



presents **2009 Outstanding Director**

Ursula O. Fairbairn

Fairbairn championed initiatives that have raised the performance bar at **VF**, contributing to a business transformation and record results.

A New Look: Ursie Fairbairn Helps Dr

People no longer think of VF as just jeans and underwear," declares Alan McColough, a member of VF Corporation's board and the retired chairman, president and CEO of Circuit City. But six years ago, the Greensboro, N.C.-based apparel company was stagnating. Though its Wrangler, Lee and intimate apparel brands sold steadily, VF's revenues had been largely unchanged for more than three years.

"There was a feeling among the board, particularly from Ursie, that we needed to do something to grow the top line," explains director Rust Sharp, of counsel at Heckscher, Teillon, Terrill & Sager. "With Ursie as the leader of the pack, we got management on board to transform the company."

Compensation committee chair Ursula Fairbairn was an influential voice in the boardroom. She was executive vice president of Human Resources and Quality at American Express from 1996 until her retirement in 2005. In addition, she had 18 years of line sales and marketing experience at IBM and had managed a 10,000-person sales force. "That line experience helps me connect with the businesses whose boards I serve on," says Fairbairn.

Regarding the need for a change at VF, Fairbairn says simply, "We loved our CEO, but we had some valuable thinking to add."

"The board drove the conversation: How do we execute a strategy to become a leading lifestyle company with apparel, rather than an apparel manufacturer?" says VF director Clarence Otis, chairman and CEO of Darden Restaurants. After roughly six months of robust discussion, the board and management began to implement a new strategy to focus on high-growth areas of the apparel business and acquire key lifestyle brands.

"Ursie played an important role in what we accomplished," says VF's former chairman

and CEO Mackey McDonald. "On the strategy side, she helped us develop a course of action. On the compensation side, she helped to determine what metrics would be appropriate for a different type of company."

VF began to acquire new companies, such as sportswear maker Nautica, outdoor outfitters Vans and Reef, and contemporary brands Lucy, 7 For All Mankind, and John Varvatos. It shifted from primarily selling through big-box U.S. retailers to focusing on global distribution, including China, India and Latin America. The company boosted spending on advertising and opened dozens of retail stores. And in April of 2007, VF sold its unprofitable namesake brand, Vanity Fair intimate apparel, to Fruit of the Loom.

"Ursie was instrumental in aligning our compensation with the new strategic direction of the company," continues McDonald. Before the shift, compensation had been based largely on profitability, earnings per share and return on assets. With Fairbairn's guidance, performance metrics came to include both organic revenue growth — within the company's existing brands — and acquisition revenue growth.

"Employees are very good at figuring out what you want them to do," says a smiling



PHOTOS BY: JAY GULLIXSON

Drive a Business Transformation at VF

Fairbairn. "Compensation motivates leaders and changes behavior."

VF's comp committee created annual revenue targets for each of the company's divisions, or coalitions, and for the individual brands. Fairbairn explains that the jeanswear division was given a high target for organic growth but not for growth by acquisition, and the outdoor division was given a high target for both organic and acquisition growth. This was a shift from the compensation plan's previous focus on overall corporate performance. "Performance across the company is not even, and we needed to motivate each brand in different ways," she sums up.

The strategy has paid off handsomely. In 2008, VF posted its sixth consecutive year of record revenues — \$7.6 billion, up 6% from its \$7.2 billion in sales in 2007. The company boasts a strong balance sheet and has fared better than its competitors in the economic slowdown. "Our business has grown globally and substantially," says Barbara Feigin, a member of the VF board and a consultant.

Boardroom Talent Management

"Oftentimes, compensation committees can get too focused on the comp plan, which is a big job," notes Tom Falk, chairman and CEO of Kimberly-Clark and a fellow director of Fairbairn's at Dallas-based Centex, a leading homebuilder. "But Ursie brings perspective about leadership development, succession and diversity to the committee, as well."

As a seasoned former human resources executive, Fairbairn has made major contributions to all her boards. At VF, "She helped management develop a talent agenda that went beyond anything they had in place," explains Feigin. Fairbairn's board colleagues credit her with ensuring they are exposed to several layers of management, not just the executive suite.

"With my HR background, I really believe in talent," says Fairbairn. "As directors, we need to know about the company's future leaders." She adds that it requires regular assessment, discussion and investment. "If you invest in your talent, you're likely to have bench strength. And over the last five to 10 years, that has been what distinguishes a good company from a great company."

Barbara Alexander, a director at Centex and an independent consultant, says that in the homebuilding industry, "until recently, HR was viewed at best as an attractive accessory, rather than as a necessity." Fairbairn was able to explain how "a really well functioning HR effort can help, particularly in an industry that is contracting so dramatically," Alexander continues. "Succession planning was almost nonexistent when Ursie joined the board. Other directors were concerned about it, but she helped spearhead it."

Sunoco director Bob Darnall, retired chairman, CEO and president of Inland Steel, echoes this theme. "Talent management was an area where Sunoco was lagging," he says. "Several directors recognized it, but Ursie was able to articulate what we were feeling about inadequacies in the areas of executive development and succession planning." With her influence, talent management became a priority to Sunoco's management, and, says Darnall, "great strides have been made since then."

That keener focus has led to successful, recent CEO successions at Sunoco, Air Products and VF Corp.

Compensation Committee Bonus

Fairbairn chairs or sits on the compensation committees of all her boards, and analysts give all of those companies good marks for the details of their compensation plans. "Fullness, clarity and accuracy are the

mindset of the good director when it comes to disclosure," Fairbairn explains. "We make sure to explain the why as well as the what."

Fairbairn encourages compensation committees to keep their focus on total compensation, particularly for CEOs. "The whole package needs to make sense compared to the whole industry," she points out. "You have to look at the total compensation package in order to do peer comparisons correctly, otherwise you're cherry-picking."

rector of Circuit City from 2005 until a few months before its bankruptcy in 2008. Centex has cut more than half its workforce over the last two years in response to the housing market downturn. And in March 2009, Sunoco announced it was cutting 20% of salaried workers as part of a restructuring. "Downsizing is painful," Fairbairn says. "Lay-offs are painful."

Centex chairman and CEO Tim Eller says that Fairbairn helped him think through

"With Ursie as the leader of the pack, we got management on board to transform the company."

Rust Sharp, of counsel, Heckscher, Teillon, Terrill & Sager

Darnall chairs the Sunoco board's audit committee. In that capacity, he interacts frequently with Fairbairn as head of the comp committee. "Ursie was probably the first to talk about the linkage between comp and audit in terms of the design of the plan, target setting and confirmation of the numbers," he notes. "It's a very good process, and I've begun to use it on some of my other boards."

Fairbairn's associates all remark on the huge amount of time she invests in board work. Feigin calls her "tireless" and adds, "She is always on the job."

John McGlade, chairman, president and CEO of Air Products, illustrates Fairbairn's commitment with an example: The company's operations and employees in Louisiana and Texas were affected by the hurricanes in 2005. Its INOX Air Products division is based in Mumbai, which endured terrorist attacks in November of 2008. "Ursie emails immediately wanting to know whether our people or our operations are affected and what we are doing to be a good corporate citizen. She is always the first to make contact."

To be sure, not all of Fairbairn's board experiences have been ideal. She was a di-

rector of Circuit City from 2005 until a few months before its bankruptcy in 2008. Centex has cut more than half its workforce over the last two years in response to the housing market downturn. And in March 2009, Sunoco announced it was cutting 20% of salaried workers as part of a restructuring. "Downsizing is painful," Fairbairn says. "Lay-offs are painful."

management development and leadership assessment before homebuilders began to suffer. "It's been very valuable as we have had to downsize," he notes. The groundwork he and Fairbairn did has helped company management identify the talent they wanted to keep.

Colleagues describe how she constantly raises the bar. McGlade explains that Air Products is known for its commitment to safety. In spite of that, he defines Fairbairn's approach as: "You are good, but there are always opportunities to improve."

"Ursie was tenacious in striving to improve what we were doing," says McDonald. "VF had a very successful track record. That's a situation where it's even harder to make changes."

Fairbairn responds, "In a very collaborative way, the board said, 'We're doing great. How do we stay great?'"

— Karen Murray

**Ursie Fairbairn will be speaking about
"The CEO and the Board:
Forging an Effective Partnership"
on June 17, 2009 at ODX New York.
Please call 212.542.1255 for details.**

DIRECTOR'S SNAPSHOT

Born

February 5, 1943, in Newark, N.J.

Education

BA in Math and Spanish,
Upsala College;
MAT, Harvard Graduate School
College of Education

Family

Husband Bill, 3 children,
6 ½ grandchildren

Hometowns

NYC; Mantoloking, N.J.

Most memorable summer job

Skip-tracing delinquent payers

Best book this year

Outliers by Malcolm Gladwell

All-time favorite movie

Out of Africa

Favorite charities

Bach Choir of Bethlehem,
Save Barnegat Bay

Idea of bliss

Reading as I sit on the deck
overlooking the ocean

Most admired historical figure

Winston Churchill

What's your motto?

"Don't expect what you
don't inspect!"

Public directorships

Air Products & Chemicals,
Centex, Sunoco, VF



Ursie and Bill Fairbairn celebrate their wedding anniversary with their extended family at Caneel Bay on St. John.

Congratulations to the
2009 Outstanding Directors

These six independent directors have been recognized by their peers as leaders who have gone above and beyond the call of duty, demonstrating judgment, courage and integrity while acting in the interests of shareholders.

Robert D. Biggs

H. Raymond Bingham

William V. Campbell

Ursula O. Fairbairn

Jerre L. Stead

Douglas A. Warner III



Outstanding Directors Exchange

The Outstanding Directors Program has been honoring standout independent directors since 1998. The Class of 2009 will share their best practices and be honored at directors-only ODX events throughout the year. Please see www.TheODX.com for details.

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