

MAKING RIGHT TURNS

Q: *How has your company facilitated a turnaround?*



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» **BROWN** We made a decision very early on in our Chapter 11 process in 2000 to separate it from our business operations. This allowed all but a very few of Owens Corning's 19,000 employees around the world to remain focused on serving the needs of our customers through innovative solutions and waste elimination. The result was profitable growth for our company.

» **CUTLER** Eaton has been changing its business mix since the start of the decade from being primarily an auto- and truck-components supplier to a company focused on higher growth and margin opportunities, predominantly in the electrical and fluid-power industries. We improved our geographic balance, expanded our talent base — including the senior management team — and began running Eaton as an integrated operating company through the Eaton Business System. Our after-tax earnings have grown at a 35 percent compound rate since 2002 as we've demonstrated our ability to perform successfully during all phases of the economic cycle. And Eaton's transformation has produced real returns

for our shareholders — our total shareholder return has averaged 17.5 percent per year for the past five years.

» **LIVERIS** Between the end of 2000 and early 2003, Dow's earnings for 10 consecutive quarters failed to cover the cost of its dividend. It was a near-death experience. Turning the organization around hinged on recognizing two fundamental truths: First, we could not count on improved industry conditions. Second, our efforts should focus on controlling what we could control. Communication was crucial. We were candid about problems, clear about what needed to be done and brutally frank about progress. We were also ruthless in our execution. Our efforts were hugely successful and spurred a cultural change that is now institutionalized throughout the organization.

» **MITARAI** At Canon, we implemented a change in our corporate mindset in 1995, focusing on companywide optimization and profits over sales. We shut down unprofitable divisions and set up cash-flow management controls. Next, to improve efficiency through-

out the Canon Group, we removed the barriers that had stood between business divisions, as well as those that divided our development, production and marketing operations. Since launching this effort, net sales have increased twofold as net income leaped more than eightfold. Also, debt fell from ¥840 billion (\$8.15 billion, exchange rate as of 12/29/95) to ¥31.2 billion (\$262 million, exchange rate as of 12/29/06), and the debt-to-total asset ratio dropped to 0.7 percent from 33.6 percent.

» **NOTEBAERT** We actually avoid the word *turnaround* because Qwest's transformation is an ongoing process. We anticipate no finish line — or, as we frequently tell one another, "Never exhale." As the communications industry redefines itself, we're convinced that the only real differentiator is outstanding customer service. That's why what we call our Spirit of Service has been at the heart of every Qwest initiative. That core value has mandated that we keep all our promises — to customers, the financial community, employees and communities. And everything from significant financial improvements to all-time highs in customer-service evaluations indicates we are headed in the right direction.

» **WAGONER** General Motors took a number of big actions on the cost side that allowed us to cut \$9 billion in North American structural costs on a running-rate basis by the end of last year. These were huge reductions, and what made them possible was that everybody in the GM family contributed — employees, dealers, unions, suppliers and board members. And yet, we resisted the temptation to cut new-product and technology spending. Instead, we will actually raise our annual capital spending from under \$8 billion in 2005 and 2006 to between \$8.5 billion and \$9 billion in 2007 and 2008. ▢