

**W**looks good. But will it actually FLY?" When questions like that arise in the boardroom, all heads typically turn to Jim Hardymon. For figuring out what needs to be done to "make it fly" is one of his greatest talents. "I'm P&L-oriented, not balance-sheet-oriented," he explains. "I am the one all those wide-eyed dealmakers look to when it comes down to managing the factory floor." And his willingness to roll up his sleeves, dig down and put those talents to work as a director is what his fellow board members value — and admire — most.

"He's absolutely benchmark in terms of diligence," says John Jones, CEO of Air Products and Chemicals, Inc. Lexmark CEO Paul Curlander deems Hardymon "the most prepared man on the board." Ursula Fairbairn, executive vice president of human resources and quality at American Express and a fellow Air Products director, relishes his "integrity, intelligence, insistence on simplicity where possible and good humor."

But most of all, colleagues value his pragmatism. "That usually only comes when you've had a lot of experience," Curlander says. "If you're not pragmatic, you can be very demanding of goals but not know what it takes to achieve them." And with his experience, Hardymon has become a smooth operator — one who is more than willing to share his nuts and bolts know-how with the current generation of top corporate leadership.

"I put him up for the Lexmark board because, other than me, they didn't have anyone from operations — mostly they were from marketing, sales and technology," says Skip Walker. Walker, retired CEO of M. A. Hanna Co., knows Hardymon's worth firsthand. He was on Textron's board when Hardymon was CEO. "You really need to understand how businesses run — supply chain management and the like," says Walker. "Operations is where the money is made."

Hardymon thrives in the midst of complex situations that have as their hallmark the need for massive and detailed systemic change. While CEO of Textron, the \$10 billion aerospace and industrial components manufacturing company, he undertook to completely change its corporate character from that of a classic holding company to an operating company. He developed and instituted rigorous management processes as well as an extensive training program to help prepare the company for the future, and has used the knowledge developed from that process to help other companies do the same.

## HE'S ABSOLUTELY BENCHMARK IN TERMS OF DILIGENCE.

**JOHN JONES • CEO •  
AIR PRODUCTS AND CHEMICALS**

When he joined Air Products' board in 1997, the manufacturer of industrial gases and specialty chemicals was on a good track, with growing revenue and net income. But the need for some practical planning was

didates before they went before the nominating committee," he says. "It helps a new director candidate to have a familiar face the first time they walk in, and also, they'll ask an outside director something they probably wouldn't ask management."

This might have been enough of a difference for some directors to make, but not Hardymon. In 2003, as head of the compensation committee, he led a comprehensive review of all of Air Products' levels and classes of compensation, salary, bonuses and stock options, for the top executives on down. In the early 1990s, it had become the vogue to have compensation for top managers driven by stock options — "it put them more on a level with the shareholders," says Hardymon. But a few years ago, "there was a feeling we'd overdone it, that compensation was being tied too much to stock performance, and that it ought to be tied to more performance-related things," he says.

So Hardymon led the drive to revamp Air Products' compensation program. The committee worked with a compensation consultant to design a more data-driven compensation matrix. The result is that the stock-based incentive portion of the program is smaller and more per-

# SMOOTH

becoming evident. Several executives were nearing retirement age, and several board members were reaching the end of their terms and were barred from re-upping due to a term limits rule. Hardymon recognized the importance of having someone at the board level deal with the nuts and bolts of building for the future.

He participated in interviewing and writing the hiring agreements for all of the new top executives recruited, including Jones. He also recommended and interviewed director candidates in a much more proactive way than had been the style before him. "I volunteered to see the can-

formance-oriented criteria play into the package. In addition, executive retention and separation practices were upgraded and standardized. "Management had brought that need to our attention — they wanted a more standardized approach — so we put together standard procedures for employment and severance packages," says Hardymon. Now he is leading the board's review of Air Products' benefits programs for all current and retired employees.

A complex situation was also afoot at American Standard Companies Inc., the industrial company best known for its

JAMES F. HARDYMON

Outstanding Director for tuning up Air Products and Chemicals and American Standard

Hardymon translates  
business operations  
savvy into action  
that readies companies  
for the future

# OPERATOR



**BORN:** Maysville, Ky., Nov. 11, 1934

**EDUCATION:** B.S., Civil Engineering, University of Kentucky; M.S., Civil Engineering, University of Kentucky

**CAREER HISTORY:** Chairman and CEO, Textron; vice chairman, COO, president, Emerson Electric

**FAMILY:** Married to Gay Jarred; two children, four grandchildren

**HOMETOWN:** Lexington, Ky.; second home, Naples, Fla.

**MOST MEMORABLE SUMMER**

**JOB:** Driving a truck for his father's and uncle's materials business

**BEST VACATION IN PAST FIVE YEARS:** "When you retire, nothing's really a vacation. But I love going to my home in Naples. I'll stay there for weeks at a time."

**WHAT HE WON'T LEAVE HOME WITHOUT:** My schedule

**BEST BOOK READ IN THE PAST YEAR:** *Seabiscuit*, by Laura Hillenbrand

**BEST MOVIE:** *Something's Gotta Give*. "Something about it really stuck with me."

**QUOTATION:** "Good is the enemy of great."

**CURRENT CORPORATE BOARDS:** Lexmark International; Air Products and Chemicals Inc.; American Standard; Circuit City Stores



plumbing systems, when Hardymon arrived on its board in 1999. Kelso & Co., the merchant bank, had taken American Standard private in a 1988 leveraged buy-out. In 1995 the company went public once again, and Kelso, which owned 59%, was in the process of selling off its stock and redeploying its capital elsewhere. The four directors on the then 11-member board who were from Kelso were coming off, and the long-term chairman, president and CEO, Emanuel Kampouris, was approaching retirement age as well.

Again, Hardymon rolled up his sleeves and jumped into the CEO search, which resulted in the hire of Fred Poses, an experienced executive with the industrial and specialty materials firm AlliedSignal, Inc., in January 2000.

Hardymon's "greatest strength is his ability to bring to a board his knowledge and experience, and to use it," says Ed Hagenlocker, former vice chairman at Ford

Motor Co., who serves with Hardymon on the boards of both American Standard and Air Products. Hagenlocker reports that American Standard has also been well served by Hardymon's knack for taking what he has learned at one company and putting it to good use at another. For example, Hardymon is currently working on refining the compensation program for the firm's top executives to give its structure a longer-term focus.

In addition, as presiding director, "[Hardymon] introduced a process to evaluate a board and improve its effectiveness, long before Sarbanes-Oxley," says Hagenlocker. The process — a checklist of items to cover — was something that Hardymon had seen used at both Air Products and Lexmark and brought over to American Standard. "When I was hired, the board had three insiders. Now, out of eight or nine slots, I'm the only insider," says Poses. How has American

Standard performed in the midst of all this? Since 1999, revenue, net income and stock price have been on a steady upswing. The company has been paying down its debt, and the profit margin, between 4% and 5%, has been holding steady.

Hardymon, who completed two tours of duty in the U.S. Army after college, developed his broad operations expertise over a 40-plus-year career in increasingly senior line positions — first at Browning Manufacturing Company, then at Emerson Electric and finally at Textron. At Emerson, which bought Browning in 1969, he rose through the ranks to become vice chairman, chief operating officer and president. He joined Textron in 1989 as president and chief operating officer and was named CEO in 1993.

W. Alan McCollough, CEO of Circuit City Stores, Inc., has recognized the value of Hardymon's expertise ever since he joined the company in 1999, a year after Hardymon joined the board. "A larger issue for us has been to remake ourselves for the future — restructuring our stores, how to compensate people, how to bring things to market — and that's where Jim's really been of great help," he says. One portion of the remaking was management's decision to shift salesperson compensation from commission to salary, which the board's compensation committee helped to research. "I was conscious of pay practices, and did some benchmarking with outside help," says Hardymon.

While Hardymon clearly relishes his corporate board work, he would be far from idle without it. He is active on the board of trustees of the University of Kentucky, his alma mater, where he heads its finance and investment committees. He is also on the advisory boards of the equity investment group Investcorp International and Proudfoot Consulting.

And his talents as counselor in chief will not go untapped if his children have anything to say about it. "My daughter and son-in-law have just bought into a business, and I'll probably be asked for advice, even though they probably don't want me sticking my nose into what they're doing!" he says, laughing. ○