

HEROES

Corporate

The Great Recession demands great leadership. These executives have steered their companies through the crisis by staying true to their long-term vision.

By Claudia Deutsch
& Katie Gilbert

MANY MARKET OBSERVERS AND INDUSTRY ANALYSTS seemed genuinely shocked late last month when Ford Motor Co. reported net annual income of \$2.7 billion. An American automaker in the black — for 2009? Such an occurrence hardly seemed likely given that it was just over a year ago, in November 2008, that the chief executives of the nation's Big Three automakers — Chrysler, General Motors Corp. and Ford — were summoned to Capitol Hill to justify their request for a \$50 billion lifeline.

That request sparked populist anger, coming as it did on the heels of Wall Street's initial \$700 billion bailout, and the anger exploded into outrage when taxpayers learned that the CEOs had flown to Washington in separate private jets to plead for public assistance. The move only seemed to underscore the widespread perception of the auto industry as a culture of profligate spenders with an unbridled sense of entitlement; they could adapt or die.

Chrysler and GM eventually received federal funds, though much less than originally requested and with government demands that they restructure their operations and increase efficiency — and both companies filed for bankruptcy protection just a few months later.

But Ford was different. Chief executive Alan Mulally flew to Washington not to ask for money, but as a show of solidarity with his peers and to secure a government-backed line of credit, should his company suffer collateral damage from the collapse of Chrysler, GM or both. Mulally was so confident that Ford would ride out the recession that he agreed to have his base salary slashed from \$2 million a year to just one dollar if his company ever took a government loan.

His confidence was based in part on the fact that the sort of restructuring and improvements in operational efficiency that the government was demanding of Chrysler and GM in 2008, Mulally had initiated at Ford upon becoming CEO two years earlier. His vision, his willingness to make tough decisions and his ability to push through reforms helped strengthen the Dearborn, Michigan-based automaker's financial position long before the U.S. economy tumbled into recession. These qualities also make him a favorite of both buy- and sell-side analysts, who name Mulally the Best CEO in the Autos & Auto Parts sector on the 2010 All-America Executive Team, *Institutional Investor's* exclusive ranking of the nation's best

CEOs, CFOs, investor relations professionals and IR companies. Top-ranked executives and companies in each industry sector can be found in the tables on pages 54, 55, 85 and 87. More-detailed information can be found on our Web site, iimagazine.com.

Overseeing a public company is a daunting task in the best of times; in a recession the challenges are multiplied and magnified — and in *this* recession corporate chieftains find themselves confronted on all sides by skepticism, anger and distrust unlike anything they've ever encountered before.

"The overall criticism of business is higher now than it's been since 1931," observes Nell Minow, co-founder of the Corporate Library, a corporate governance research firm headquartered in Portland, Maine.

The sore spot seems to be the lack of accountability. Financial scandals earlier in this decade resulted in the ousting of perpetrators who could be punished and the passage of new regulations, such as the Global Research Analyst Settlement, which required Wall Street firms to sever all business connections between their research and investment banking operations to minimize the potential for conflicts of interest, and the Sarbanes-Oxley Act, which called for corporate executives to be held personally accountable for the information in their company reports.

But regulators are still struggling to determine how the current crisis began and who, if anyone, is responsible. With government officials either unwilling or unable to determine who is accountable and what reforms are needed to ensure that such a crisis never happens again, many shareholders have taken it upon themselves to push for greater transparency and accountability from corporate executives, especially with regard to executive compensation and how — if — it is tied to a company's performance.

"If you don't have transparency, you can't hold the board accountable," explains Hye-Won Choi, head of corporate governance at New York-based financial services organization TIAA-CREF.

Minow points out that more than 90 directors kept their seats in 2009 even after shareholders had voted for their ouster. "It is shameful that the board members who led us into this disaster continue to serve," she says.

The California Public Employees' Retirement System is pushing

THE 2010 ALL-AMERICA EXECUTIVE TEAM

for proxy access, which would allow shareholders to nominate their own candidates for board positions, rather than choosing from candidates selected by a company’s existing board of directors. Last June the Securities and Exchange Commission proposed amending its rules to remove impediments to proxy access, but public response to the highly contentious issue prompted chairman Mary Schapiro to announce in October that the agency’s commissioners would defer a decision until later this year.

Anne Simpson, senior portfolio manager for corporate governance at CalPERS in Sacramento, California, is adamant on the need for proxy access. “If you do not have the will of the majority behind you, you should be forced to resign,” she says. Sarbanes-Oxley is fine as far as it goes, she adds, but it does not go far enough: “We want to speak softly and carry a big stick, but all we have is a feather duster.”

Francis (Frank) Blake knows better than most how important it is for a CEO to keep investors on his or her side. Blake ascended to the top job at Home Depot in January 2007 following the sudden — and shocking — resignation of embattled CEO Robert Nardelli (who would go on to raise taxpayer ire as CEO of Chrysler by flying a private jet to Washington to plead for bailout funds). Nardelli’s highly publicized departure from Home Depot was driven by activist shareholders outraged by his refusal to allow his compensation to be linked to the Atlanta-based home improvement chain’s performance, among other issues. Since Nardelli had become CEO in 2000, investors had complained that he was overpaid (he received nearly

\$125 million in salary in his first five years), as Home Depot’s stock price stagnated while the stock market was soaring. But he appeared indifferent not only to their objections about his compensation but also to their concerns about the direction of the company, famously announcing at one shareholder meeting that he would limit the question-and-answer period to just 30 minutes, and he declined to respond to any of the issues raised by investors.

When Blake, 60, was named Nardelli’s successor, many on Wall Street were stunned and assumed that he would hold the job only on an interim basis, despite the fact that he had been with the company for five years as an executive vice president and vice chairman of its board of directors. He quickly proved the skeptics wrong, outlining a plan to improve profitability that involved shedding noncore assets, cutting costs and preparing for an economic downturn that he knew was coming.

Home Depot’s fortunes have long been closely tied to the housing market. For most of the past 50 years, Blake says, new residential construction in the U.S. has accounted for 4.75 percent of real gross domestic product, on average; by 2006 it had jumped to 6.25 percent of GDP. “We knew this was going to correct — it had to,” says Blake. (He was right, of course; by the third quarter of 2009, residential construction had plunged to an annualized rate of only 2.5 percent of GDP.)

As soon as he took office, Blake began divesting some of the ancillary businesses that Nardelli had embraced. In August 2007 the company sold its wholesaler distribution division, HD Supply, for \$8.5 billion to a private equity consortium formed by affiliates of Bain Capital Partners, Carlyle Group and Clayton, Dubilier & Rice. (Home Depot retained a 12.5 percent equity stake in HD Supply, for which it paid \$325 million.) In 2008, Blake slashed new-store openings and concentrated on revitalizing the offerings, service and appearance of existing stores. He centralized purchasing operations to capitalize on Home Depot’s formidable clout, but he stopped the practice of requiring stores in certain locations to stock merchandise they probably couldn’t sell (such as lawn tractors in Arizona). He gave store managers more electronic tools to keep track of and greater autonomy to respond to local competition, and he sped up the process by which they can replenish out-of-stock items without carrying huge inventories.

“We finally refocused on our core business and on being

The 2010 All-America Executive Team: Most Honored Companies
Listed below are companies ranked by first-place positions won. Two top spots are available per category, for a total of eight overall.

Rank	Company	Sector	Total First Place	CEOs	CFOs	IR Pros.	IR Cos.
1	First Solar	Alternative Energy	8	2	2	2	2
2	First Horizon National Corp.	Banks/Midcap	7	2	1	2	2
2	Freeport-McMoRan Copper & Gold	Metals & Mining	7	2	2	1	2
2	Staples	Retailing/Hardlines	7	1	2	2	2
5	Cognizant Technology Solutions Corp.	Computer Services & IT Consulting	6	2	2	1	1
5	Colgate-Palmolive Co.	Cosmetics, Household & Personal Care Products	6	2	1	1	2
5	Entergy Corp.	Electric Utilities	6	2	2	0	2
5	Goldman Sachs Group	Brokers, Asset Managers & Exchanges	6	1	2	1	2
5	Hewlett-Packard Co.	IT Hardware	6	2	0	2	2
10	Activision Blizzard	Leisure	5	2	2	0	1
10	Coach	Apparel, Footwear & Textiles	5	1	1	2	1
10	Continental Airlines	Airlines	5	1	0	2	2
10	Intel Corp.	Semiconductors	5	2	1	0	2
10	Johnson Controls	Autos & Auto Parts	5	0	1	2	2
10	JPMorgan Chase & Co.	Banks/Large-Cap	5	2	1	0	2
10	Kroger Co.	Retailing/Food & Drug Chains	5	1	1	1	2
10	Medco Health Solutions	Health Care Technology & Distribution	5	1	1	1	2
10	Target Corp.	Retailing/Broadlines & Department Stores	5	0	2	1	2
10	Visa	Consumer Finance	5	1	1	1	2

THE 2010 ALL-AMERICA EXECUTIVE TEAM

The 2010 All-America Executive Team: Best CEOs

Listed here by industry and sector are the executives who rated highest when buy- and sell-side analysts were asked to choose the top-performing CEOs in their domains.

Sector	Buy Side	Sell Side
BASIC MATERIALS		
Chemicals	Hugh Grant, Monsanto Co.	David Weidman, Celanese Corp.
Metals & Mining	Richard Adkerson, Freeport-McMoRan Copper & Gold	Richard Adkerson, Freeport-McMoRan Copper & Gold
Paper & Packaging	Richard Wambold, Pactiv Corp.	James Rubright, Rock-Tenn Co.
CAPITAL GOODS/INDUSTRIALS		
Aerospace & Defense Electronics	Louis Chênevert, United Technologies Corp. ¹	Mark Donegan, Precision Castparts Corp.
Airfreight & Surface Transportation	Frederick Smith, FedEx Corp.	James Young, Union Pacific Corp.
Business, Education & Professional Services	John Casella, Casella Waste Systems	Robert Silberman, Strayer Education
Electrical Equipment & Multi-Industry	David Farr, Emerson Electric Co.	H. Lawrence Culp Jr., Danaher Corp.
Engineering & Construction	— ²	Alan Boeckmann, Fluor Corp.
Machinery	Alexander (Sandy) Cutler, Eaton Corp.	Samuel Allen, Deere & Co.
CONSUMER		
Airlines	Gary Kelly, Southwest Airlines Co.	Lawrence Kellner, Continental Airlines ³
Apparel, Footwear & Textiles	Lewis Frankfort, Coach	Emanuel Chirico, Phillips-Van Heusen Corp.
Autos & Auto Parts	Alan Mulally, Ford Motor Co.	Alan Mulally, Ford Motor Co.
Beverages	Indra Nooyi, PepsiCo	Indra Nooyi, PepsiCo
Cosmetics, Household & Personal Care Products	Ian Cook, Colgate-Palmolive Co.	Ian Cook, Colgate-Palmolive Co.
Food	Alan Wilson, McCormick & Co.	A.D. David Mackay, Kellogg Co.
Gaming & Lodging	Stephen Wynn, Wynn Resorts	Brian Gamache, WMS Industries
Homebuilders & Building Products	— ²	Robert Toll, Toll Brothers
Leisure	Robert Kotick, Activision Blizzard	Micky Arison, Carnival Corp.; Robert Kotick, Activision Blizzard ⁴
Restaurants	James Skinner, McDonald's Corp.	Clarence Otis Jr., Darden Restaurants; James Skinner, McDonald's Corp. ⁴
Retailing/Broadlines & Department Stores	Kevin Mansell, Kohl's Corp.	James Sinegal, Costco Wholesale Corp.
Retailing/Food & Drug Chains	David Dillon, Kroger Co.	Thomas Ryan, CVS Caremark Corp.
Retailing/Hardlines	Ronald Sargent, Staples	Francis Blake, Home Depot
Retailing/Specialty Stores	Carol Meyrowitz, TJX Cos.	Glen Senk, Urban Outfitters
Tobacco	— ²	Susan Ivey, Reynolds American
ENERGY		
Alternative Energy	Michael Ahearn, First Solar ⁵	Michael Ahearn, First Solar ⁵
Electric Utilities	J. Wayne Leonard, Entergy Corp.	J. Wayne Leonard, Entergy Corp.
Integrated Oil	Ray Irani, Occidental Petroleum Corp.	Rex Tillerson, Exxon Mobil Corp.
Natural Gas & Master Limited Partnerships	Murry Gerber, EQT Corp.	Gregory Armstrong, Plains All American Pipeline

Sector	Buy Side	Sell Side
Oil & Gas Exploration & Production	John Pinkerton, Range Resources Corp.	Keith Hutton, XTO Energy
Oil Services & Equipment	Andrew Gould, Schlumberger	Andrew Gould, Schlumberger
FINANCIAL INSTITUTIONS		
Banks/Large-Cap	James Dimon, JPMorgan Chase & Co.	James Dimon, JPMorgan Chase & Co.
Banks/Midcap	D. Bryan Jordan, First Horizon National Corp.	D. Bryan Jordan, First Horizon National Corp.
Brokers, Asset Managers & Exchanges	Lloyd Blankfein, Goldman Sachs Group	Jeffrey Sprecher, Intercontinental-Exchange
Consumer Finance	Joseph Saunders, Visa	Richard Fairbank, Capital One Financial Corp.
Insurance	Daniel Amos, Aflac	C. Robert Henrikson, MetLife
REITs	Michael Fascitelli, Vornado Realty Trust	David Simon, Simon Property Group
HEALTH CARE		
Biotechnology	Sol Barer, Celgene Corp.	John Martin, Gilead Sciences
Health Care Technology & Distribution	George Paz, Express Scripts	David Snow Jr., Medco Health Solutions
Managed Care & Health Care Facilities	— ²	Wayne Smith, Community Health Systems
Medical Supplies & Devices	J.Raymond Elliott, Boston Scientific Corp.; Robert Parkinson Jr., Baxter International; Miles White, Abbott Laboratories ⁴	Robert Parkinson Jr., Baxter International
Pharmaceuticals	David Pyott, Allergan	David Pyott, Allergan
MEDIA		
	Robert Iger, Walt Disney Co.	Robert Iger, Walt Disney Co.
TECHNOLOGY		
Computer Services & IT Consulting	Francisco D'Souza, Cognizant Technology Solutions Corp.	Francisco D'Souza, Cognizant Technology Solutions Corp.
Internet	Jeffrey Bezos, Amazon.com	Jeffrey Bezos, Amazon.com
IT Hardware	Mark Hurd, Hewlett-Packard Co.	Mark Hurd, Hewlett-Packard Co.
Semiconductors	Paul Otellini, Intel Corp.	Paul Otellini, Intel Corp.
Software	Lawrence Ellison, Oracle Corp.	Lawrence Ellison, Oracle Corp.
TELECOMMUNICATIONS		
	John Chambers, Cisco Systems	Paul Jacobs, Qualcomm; Ivan Seidenberg, Verizon Communications ⁴

¹In January, Louis Chênevert became chairman of the board of United Technologies Corp.; he remains CEO.

²No company met the minimum vote requirement.

³Lawrence Kellner stepped down as chairman and CEO of Continental Airlines at year-end 2009.

⁴Tie.

⁵Effective October 1, Michael Ahearn stepped down as CEO of First Solar; he remains executive chairman.

The 2010 All-America Executive Team: Best CFOs

Listed here by industry and sector are the executives who rated highest when buy- and sell-side analysts were asked to choose the top-performing CFOs in their domains.

Sector	Buy Side	Sell Side
BASIC MATERIALS		
Chemicals	James Sawyer, Praxair	James Sawyer, Praxair
Metals & Mining	Kathleen Quirk, Freeport-McMoRan Copper & Gold	Kathleen Quirk, Freeport-McMoRan Copper & Gold
Paper & Packaging	Mark Buthman, Kimberly-Clark Corp.	Timothy Donahue, Crown Holdings
CAPITAL GOODS/INDUSTRIALS		
Aerospace & Defense, Electronics	— ¹	Gregory Hayes, United Technologies Corp.
Airfreight & Surface Transportation	— ¹	Thomas Hund, Burlington Northern Santa Fe Corp. ²
Business, Education & Professional Services	Paul Massaro, Casella Waste Systems	Tod Holmes, Republic Services
Electrical Equipment & Multi-Industry	David Anderson, Honeywell International	Daniel Comas, Danaher Corp.
Engineering & Construction	— ¹	D. Michael Steuert, Fluor Corp.
Machinery	— ¹	Timothy Pistell, Parker-Hannifin Corp.
CONSUMER		
Airlines	— ¹	Laura Wright, Southwest Airlines Co.
Apparel, Footwear & Textiles	Michael Devine III, Coach	— ¹
Autos & Auto Parts	R. Bruce McDonald, Johnson Controls	— ¹
Beverages	Richard Goodman, PepsiCo	Gary Fayard, Coca-Cola Co.
Cosmetics, Household & Personal Care Products	Stephen Patrick, Colgate-Palmolive Co.	Jon Moeller, Procter & Gamble Co.
Food	John Bryant, Kellogg Co.	John Bryant, Kellogg Co.
Gaming & Lodging	Scott Schweinfurth, WMS Industries	Scott Schweinfurth, WMS Industries
Homebuilders & Building Products	— ¹	Joel Rassman, Toll Brothers
Leisure	Thomas Tippl, Activision Blizzard	Thomas Tippl, Activision Blizzard
Restaurants	— ¹	Richard Carucci, Yum! Brands
Retailing/Broadlines & Department Stores	Douglas Scovanner, Target Corp.	Douglas Scovanner, Target Corp.
Retailing/Food & Drug Chains	J. Michael Schlotman, Kroger Co.	David Rickard, CVS Caremark Corp. ³
Retailing/Hardlines	John Mahoney, Staples	John Mahoney, Staples
Retailing/Specialty Stores	Jeffrey Naylor, TJX Cos.	John Kyees, Urban Outfitters
Tobacco	David Beran, Altria Group	— ¹
ENERGY		
Alternative Energy	Jens Meyerhoff, First Solar	Jens Meyerhoff, First Solar
Electric Utilities	Leo Denault, Entergy Corp.	Leo Denault, Entergy Corp.
Integrated Oil	Stephen Chazen, Occidental Petroleum Corp.	— ¹
Natural Gas & Master Limited Partnerships	W. Randall Fowler, Enterprise Products Partners	Donald Chappel, Williams Cos.

Sector	Buy Side	Sell Side
Oil & Gas Exploration & Production	Louis Baldwin, XTO Energy ⁵	Roger Manny, Range Resources Corp.
Oil Services & Equipment	Clay Williams, National Oilwell Varco	Clay Williams, National Oilwell Varco
FINANCIAL INSTITUTIONS		
Banks/Large-Cap	Michael Cavanagh, JPMorgan Chase & Co.	Andrew Cecere, U.S. Bancorp
Banks/Midcap	William Losch III, First Horizon National Corp.	— ¹
Brokers, Asset Managers & Exchanges	David Viniar, Goldman Sachs Group	David Viniar, Goldman Sachs Group
Consumer Finance	Byron Pollitt Jr., Visa	— ¹
Insurance	William Wheeler, MetLife	William Wheeler, MetLife
REITs	Stephen Sterrett, Simon Property Group	Stephen Sterrett, Simon Property Group
HEALTH CARE		
Biotechnology	David Gryska, Celgene Corp.; Vikas Sinha, Alexion Pharmaceuticals ⁴	David Gryska, Celgene Corp.
Health Care Technology & Distribution	Jeffrey Hall, Express Scripts	Richard Rubino, Medco Health Solutions
Managed Care & Health Care Facilities	— ¹	W. Larry Cash, Community Health Systems
Medical Supplies & Devices	Samuel Leno, Boston Scientific Corp.	Dominic Caruso, Johnson & Johnson
Pharmaceuticals	— ¹	Jeffrey Edwards, Allergan
MEDIA		
	Thomas Staggs, Walt Disney Co. ⁵	Thomas Staggs, Walt Disney Co. ⁶
TECHNOLOGY		
Computer Services & IT Consulting	Gordon Coburn, Cognizant Technology Solutions Corp.	Gordon Coburn, Cognizant Technology Solutions Corp.
Internet	Patrick Pichette, Google	Patrick Pichette, Google
IT Hardware	Mark Loughridge, IBM Corp.	Steven Gomo, NetApp
Semiconductors	Stacy Smith, Intel Corp.	Robert Halliday, Varian Semiconductor Equipment Associates
Software	Earl Fry, Informatica Corp.	Stephen Solcher, BMC Software
TELECOMMUNICATIONS		
	Robert Brust, Sprint Nextel Corp.; Frank Calderoni, Cisco Systems; William Keitel, Qualcomm ⁴	Richard Lindner, AT&T

¹No company met the minimum vote requirement.

²In November, Burlington Northern Santa Fe Corp. announced its agreement to be acquired by Berkshire Hathaway; the deal is expected to close in the first quarter of 2010.

³At year-end 2009, David Rickard retired from CVS Caremark Corp.

⁴Tie.

⁵In December 2009, XTO Energy agreed to be acquired by Exxon Mobil Corp.; the deal is expected to close in the second quarter of 2010.

⁶At year-end 2009, Thomas Staggs stepped down as CFO of Walt Disney Co. to become chairman of Walt Disney Parks and Resorts.

absolutely the best in that space,” says Blake, whom sell-side analysts consider the Best CEO in Retailing/Hardlines. He also won respect for waiving his \$1.2 million bonus in 2008 so that hourly workers could receive raises and out of empathy for employees who were let go as part of the company’s cost-cutting initiatives. “If I were one of the more than 7,000 people we laid off in 2008, I’d want to feel that the CEO was admitting that this was not great,” he says.

Mulally also faced the challenge of turning around a sluggish company — and bringing disgruntled shareholders on board with his vision — when he left Boeing Co. after 38 years to take the top job at Ford in September 2006. For years the automaker had been burdened with rising costs, falling sales, declining profits and shrinking market share, particularly to Toyota Motor Corp. and other Japanese automakers; Ford’s pretax loss in 2005 alone topped \$1.6 billion. From the very beginning, Mulally could tell that a cultural change was long overdue, and he resolved not to address the company’s problems the way previous executives would have — or the way his peers were addressing similar challenges.

“When I was doing my due diligence on Ford, I reached out to all my fellow CEOs, and I looked at every one of their business models,” says Mulally, 64. “That was very important data for me, because none of them were doing very well. Clearly, they all needed a different business plan.”

Within 90 days of taking the top job, Mulally approached some of the nation’s biggest banks with a proposition: He would mortgage the company’s assets if they agreed to finance his vision to revamp Ford, a plan that involved cutting costs, streamlining operations and highlighting core competencies so that the automaker would post a profit by fiscal 2009. He raised \$23.5 billion, although at the time his request was perceived by many as a desperate effort to save a flailing company. Nonetheless, Mulally stuck by his strategy, outlining a plan to cut nearly one quarter of the company’s workforce and close more than a dozen facilities by 2012. In 2007 he dismantled Ford’s Premier Automotive Group and subsequently sold three of its four luxury brands — Aston Martin Lagonda, Jaguar Cars and Land Rover — so that the automaker could attend to its Ford, Lincoln and Mercury lines. (China’s Zhejiang Geely Holding Group Co. has recently agreed to acquire the final piece of the PAG puzzle, Volvo Car Corp.; a sale agreement is expected to be signed this month, pending the approval of Chinese authorities.) From overseeing 97 car and truck brands when he took office, Mulally now has fewer than 20 under the Ford umbrella.

In May 2008 he pushed for a reduction in production volume to match slumping consumer demand. “We were the first ones to take down production, to actually make the number of vehicles that people really wanted during this recessionary period,” says Mulally. “Most of the automobile companies didn’t do that as a matter of practice. They’d consider most of their costs to be fixed, and they would put out more vehicles than the market demanded.”

Mulally credits his previous experience with enabling him to recognize what needed to be done at Ford — and do it.

“Because I had been through 38 years at Boeing,” he says, “I’d been there before, I’d done it, and that allowed me to have the confidence to look at the automobile industry from the outside and then aggressively put into place a new strategy for Ford that I knew would work.”

The willingness to suffer short-term pain for long-term gain is a

rare quality among today’s top executives, many of whom bend to Wall Street’s will and expend too much energy on trying to deliver impressive quarterly gains. Their companies — and their shareholders — often pay dearly when the inevitable downturn occurs. The first decade of the new millennium saw the implosion of the dot-com boom, the accounting scandals, the housing bubble and the credit freeze. These events may appear to have little in common, but “one thread ran through all those debacles, and that was financial executives getting rewarded for making risky bets, and industry executives being rewarded for making short-term profits,” observes Jay Lorsch, a professor of human relations at Harvard Business School in Boston.

Corporate America is littered with the remains of companies that fell victim to the easy credit and ill-considered expansion that were hallmarks of the U.S. economy in the years leading up to the Great Recession. Executives who concentrated on building companies that would survive not only this downturn but also the next (whenever it may come) stand out in sharp relief.

“Those who recognized that everything is a cycle, who cut fat without cutting muscle, who stayed prepared to grow — they were the real unwritten story of the last year,” says Steven Kaplan, a finance professor at the University of Chicago’s Booth School of Business.

The distinction is not lost on investors. “The best executives have always known how to play both offense and defense,” explains Timothy Ghriskey, chief investment officer of Bedford Hills, New York–based Solaris Asset Management. “In the second half of 2008 and the first half of 2009, they played defense — they cut costs and they held their teams together. Now they’re adding resources and making acquisitions.”

Case in point: IBM Corp., the Armonk, New York–based computer hardware and software maker.

“We had our near-death experience in 1992 and 1993, so we had a really resilient business model going into this last downturn,” explains Mark Loughridge, 56, dubbed the Best CFO in the IT Hardware sector by buy-side analysts. In the wake of the early ’90s recession, IBM reported a loss of \$5 billion in fiscal 1992, which at the time was more than any U.S. company had ever lost in a single year. For years, IBM executives had ignored advice from investors and industry analysts that they needed to rein in costs, launch new products and become more competitive with foreign manufacturers. The computer giant had lost the ability to adapt to the demands of a rapidly changing marketplace, many pundits observed, and few believed it would survive. But it did.

Over the past decade, IBM has been beefing up its software and information technology services offerings, through both organic growth and acquisitions, including 14 deals in 2008 alone. The company began that year by picking up XIV, an Israeli company that provides enterprise storage systems, and ended the year by buying Transitive Corp., a Los Gatos, California–based developer of cross-platform virtualization technology. The pace of acquisitions slowed in 2009 as the recession deepened, but IBM still managed to gobble up six smaller tech companies, most recently December’s announced acquisition of Lombardi Software, an Austin, Texas–based provider of business process management software and services. The company was able to finance this growth because “we’d shifted away from commoditized products through the decades,

THE 2010 ALL-AMERICA EXECUTIVE TEAM



and that made us less vulnerable to the economic environment,” Loughridge says.

Understanding the need to play both offense and defense, as the economic environment demands, is a concept with which Thomas Tippl, CFO of Santa Monica, California-based video game publisher Activision Blizzard, is well acquainted. “You’ve got to stay ahead of the game, and you’ve got to be lean at all times,” says Tippl, who is named the Best CFO in the Leisure sector by analysts on both the buy and sell sides. (Activision’s Robert Kotick is named Best CEO by buy-side analysts; who also say the company has the Best IR.)

“We are the only company in the industry that has exceeded its going-in expecta-

analysts chalked up to rising unemployment and dampened discretionary spending among consumers, Activision unveiled Call of Duty: Modern Warfare 2 in November. It shattered sales records by pulling in \$550 million in its first five days of release, and last month Activision announced that the game had racked up more than \$1 billion in sales.

In delineating the key moves that made it possible for the company to navigate the choppy waters of the recession, the 42-year-old Tippl stresses Activision’s merger with Paris-based Vivendi Games, which was completed in July 2008. Not only did Activision reduce employee head count during the merger (which allowed the company to be “nice and lean going into the crisis,” he says), it also brought Blizzard Entertainment’s World of Warcraft under Activision’s purview. Because World of Warcraft is a subscription-based game with more than 12 million paying customers, and because subscriptions generally tend to be less exposed to market instability than traditionally purchased games, World of Warcraft provided a much-needed steady revenue stream in a volatile year, he explains.

However, “the biggest difference between

ing power a vertically integrated company can create,” explains Snow, 55. “But it just didn’t fit in with our mission, which is to drive outcomes up and costs down.” Instead, the company concentrated on expanding its client base — Medco signed up more than \$10 billion in business from new clients last year, Snow says — and investing in methodologies that can help doctors and patients treat chronic diseases and otherwise promote health and control costs.

In so doing, the company has amassed a \$2 billion store of cash, more than twice the amount it had on hand in 2008. “We’re spending it on those things that will grow the business into 2015 and 2020,” says CFO Rubino, 52.

United Technologies Corp. has been able to grow its business during the recession by making key acquisitions. “We got ahead of the cost curve, so while others were divesting and hunting for cash, we could be opportunistic,” says CFO Gregory Hayes, 49, the sell side’s top pick in Aerospace & Defense Electronics. In late 2008, preparing for a revenue drop as the economy stumbled, the Hartford, Connecticut-based conglomerate (whose products range from elevators and refrigeration units to airplane engines and fire-protection systems) front-loaded most of the cost-cutting planned for 2009 into the first quarter. Then, armed with a cash cushion, it went bargain hunting. In November, United Technologies announced that it would acquire General Electric Co.’s electronic-security operations for \$1.82 billion.

The acquisition isn’t expected to enhance the company’s bottom line until at least 2011, according to Louis Chênevert, whom buy-side analysts consider the Best CEO in the sector. But the company, which sell-side analysts say delivers the Best IR (and Akhil Johri is their choice for the sector’s Best IR Professional), couldn’t pass up the opportunity to expand its offerings — especially since the price was right, owing to GE’s desire to unload noncore assets and streamline its own operations.

“We’re always looking for ways to do things better and more efficiently — it’s in our genes,” says Chênevert, 52. “And we have the right offerings for emerging markets, which we know will recover faster.” Indeed. In December, United Technologies won a \$171.1 million Department of Defense

“We’re always looking for ways to do things better and more efficiently — it’s in our genes.”

—Louis Chênevert, United Technologies Corp.

tions for the year, and it’s because we’ve been facing reality up front,” says Tippl, who joined Activision in 2006 after leaving consumer goods maker Procter & Gamble Co., where he was head of investor relations. “We decided we needed to focus on the core gamer, and we needed to align our investments behind the biggest opportunities.”

Activision saw its biggest opportunities to weather the economic storm by aggressively promoting its most successful trio of products: Call of Duty, a video game series in which players can take on various roles in Allied missions during World War II; Guitar Hero, which allows gamers to try their hands at playing rock-and-roll classics; and World of Warcraft, an online role-playing game. Undeterred by declining sales across the video game industry in 2009, which most

of our competitors and us has been a focus on putting resources behind those biggest opportunities, as opposed to trying to do everything at the same time and traveling hopeful on a lot of unproven business models.”

That last point resonates with David Snow Jr. of Medco Health Solutions, the sell-side’s choice for Best CEO in the Health Care Technology & Distribution sector. (Sell-side analysts also anoint Medco’s Richard Rubino the sector’s top CFO and Valerie Haertel the No. 1 IR Professional, and buy-side and sell-side analysts agree that the Franklin Lakes, New Jersey-based pharmacy benefits manager provides the Best IR.) Medco rebuffed investors who urged the company to merge with a retail drug chain.

“They’d point out the great purchas-

The 2010 All-America Executive Team: Best IR Professionals

Listed here by industry and sector are the executives who rated highest when buy- and sell-side analysts were asked to pick the leading IR professionals in their domains.

Sector	Buy Side	Sell Side
BASIC MATERIALS		
Chemicals	Scarlett Foster, Monsanto Co.	Jim King, Scotts Miracle-Gro Co.; Michael Monahan, Ecolab ¹
Metals & Mining	Dan Lesnak, U.S. Steel Corp.	David Joint, Freeport-McMoRan Copper & Gold
Paper & Packaging	— ²	Thomas Cleves, International Paper Co.
CAPITAL GOODS/INDUSTRIALS		
Aerospace & Defense Electronics	Jerome Kircher III, Lockheed Martin Corp.	Akhil Johri, United Technologies Corp.
Airfreight & Surface Transportation	Stephen Hughes, FedEx Corp.	Robert Brunn, Ryder System; Patrick Fossenier, Con-way ¹
Business, Education & Professional Services	— ²	Pablo Paez, GEO Group
Electrical Equipment & Multi-Industry	JoAnna Morris, General Electric Co.	JoAnna Morris, General Electric Co.
Engineering & Construction	— ²	Sam Ramraj, URS Corp.
Machinery	Marie Ziegler, Deere & Co.	Dean Cantrell, Cummins
CONSUMER		
Airlines	DeAnne Gabel, Continental Airlines	DeAnne Gabel, Continental Airlines
Apparel, Footwear & Textiles	Andrea Resnick, Coach	Andrea Resnick, Coach
Autos & Auto Parts	Glen Ponczak, Johnson Controls	Glen Ponczak, Johnson Controls
Beverages	Aly Noormohamed, Dr Pepper Snapple Group	— ²
Cosmetics, Household & Personal Care Products	John Chevalier, Procter & Gamble Co.; Bina Thompson, Colgate-Palmolive Co. ¹	John Chevalier, Procter & Gamble Co.
Food	Joyce Brooks, McCormick & Co.	Christopher Jakubik, Kraft Foods
Gaming & Lodging	Laura Paugh, Marriott International	Daniel Briggs, Las Vegas Sands Corp.; William Pfund, WMS Industries ¹
Homebuilders & Building Products	— ²	Frederick Cooper, Toll Brothers
Leisure	— ²	Beth Roberts, Carnival Corp.
Restaurants	Tim Jerzyk, Yum! Brands	Carol DiRaimo, Jack in the Box
Retailing/Broadlines & Department Stores	John Hulbert, Target Corp.	Kiley Rawlins, Family Dollar Stores
Retailing/Food & Drug Chains	Carin Fike, Kroger Co.	Rick Hans, Walgreen Co.
Retailing/Hardlines	Laurel Lefebvre, Staples	Laurel Lefebvre, Staples
Retailing/Specialty Stores	— ²	Kenneth Ohashi, Aéropostale
Tobacco	Nicholas Rolli, Philip Morris International	Morris Moore, Reynolds American
ENERGY		
Alternative Energy	Larry Polizzotto, First Solar	Larry Polizzotto, First Solar
Electric Utilities	Carim Khouzami, Constellation Energy Group	Jeffrey Kotkin, Northeast Utilities

Sector	Buy Side	Sell Side
Integrated Oil	Christopher Stavros, Occidental Petroleum Corp.	Howard Thill, Marathon Oil Corp.
Natural Gas & Master Limited Partnerships	Pandy Burkhalter, Enterprise Products Partners	Bruce Connery, El Paso Corp.
Oil & Gas Exploration & Production	Brad Sylvester, Southwestern Energy Co.	Stephen Campbell, Newfield Exploration Co.
Oil Services & Equipment	Juan Pablo Tardio, Helmerich & Payne ³	Christian Garcia, Halliburton Co.
FINANCIAL INSTITUTIONS		
Banks/Large-Cap	Lee McEntire, Bank of America Corp.	— ²
Banks/Midcap	David Miller, First Horizon National Corp. ⁴	David Miller, First Horizon National Corp. ⁴
Brokers, Asset Managers & Exchanges	Heather Miner, Goldman Sachs Group	— ²
Consumer Finance	Jack Carsky, Visa	Jeff Norris, Capital One Financial Corp.
Insurance	Kenneth Janke Jr., Aflac	Conor Murphy, MetLife
REITs	Barbara Pooley, Kimco Realty Corp.	Melissa Marsden, ProLogis
HEALTH CARE		
Biotechnology	Arvind Sood, Amgen	Susan Hubbard, Gil-ead Sciences
Health Care Technology & Distribution	David Myers, Express Scripts	Valerie Haertel, Medco Health Solutions
Managed Care & Health Care Facilities	Regina Nethery, Humana	Regina Nethery, Humana
Medical Supplies & Devices	Mary Kay Ladone, Baxter International	Kenneth Apicerno, Thermo Fisher Scientific
Pharmaceuticals	John Elicker, Bristol-Myers Squibb Co.	Robert (Chip) Merritt, Cephalon
MEDIA		
	Douglas Shapiro, Time Warner	Reed Nolte, News Corp.
TECHNOLOGY		
Computer Services & IT Consulting	David Nelson, Cognizant Technology Solutions Corp.	David Banks, Fiserv
Internet	— ²	Samuel Wolff, Yahoo!
IT Hardware	Jim Burns, Hewlett-Packard Co.	Jim Burns, Hewlett-Packard Co.
Semiconductors	Ron Slaymaker, Texas Instruments	Ron Slaymaker, Texas Instruments
Software	Eduardo Fleites, Citrix Systems	Derrick Vializ, BMC Software
TELECOMMUNICATIONS		
	Jeff Fancher, AT&T	John Gilbert, Qualcomm ⁵

¹Tie.

²No company met the minimum vote requirement.

³Helmerich & Payne announced in December 2009 that Juan Pablo Tardio will be promoted to CFO in April 2010.

⁴First Horizon National Corp. announced in October 2009 that David Miller stepped down as head of investor relations to become head of retail banking in the regional bank.

⁵In November 2009, Qualcomm announced that John Gilbert stepped down as head of investor relations to become the VP of finance for Flo-TV, a wholly-owned subsidiary of Qualcomm.

THE 2010 ALL-AMERICA EXECUTIVE TEAM

contract to furnish Black Hawk helicopters to the United Arab Emirates.

Medco and United Technologies provide an interesting counterweight to the argument that shareholders know best. Both companies defied investor pressure to deviate from their strategic visions, and both were better off for their defiance. “It would be too easy to cut back on research and development or other expenditures to give shareholders immediate returns,” Chênevert points out, but doing so may not be in a company’s long-term best interests.

No industry has undergone more scrutiny over the past 18 months than financial services, the epicenter of the economic crisis. When William Losch III became CFO of First Horizon National Corp. in January 2009, the Memphis, Tennessee–based regional bank was already in the process of dumping its subprime mortgages and other toxic assets and scaling back its operations so it could

and First Horizon the Best IR Company by both groups of analysts.

“The entire team has been truthful about their plans and has executed them just as they said they would,” observes one money manager, who asked not to be identified. “They have been consistent in their message and have been extremely accessible.”

By acknowledging its losses early and taking steps to mitigate them, First Horizon is now able to look to the future. “In the last couple of months, my focus has shifted more toward what we call getting on our front foot, versus being on our back foot — we’ve finally started to look forward and see the strength coming out of our company, as opposed to just being reactive to the market or the economy or the regulatory environment,” Losch says. “We’re much more focused than we were before. We’ve got two main businesses that we wake up every day trying to improve: banking in Tennessee and

the company took to stockpile cash. “Everything we did was to protect near-term liquidity,” he says, “so that we could hold on to assets that we felt would be much more valuable in the future because of our positive view of copper markets.” In January 2009, Freeport-McMoRan announced that it had developed a strategic plan that would allow it to operate on a cash-flow-positive basis in an environment of \$1.50 per pound of copper.

The plan had its skeptics. How could a mining company so dependent upon the commodities markets adjust its costs to effectively deal with such low copper prices? Adkerson explained that Freeport-McMoRan was scaling back its capital spending by suspending projects, altering mine-expansion plans and reducing employee head count. It planned to eliminate its dividend and raise capital through the sale of common stock.

As 2009 progressed the dire predictions proved to be overstated. Thanks to strong growth in China, demand for copper rose, and so did its price. By last month the price of copper had climbed back to \$3.40 a pound.

“When we adjusted our business to be cash-flow-positive at \$1.50, and suddenly we have copper prices over \$3, we’re making a lot of money,” Adkerson says. In the fourth quarter the company reported net income of \$971 million, compared with a loss of \$13.9 billion for the same period in 2008.

Investors rave about Adkerson’s — and Freeport-McMoRan’s — performance. The company is one of the biggest winners on the 2010 All-America Executive Team, capturing first-place honors in the Metals & Mining sector among buy- and sell-siders for Best CEO, Best CFO (Kathleen Quirk) and Best IR Company; David Joint is the IR Professional preferred by sell-side analysts.

“Richard Adkerson is the best CEO in the metals and mining industry and one of the best company CEOs anywhere,” cheers Neil Bleicken, a senior analyst at Cadence Capital Management in Boston. “In the greatest professional test that any of his generation has seen, he came out looking like a rock star — pun intended.”

Having a cash cushion also helped some companies avoid fire sales of investments or assets. Shareholder fears that Aflac might incur substantial losses from its European hybrid bond holdings sent the Columbus, Georgia–based insurer’s stock plunging from \$61.72 in September 2008 to \$11.24 by early

“If I were one of the more than 7,000 people we laid off in 2008, I’d want to feel that the CEO was admitting that this was not great.”

—Francis (Frank) Blake, Home Depot

work most intently on becoming the region’s premier financial services firm. First Horizon ceased national mortgage originations and sold its national mortgage platform.

“We decided to be very proactive about recognizing our losses and just taking our medicine up front, even though in 2008 and the early part of 2009 it made our losses very high relative to everybody else’s,” says Losch, 39, who moved to First Horizon from Wachovia Corp. after that firm, felled by subprime-related losses, was acquired by Wells Fargo & Co. in December 2008. “We decided it would be most prudent to try to get those businesses behind us and build capital to weather a storm that we knew we were coming into.”

Losch says it was an essential part of First Horizon’s strategy to communicate its plans to scale back its operations. “Being out in front of investors has been one of the biggest things we’ve tried to do,” he says.

Shareholders approve. In addition to Losch’s being the buy-siders’ choice for Best CFO in Banks/Midcap, D. Bryan Jordan is dubbed the Best CEO by both the buy and sell sides, David Miller the Best IR Professional

our capital markets business.”

Freeport-McMoRan Copper & Gold’s executives have followed a similar strategy of communicating bad news to investors as soon as possible, then taking steps to minimize damage. CEO Richard Adkerson paints a bleak picture when he describes the situation his Phoenix-based mining company found itself in at the beginning of last year. Declining demand had driven down the price of copper from roughly \$4 a pound in the fall of 2008 to about \$1.50 a pound in January 2009, and many analysts expected the slide to continue. As a company with about 4 billion pounds of copper to sell (among other commodities), Freeport-McMoRan was forced to contemplate a scenario in which its revenues could be slashed by 40 percent.

“When I met with our senior management team — the first meeting was roughly the first week of October 2008 — I said very clearly, ‘The world is changing, and we have to change, and we have to change quickly,’” recalls Adkerson, 63. “We canceled about \$700 million in equipment orders.”

That was just the first in a series of steps

The 2010 All-America Executive Team: Best IR Companies

Listed here by industry and sector are the firms that rated highest when buy- and sell-side analysts were asked to pick the outfits that provide the best investor relations.

Sector	Buy Side	Sell Side
BASIC MATERIALS		
Chemicals	Monsanto Co.	Monsanto Co.
Metals & Mining	Freeport-McMoRan Copper & Gold	Freeport-McMoRan Copper & Gold
Paper & Packaging	Kimberly-Clark Corp.	International Paper Co.
CAPITAL GOODS/INDUSTRIALS		
Aerospace & Defense Electronics	Lockheed Martin Corp.	United Technologies Corp.
Airfreight & Surface Transportation	FedEx Corp.	FedEx Corp.
Business, Education & Professional Services	Casella Waste Systems	Casella Waste Systems
Electrical Equipment & Multi-Industry	General Electric Co.	Danaher Corp.
Engineering & Construction	— ¹	McDermott International
Machinery	Deere & Co.	Cummins
CONSUMER		
Airlines	Continental Airlines	Continental Airlines
Apparel, Footwear & Textiles	Coach	Phillips-Van Heusen Corp.
Autos & Auto Parts	Johnson Controls	Johnson Controls
Beverages	PepsiCo	Coca-Cola Co.
Cosmetics, Household & Personal Care Products	Colgate-Palmolive Co.	Colgate-Palmolive Co.
Food	Kraft Foods	— ¹
Gaming & Lodging	Marriott International	Wynn Resorts
Homebuilders & Building Products	— ¹	Toll Brothers
Leisure	Activision Blizzard	Carnival Corp.
Restaurants	McDonald's Corp.	McDonald's Corp.
Retailing/Broadlines & Department Stores	Target Corp.	Target Corp.
Retailing/Food & Drug Chains	Kroger Co.	Kroger Co.
Retailing/Hardlines	Staples	Staples
Retailing/Specialty Stores	Urban Outfitters	Urban Outfitters
Tobacco	Philip Morris International	Altria Group
ENERGY		
Alternative Energy	First Solar	First Solar
Electric Utilities	Entergy Corp.	Entergy Corp., Spectra Energy Corp. ²

Sector	Buy Side	Sell Side
Integrated Oil	Exxon Mobil Corp.	Marathon Oil Corp.
Natural Gas & Master Limited Partnerships	EQT Corp.	Williams Cos.
Oil & Gas Exploration & Production	Apache Corp.	Newfield Exploration Co.
Oil Services & Equipment	Helmerich & Payne	Cameron International Corp.
FINANCIAL INSTITUTIONS		
Banks/Large-Cap	JPMorgan Chase & Co.	JPMorgan Chase & Co.
Banks/Midcap	First Horizon National Corp.	First Horizon National Corp.
Brokers, Asset Managers & Exchanges	Goldman Sachs Group	Goldman Sachs Group
Consumer Finance	Visa	Visa
Insurance	Aflac	Aflac
REITs	Boston Properties, Regency Centers Corp. ²	Boston Properties
HEALTH CARE		
Biotechnology	Gilead Sciences	Gilead Sciences
Health Care Technology & Distribution	Medco Health Solutions	Medco Health Solutions
Managed Care & Health Care Facilities	Humana	Community Health Systems
Medical Supplies & Devices	Abbott Laboratories	Thermo Fisher Scientific
Pharmaceuticals	Pfizer	Allergan
MEDIA		
	Time Warner	News Corp.
TECHNOLOGY		
Computer Services & IT Consulting	Cognizant Technology Solutions Corp.	— ¹
Internet	Amazon.com	EBay
IT Hardware	Hewlett-Packard Co.	Apple, Hewlett-Packard Co. ²
Semiconductors	Intel Corp.	Intel Corp.
Software	Citrix Systems	Microsoft Corp.
TELECOMMUNICATIONS		
	AT&T	Qualcomm

¹No company met the minimum vote requirement.

²Tie.

March, but CEO Daniel Amos refused to dump the bonds. “We didn’t panic, we thought the bonds would be good — and all in all they came back in value,” says Amos, 58, who has been Aflac’s chief executive since 1990.

To allay shareholder concerns, Amos put the details of the company’s bond holdings — including those that were plummeting in value — on its Web site, so jittery investors could see for themselves that the company had invested primarily in top-grade corporate debt, with low exposure to either commercial or residential mortgage-backed securities and no subprime holdings. His reasoning? “Bad news does not improve with

age, and people always think the truth will be worse than it is,” he explains.

Amos didn’t confine his investor relations strategy to improving transparency; he also declined his \$2.8 million bonus for 2008, even though shareholders had overwhelmingly approved it. (Aflac was the first American company to grant shareholders a say on executive pay.) “By the time the proxy came out, the stock was tanking, and taking that kind of money just didn’t pass the smell test,” says Amos, whom buy-side analysts consider the No. 1 CEO in Insurance (and Kenneth Janke Jr. is their choice for Best IR Professional). In addition, buy- and sell-side analysts alike say

Aflac is the sector’s Best IR Company.

Corporate executives in all industry sectors have been put to the test by the economic crisis, and one thing the best executives seem to have learned is the importance of keeping shareholders informed, even when the news is bad. That’s one change investors appreciate — and one they didn’t have to wait for Congress and regulators to deliver.

As TIAA-CREF’s Choi notes: “Dialogue with shareholders is no longer a foreign concept in executive suites.” ●●

 *Comment? Click on Research at iimagazine.com.*