

NORMAN R. AUGUSTINE

For accelerating a smooth management change at Phillips Petroleum

NORMAN AUGUSTINE IS A FORMER CEO. And like a former CEO, he has a firm grasp of business and boardroom dynamics. Norm Augustine is a humanitarian. And like a humanitarian, he is thoughtful and empathetic. Norm Augustine is also a corporate director. But Augustine is not like any other director.

"Norm Augustine epitomizes the absolute best," says **Randall Tobias**, retired CEO of **Eli Lilly**. Tobias serves on the **ConocoPhillips** board with Augustine. "Every time I talk to him, I feel I am a better board member," says **Lynn Martin**, a fellow **Procter & Gamble** director and former U.S. secretary of labor.

Augustine doesn't like the concept of a lead director. But he is often the director who leads. When **A. G. Lafley** was elevated to CEO of P&G in June 2000, for example, Lafley warned directors that it could take up to three years for P&G to get back on track. "I remember Norm being a quiet but strong voice of calm," Lafley says. "The man is an incredibly clear thinker." Augustine encouraged Lafley to begin by being "far more externally connected." P&G had historically developed talent from within. Hence, P&G executives rarely interacted with peers from other companies. Augustine encouraged Lafley to break out of the P&G ivory tower. The new CEO subsequently went on the **General Electric** and **General Motors** boards, held benchmarking and problem-solving sessions with **Emerson Electric**, **Cisco Systems** and **Microsoft** and now routinely participates in CEO confabs. "Norm was the catalyst," Lafley declares. "He felt I would get up the learning curve faster."

Augustine also encouraged the quest for greater access to peer thinking in the P&G boardroom. Says P&G director **Marina v.N. Whitman**, "Newer members have been brought on with a clear eye to the fact that they represent an industry that is helpful to P&G." The cross-pollination has strengthened P&G's bench and contributed to its recovery.

For his part, Augustine has always been externally connected. His curriculum vitae represents close to 40 years of public and corporate service. He has well over 100 high-profile awards and honorary titles and degrees. Along the way, Augustine was chairman and CEO of both **Martin Marietta** and its successor, **Lockheed Martin**. He also served as the 10-year honorary chairman of the American Red Cross.

"He symbolizes the principles of doing what's right," says Tobias, who credits Augustine with helping to position **Phillips Petroleum** for the future. The company had performed solidly throughout the '90s, after having beaten back takeover attempts by **T. Boone Pickens** and **Carl Icahn** in the decade before. But by the late 1990s Augustine and his fellow board members recognized that the oil industry was changing. Companies were consolidating to take advantage of integrated economies of scale.

"We concluded it was time to change the strategic plan," says Augustine. In 1999 the board designated Augustine, accompanied by Tobias, to talk with CEO **W. W. Allen** about accelerating his retirement. "It was a conscious decision by the board to ask Norm to take the assignment," recalls Tobias. "It was obvious to everybody."

Allen had spent his entire career at Phillips. Named CEO in 1994, he had successfully led the company for five and a half years and was almost 63. The customary Phillips retirement age was 65. If a possible strategy was to merge with another energy company, Phillips needed a CEO to be around long enough to lead the new company. The board had determined that Allen's best-qualified successor was **James Mulva**, then president and COO and age 52.

Augustine "gave the former CEO the opportunity to make this his own idea and own initiative," says Tobias. Allen agreed that the transition should be smooth and quick, and stayed on long enough to help Mulva settle in. The timeline—from the initial conversation with Allen to the company's announcement of change at the top—covered less than a month. The changeover was so smooth that the market barely took notice.



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“More than any other business executive or director with whom I’ve worked, he symbolizes the principles of doing what’s right.”

Randall Tobias
Retired CEO of Eli Lilly

When Conoco and Phillips announced their merger in late 2001, Augustine played a leadership role again. This time it was in building board consensus. He chaired the three-person Phillips contingent that worked with three Conoco board counterparts. “We worked on things that could have been deal-stoppers,” Augustine remembers. Among them was negotiating a sensitive move from Bartlesville, Oklahoma, to Houston. It involved inevitable layoffs for the small oil-company town. While the jury is still out on the long-term success of the **ConocoPhillips** deal, analysts estimate that more than \$750 million will be saved in the first year as a result of improved efficiencies, and that the merged company has better strength to undertake risky oil and gas explorations.

AUGUSTINE HAS HIT SOME BUMPS on the road, however. His status as chairman emeritus at Lockheed Martin and as chairman of the company’s nominating and governance committee was questioned during the 2003 proxy season. The AFL-CIO, which holds 8 million shares of Lockheed Martin in its pension funds, waged a campaign to withhold shareholder votes from Augustine and former **Enron** director **Frank Savage**.

The union charged that, as chair of Lockheed Martin’s nominating and governance committee, Augustine was instrumental in keeping Savage on the board. It also maintained that Augustine did not qualify as an independent director because he was a company employee within the five-year cooling-off period required by the New York Stock Exchange listing standards.

The shareholder vote was 17% withheld against Augustine. “Most boards get ratified by 90%; 17% is a generous amount,” says **Dieter Waizenegger**, research analyst at the AFL-CIO office of investment. Augustine is not deterred. He contends that Savage is a valuable director.

Augustine’s grandfather was a carpenter who did intricate inlay work for Pullman railroad cars. And Augustine has inherited his genes. **Black & Decker** CEO **Nolan Archibald** notes that Augustine—who’s been on the Black & Decker board since 1997—has a world-class workshop and uses the company’s products. He keeps notes on his workshop clipboard and gives extensive feedback on new and old tools.

Among the projects for which Augustine uses those tools are elaborate dollhouses. Over the years, Augustine

DIRECTOR’S SNAPSHOT

BORN:

July 27, 1935, in Denver, Colorado

EDUCATION:

B.S.E., M.S.E., Princeton University

CAREER HISTORY:

Chairman and CEO, Lockheed Martin; Chairman and CEO, Martin Marietta; Under Secretary of the Army

FAMILY:

Married to Meg (born in Stockholm, Sweden) for 42 years; two children; two grandchildren

HOMETOWN:

Potomac, Maryland

BEST BOOK READ THIS YEAR:

Into Thin Air, by Jon Krakauer

FAVORITE MOVIE SEEN THIS YEAR:

Chicago (the only one seen!)

BEST VACATION PAST 5 YEARS:

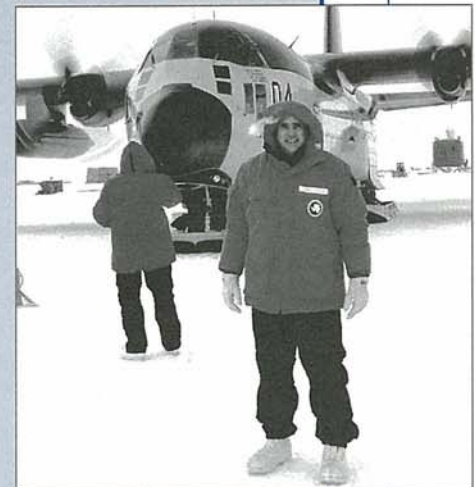
Trips to North and South Poles

MOST MEMORABLE SUMMER JOB:

Putting tar on roofs

WON’T LEAVE HOME WITHOUT:

“My airline ticket. When you retire, you have to have ‘em.”



► Augustine on his trip to the South Pole

FAVORITE QUOTATION:

“The moving finger writes, and having writ,
Moves on: not all your Piety
nor Wit
Shall lure it back to cancel half
a line,
Nor all your Tears wash out a
Word of it.”
—Omar Khayyam

CURRENT CORPORATE BOARDS:

Lockheed Martin, Procter & Gamble, ConocoPhillips, Black & Decker

has made four for his daughter René, the last completed in her final year of law school. Each took five years to build, and each features such details as electricity, gold leaf décor, marble staircases and dumbwaiters.

“They require intense concentration, and I really zone out,” says Augustine. He’s working on his biggest project yet—a White House dollhouse for his granddaughter Isabella. “You can’t ask for a floor plan of the White House. So whenever I happen to be there, I look behind the drapes and take careful notes,” Augustine deadpans. “I worry them a lot.” ■