke** as president, COO and a director.

Walker's colleagues think the process went unusually smoothly and quickly. Walker's independent outlook overcame any misgivings that the selection process would be biased in favor of either the former Meritor or Arvin.

"He assured us that our minds remained open," not only between candidates from the two former companies, but between inside and outside candidates, a board colleague states. Walker's industry experience lent further credibility to the process. He was formerly chairman and CEO of **M.A. Hanna** and executive vice president of **Rockwell International**.

Colleagues say Walker is particularly diligent about financials and personnel development.

At **Comerica**, chairman **Eugene Miller** says Walker is "one of the best chairmen of audit committees I've ever experienced." Before it was popular, Walker advocated discussing the quarterly earnings report in depth before its release. "We've been doing that for a long time," he says.

Walker holds a quarterly earnings report teleconference with one or two other committee members, several members of top management and outside auditors. "I've developed a list of questions that I ask. I know what some of the issues are in the bank, and I hit on those pretty hard."

Stan Gault, retired chairman of **Goodyear Tire & Rubber** and a fellow director of **Timken**, says one of Walker's pet ideas is the "true cost of capital." That's the concept that every dollar spent on capital should provide adequate return.

"That sounds very simplistic," Walker admits. "But many companies get into a rut where they make capital expenditures based on a credo that doesn't concentrate on shareholder return.

"I push pretty hard to make sure the returns are going to be adequate for the risk we're taking," Walker asserts. Accordingly, he comes prepared with notes and jottings in the board materials from management. "As we go through them, I make my points. I tend to be maybe too vocal."

Walker's comments sparked discussions that led Timken to spin off some product lines. Other discussions have led the company to scrap or modify plans to buy businesses in Eastern Europe, where it has bought quite a few in the past several years.

Colleagues also credit Walker with taking the time to develop personnel and look out for company succession plans. "He's concerned about the bench we're building... how we're developing people to not just do their present job, but to move up the line," Gault says.

Fellow directors add that Walker doesn't seem to think much about his own interests, even when it comes to making money. "He has great consternation about these companies that are doing crazy things for their executives, giving them sky-high stock options," says **Marvin Mann**, who has worked with Walker on the M.A. Hanna and **Lexmark** boards. Mann recalls that while Walker was CEO at M.A. Hanna, he argued against higher paychecks for himself: "A couple of times, he said, 'Don't give me a raise — give me some options and I'll work harder that way.'"

Good-governance advocates might raise an eyebrow at one of Walker's recent activities, however: an "interlocking" board membership. When he chaired M.A. Hanna, he and Lexmark's Mann briefly sat on each other's boards before Mann retired in 1999. This could smack of cronyism. Walker says he agreed to this membership only because Mann was nearing retirement.

Walker says he actually opposes cronyism. Too much personal friendship between a CEO and board members can compromise objectivity, he argues. "One of my best friends in Cleveland asked me to be on his board. I said no. I said, 'I want to maintain our friendship more than I want to serve on your board.'"

From left to right: Skip Walker with friends Mac, Jim and Pat McCormick of McCormick Inc., a trucking firm based in Vincennes, Ind., at a golf outing last fall.