

2009 CEO Wealth Creators... and Destroyers

In the second annual *Chief Executive/Applied Finance Group Wealth Creation Rankings*, we assess the best and worst performers among the S&P 500 over the last three years.

It's been a brutal period for wealth creation. Yet some CEOs have managed to improve their performance. In its second year, the wealth creation index developed by *Chief Executive*, Applied Finance Group, and Drew Morris, CEO of Great Numbers!, seeks to identify those business leaders who have done the best job of creating true economic value. The Index (see "Ranking CEO Wealth Creation," p. 46) leans heavily on Economic Margin (operating cash flow less an appropriate capital charge over invested capital) as a metric to get at what really counts, which accounting measures such as EPS and even ROC are less able to do. Creating value is, after all, what the CEO is hired for. And as an objective measure of real value EM holds up better than most, even when share prices tank as they have over the last 18 months. To get a fair assessment of management's

impact on value creation, we only rank CEOs who have been in their jobs for a minimum of three years.

Topping the rankings in 2009 is MasterCard's Robert W. Selander, up from third place last year. Both Selander and runner-up Federated Investors' J. Christopher Donahue run very high EM companies (24.5 percent and 20.6 percent three-year averages, respectively). Interestingly, both have been able to improve in a bad economy. The projected EM for both companies for 2010 is close to 28 percent. To paraphrase the old Memorex TV commercial, is Selander's success real or is it the business model? In other words, does MasterCard excel because of the leadership skills of Selander (and his team) or thanks to an operating system developed sometime in the late 1960s and honed since?

After all, the credit card payments

system now operates in 200 countries, with 1.6 billion credit card holders around the world. Still, Selander suggests the laurels are equally shared. "We operate in a good industry," he allows, "but we have been able to adapt and adjust our execution as consumer spending fell." Among other things, he points to 8 percent growth in transactions in the second quarter of 2009—the pit of the recession for consumers—compared to the same period last year. During the same period the company lowered operating expenses 13 percent.

Since becoming CEO in 1997, Selander has been a big believer in scenario planning and values adaptability when economic conditions change. When the company consolidated with Europay, its European operation, MasterCard became a global brand and had to get its payments technology infrastructure under

10 BEST WEALTH CREATORS

CEO	COMPANY
1. Robert W. Selander	MasterCard
2. J. Christopher Donahue	Federated Investors
3. Hugh Grant	Monsanto
4. Jeffrey P. Bezos	Amazon.com
5. John C. Martin	Gilead Sciences
6. John P. Wiehoff	C.H. Robinson Worldwide
7. Douglas M. Baker Jr.	Ecolab
8. Steven A. Ballmer	Microsoft
9. Mayo A. Shattuck III	Constellation Energy
10. Martin L. Orlowsky	Lorillard

10 BEST WEALTH DESTROYERS

CEO	COMPANY
1. Bruce A. Williamson	Dynegy
2. Timothy P. Smucker	J.M. Smucker
3. Jeffrey M. Peek	CIT
4. Robert C. Skaggs Jr.	Nisource
5. James E. O'Connor	Republic Services
6. Craig S. Donohue	CME
7. John V. Faraci	International Paper
8. Lewis B. Campbell	Textron
9. Glen F. Post III	Centurytel
10. Richard D. Fairbank	Capital One

control. In 2006, it became a public company. In creating value for shareholders, the company seeks to get net income and operating margin at acceptable return levels. Once that is achieved, “we look for growth in net income and improvements in operating margin. After that we look to revenue growth rates,” says Selander.

There are obvious advantages to the MasterCard business model. Unlike most industries, it is not capital intensive and doesn't worry about balance sheet, or plant and equipment risks, so much as it does counterparty settlement risk. It mitigates that by having collateral provided or insisting on guarantees that lower its risk profile. “Our focus on improving operating margins enables us to improve operating cash flow as well,” says Selander. “We have a multiyear objective of a 3 to 5 percent improvement annually in operating margin, which we've met or exceeded during the last several years. And we expect to do so again this year.”

Although Visa is its major brand rival, both operations still compete with cash and checks for payment market share. The next frontier is the migration of payment transactions to platforms other than plastic cards, such as mobile phones.

The reasons that companies such as MasterCard and Federated Investors rank near the top are clear, but there is a good lesson to be learned from Paychex, ranked 14 on the WCI index. Since being founded by Thomas Golisano in 1971, the company consistently grew while building up its competitive advantage through scale, training and selling additional services to its existing client base. It currently gets an A rating for MV/IC, three-year EM and EM change, but receives a C grade for its inability to grow its profitable business recently. If history repeats itself, Paychex will come out of the downturn stronger, with less competition and additional opportunities for growth. Likewise, Textron provides lessons about toxicity of leverage (over 60 percent) and what it can do to one's value. In early March, shares bottomed at \$3.72 from its December 2007 high of \$70.49. After stabilizing some of its business units, shares of this company have rebounded nicely this year to near \$20 per share.

Commenting on underlying lessons from this year's WCI Index, AFG senior analyst Michael Burdi quotes multibillionaire investor Warren E. Buffett, who told an audience at Notre Dame that debt and alcohol were ever-present culprits in financial demise. “I've seen more people fail because of liquor and leverage—leverage being borrowed money,” Buffett said. “You really don't need leverage in this world much. If you're smart, you're going to make a lot of money without borrowing.” ▲

	Overall Ranking	108 rank	Change from 108 rank	MV/IC	3 Yr. EM	EM Change	Mgmt. Quality Score	Company	CEO
1.	3	2	A	A	A	A	A	MasterCard	Robert W. Selander
2.	1	-1	A	A	A	A	A	Federated Investors	J. Christopher Donahue
3.	5	2	A	B	A	A	A	Monsanto	Hugh Grant
4.	2	-2	A	A	A	A	A	Amazon.com	Jeffrey P. Bezos
5.	7	2	A	A	B	A	A	Gilead Sciences	John C. Martin, Ph.D.
6.	14	8	A	A	B	A	A	C.H. Robinson Worldwide	John P. Wiehoff
7.	23	16	A	B	A	A	A	Ecolab	Douglas M. Baker, Jr.
8.	12	4	A	A	B	A	A	Microsoft	Steven A. Ballmer
9.	67	58	A	B	A	A	A	Constellation Energy	Mayo A. Shattuck, III
10.	19	9	A	A	A	C		Lorillard	Martin L. Orlovsky
11.			A	A	A	C		Dun & Bradstreet	Steven W. Alesio
12.	18	6	A	A	B	A	A	Autozone	William C. Rhodes, III
13.			B	B	A	A		Dominion Resources	Thomas F. Farrell, II
14.	21	7	A	A	A	C		Paychex	Jonathan J. Judge
15.	60	45	A	A	B	A	A	DirecTV	Chase Carey
16.			A	A	B	A	A	Nike	Mark G. Parker
17.			A	A	A	C		Scripps Networks Interactive	Kenneth W. Lowe
18.	37	19	A	C	A	A	A	Celgene	Sol J. Barer, Ph.D.
19.	27	8	A	C	A	A	A	Fluor	Alan L. Boeckmann
20.			B	A	B	A		FLIR Systems	Earl Lewis
21.	162	141	A	B	A	A	A	Campbell Soup	Douglas R. Conant
22.	32	10	A	A	B	A	A	C.R. Bard	Timothy M. Ring
23.	8	-15	A	A	A	C		AFLAC	Daniel P. Amos
24.	39	15	A	A	C	A	A	Expeditors International	Peter J. Rose
25.	55	30	A	A	C	A	A	Google	Eric E. Schmidt, Ph.D.
26.	10	-16	A	A	C	A		Rockwell Collins	Clayton M. Jones
27.			A	A	C	A		CF Industries	Stephen R. Wilson
28.	120	92	B	C	A	A		Teco Energy	Sherrill W. Hudson
29.	34	5	B	B	B	A	A	Intl. Flavors & Fragrances	Robert M. Amen
30.			A	C	A	A		Salesforce.com	Marc Benioff
31.	150	119	C	A	B	A	A	AES	Paul T. Hanrahan
32.			B	C	A	A		Flowsolve	Lewis M. Kling
33.	28	-5	A	A	D	A		Linear Technology	Lothar Maier
34.			A	D	A	A		Stericycle	Mark C. Miller
35.	22	-13	A	A	D	A		Apple	Steven P. Jobs
36.	6	-30	A	A	F	A		Exelon	John W. Rowe
37.	51	14	A	A	D	A		Varian Medical Systems	Timothy E. Guertin
38.	100	62	A	B	B	A	A	FPL	Lewis Hay, III
39.	59	20	B	C	A	A		BMC Software	Robert E. Beauchamp
40.			A	A	D	A		Fastenal	Willard D. Oberton
41.	35	-6	B	A	C	A		State Street	Ronald E. Logue
42.			A	B	C	A		3M	George W. Buckley
43.	74	31	A	C	B	A		Becton Dickinson	Edward J. Ludwig
44.	63	19	A	A	F	A		Moody's	Raymond W. McDaniel, Jr.
45.	95	50	A	B	D	A		Altera	John P. Daane
46.	176	130	B	B	C	A		Bed Bath & Beyond	Steven H. Temares
47.	17	-30	A	A	F	A		Express Scripts	George Paz
48.	70	22	A	D	B	A		Baxter International	Robert L. Parkinson, Jr.
49.	49	0	A	A	F	A		IntercontinentalExchange	Jeffrey C. Sprecher
50.	16	-34	A	A	F	A		Intuitive Surgical	Lonnie M. Smith
51.	15	-36	A	A	F	A		Schlumberger	Andrew Gould
52.	29	-23	B	B	C	A		Lockheed Martin	Robert J. Stevens
53.	115	62	A	A	F	A		Philip Morris	Louis C. Camilleri
54.	140	86	A	A	F	A		Teradata	Michael Koehler
55.	97	42	B	B	A	C		Torchmark	Mark S. McAndrew
56.	54	-2	B	A	C	A		Genuine Parts	Thomas C. Gallagher
57.	71	14	B	D	A	A		Peabody Energy	Gregory H. Boyce

Ranking CEO Wealth Creation BY DREW MORRIS

AND MICHAEL BURDI

The wealth creation ranking focuses on the performance of companies (and their CEOs) in the S&P 500 index for the three years ending on June 30, 2009. It's based on reported results during that period and estimates for the next 12 months. CEOs whose tenure did not coincide for the full three years were not ranked. Also not ranked are the 16 REITs in the 2009 S&P 500 and the companies for which a full three years of financial results were not available.

The four components of the ranking, explained below, were developed and calculated by the Applied Finance Group (AFG), an independent equity-research advisory firm, using proprietary metrics and data. A weighted combination of each company's component rankings is used to produce an overall score: 100 is awarded to the best wealth creator, 1 to the worst. These rankings are shown as letter grades; companies in the top 20 percent of each component metric receive an A, the bottom 20 percent receive an F.

Market Value/Invested Capital (MV/IC)

This measure shows the degree to which investors consider the company's assets valuable, relative to their cost. Market (or enterprise) value is what a buyer would have to pay to buy the company outright; that is, to purchase all of the stock and pay off all of the loans, leases and other obligations. Note that market value depends on the stock price. Invested capital is the inflation-adjusted total of all of the investments in the business. It does not depend on the stock price. So by its nature, MV/IC reflects the market's take on the value of the investments made in the business.

The Average of the Past Three Years' EM

Economic Margin (EM) measures the degree to which the company is making money in excess of its risk-adjusted capital cost. It's expressed as a percentage of invested capital. EM is calculated as (Operating Cash Flow - Capital Charge)/Invested Capital. Companies with positive EM (greater than 0 percent) are creating wealth; those with negative EM are destroying it.

EM Change

This is a 12-month forecasted EM, based on the ratio of the most recent EM to the three-year average.

Management Quality

This AFG-proprietary measure rewards a company with positive EM for growing its asset base, and penalizes one with negative EM for growing its asset base. In other words, if a company is making money and it adds assets in such a way that it can make even more, that's good. So is selling off a money-losing division. That said, it's also valid that adding scale can dramatically increase profitability in a business with high fixed costs.

The top 50 companies' 3-year average TSR was 539 percent higher than the bottom 50's.

A Validity Check on the Ranking Method

The top 50 companies in the ranking delivered an average Total Shareholder Return (TSR) of 48.3 percent between July 2006 and June 2009. The bottom 50 companies' TSR averaged -11%, while the S&P 500's average (without its 16 REITs) was -5.8%. The top 50's average TSR was 539 percent higher than the bottom 50's, a striking difference.

As the table below shows, the top 50 companies in the wealth creation ranking outperformed the bottom 50 companies as well as the S&P 500 between July 2006 and June 2009.

TOTAL SHAREHOLDER RETURN		JULY '06-JUNE '09
Top 50	Average	48.3%
	Median	30.0%
Bottom 50	Average	-11.0%
	Median	-14.9%
S&P 500		-5.8%

Note: Total Shareholder Return = share-price return percent plus reinvested dividends.

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Overall Ranking	'08 rank	Change from '08 rank	Mv/IC	3 Yr. EM	EM Change	Mgmt. Quality Score	Company	CEO
58.	110	52	A	B	A	C	Progressive	Glenn M. Renwick
59.	126	67	B	B	B	A	Oracle	Lawrence J. Ellison
60.	73	13	A	B	C	A	Stryker	Stephen P. MacMillan
61.	31	-30	A	A	B	C	Sigma-Aldrich	Dr. Jai P. Nagarkattija
62.	124	62	B	C	B	A	Abbott Laboratories	Miles D. White
63.	33	-30	B	C	B	A	Jacobs Engineering Grp	Craig L. Martin
64.	57	-7	A	B	D	A	Occidental Petroleum	Dr. Ray R. Irani
65.	36	-29	A	B	A	C	Yum! Brands	David C. Novak
66.	77	11	A	B	A	C	IBM	Samuel J. Palmisano
67.			B	C	A		O'Reilly Automotive	Gregory L. Henslee
68.	122	54	B	C	B	A	Family Dollar Stores	Howard R. Levine
69.	153	84	B	F	A	A	Allergan	David E.I. Pyott
70.	9	-61	A	A	F	A	Avon	Andrea Jung
71.	42	-29	A	A	F	A	American Express	Kenneth I. Chenault
72.	94	22	A	B	D	A	Halliburton	David J. Lesar
73.	123	50	B	C	A	A	Johnson & Johnson	William C. Weldon
74.	68	-6	B	D	A	A	Pall	Eric Krasnoff
75.	4	-71	B	A	D	A	Precision Castparts	Mark Donegan
76.	30	-46	A	A	F	A	Questar	Keith O. Rattie
77.	44	-33	A	B	D	A	Emerson Electric	David N. Farr
78.	180	102	B	D	A	A	Hudson City Bancorp	Ronald E. Hermance, Jr.
79.	119	40	B	F	A	A	Medco	David B. Snow, Jr.
80.	148	68	B	B	C	A	Analog Devices	Jerald G. Fishman
81.			B	A	D	A	Goldman Sachs	Lloyd C. Blankfein
82.	104	22	B	D	B	A	Saint Jude Medical	Daniel J. Starks
83.	159	76	A	D	B	B	Janus Capital	Gary D. Black
84.	58	-26	A	A	F	A	Qualcomm	Dr. Paul E. Jacobs
85.	91	6	B	F	A	A	CONSOL Energy	J. Brett Harvey
86.	80	-6	C	B	C	A	Total System Services	Philip W. Tomlinson
87.	41	-46	A	A	C	C	Waters	Douglas A. Berthiaume
88.	43	-45	B	B	B	C	Aon	Gregory C. Case
89.	118	29	A	B	C	C	Mattel	Robert A. Eckert
90.	20	-70	B	B	F	A	FirstEnergy	Anthony J. Alexander
91.	154	63	B	A	F	A	Harley-Davidson	James L. Ziemer
92.	113	21	C	C	B	A	Akamai Technologies	Paul Sagan
93.	173	80	C	B	C	A	Darden Restaurants	Clarence Otis, Jr.
94.	47	-47	A	C	A	C	McDonald's	James A. Skinner
95.	65	-30	B	B	A	C	Boeing	W. James McNerney, Jr.
96.	11	-85	A	A	D	C	McGraw-Hill	Harold W. McGraw, III
97.	161	64	A	A	C	C	Sherwin-Williams	Christopher M. Connor
98.	75	-23	B	D	A	C	Cisco Systems	John T. Chambers
99.	103	4	B	A	F	A	Brown-Forman	Paul C. Varga
100.			C	C	B	A	Hormel Foods	Jeffrey M. Ettinger
101.			A	C	B	C	Exxon Mobil	Rex W. Tillerson
102.	66	-36	A	A	F	C	Coach	Lew Frankfort
103.			D	C	B	A	Harris	Howard L. Lance
104.	168	64	A	A	F	B	Robert Half	Harold M. Messmer, Jr.
105.	238	133	B	D	A	C	Expedia	Dara Khosrowshahi
106.	64	-42	B	A	F	B	Windstream	Jeffery R. Gardner
107.	236	129	D	F	A	A	Raytheon	William H. Swanson
108.	135	27	C	C	C	A	Honeywell	David M. Cote
109.	142	33	A	C	C	B	Microchip Technology	Steve Sanghi
110.	156	46	B	B	B	C	Pactiv	Richard L. Wambold
111.	167	56	C	B	D	A	Procter & Gamble	Alan G. Lafley
112.	85	-27	B	A	F	B	PACCAR	Mark C. Pigott
113.	137	24	D	B	D	A	Corning	Wendell P. Weeks
114.			B	B	C	C	MetLife	C. Robert Henrikson
115.	45	-70	D	A	F	A	Enso International	Daniel W. Rabun, J.D.

Overall Ranking	'08 rank	Change from '08 rank	Mv/IC	3 Yr. EM	EM Change	Mgmt. Quality Score	Company	CEO
116.	25	-91	A	A	F	C	Franklin Resources	Gregory E. Johnson
117.	78	-39	B	C	C	B	Omnicom	John D. Wren
118.	193	75	B	C	B	C	Schering-Plough	Fred Hassan
119.	157	38	D	A	D	A	Lowe's	Robert A. Niblock
120.	86	-34	B	B	C	C	Bank of New York Mellon	Robert P. Kelly
121.	155	34	C	C	D	A	Costco	James D. Sinegal
122.	82	-40	B	B	C	C	H.J. Heinz	William R. Johnson
123.	231	108	C	D	A	B	Sara Lee	Brenda C. Barnes
124.	111	-13	B	C	D	B	Invesco	Martin L. Flanagan, CPA
125.	56	-69	A	A	F	C	Western Union	Christina A. Gold
126.	200	74	B	A	F	C	Freeport-McMoRan Copper & Gold	Richard C. Adkerson
127.	138	11	F	A	C	A	Humana	Michael B. McCallister
128.	114	-14	A	B	D	C	IMS Health	David R. Carlucci
129.	62	-67	B	B	F	B	Marriott	J.W. Marriott, Jr.
130.	204	74	C	B	F	A	Wyeth	Bernard J. Pousos
131.			D	D	B	A	Conagra Foods	Gary M. Rodkin
132.	107	-25	C	A	C	C	Chubb	John D. Finnegan
133.	92	-41	C	A	D	C	Cigna	H. Edward Hanway
134.	127	-7	B	C	B	C	Intel	Paul S. Otellini
135.	125	-10	B	B	F	B	Illinois Tool Works	David B. Speer
136.	216	80	C	C	A	C	Amerisource Bergen	R. David Yost
137.	188	51	C	C	D	A	Amgen	Kevin W. Sharer
138.	101	-37	B	B	D	B	Polo Ralph Lauren	Ralph Lauren
139.	228	89	B	F	B	B	Devon Energy	J. Larry Nichols
140.	179	39	F	A	F	A	Forest Laboratories	Howard Solomon
141.	205	64	D	D	B	A	Kroger	David B. Dillon
142.			B	B	D	C	Sempra Energy	Donald E. Felsing
143.	181	38	B	B	D	C	Texas Instruments	Richard K. Templeton
144.	198	54	D	C	C	B	Ameriprise Financial	James M. Cracchiolo
145.	136	-9	C	B	C	C	Travelers	Jay S. Fishman
146.	186	40	D	B	D	A	XTO Energy	Bob R. Simpson
147.	301	154	A	F	C	B	CB Richard Ellis	W. Brett White
148.	172	24	D	C	D	A	McKesson	John H. Hammergren
149.	102	-47	C	C	C	B	Agilent Technologies	William P. Sullivan
150.			C	F	A	B	Coca-Cola Enterprises	John F. Brock
151.	38	-113	C	B	C	C	Deere	Robert W. Lane
152.	144	-8	D	D	C	A	Genzyme	Henri A. Termeer
153.	192	39	B	C	C	C	Kimberly Clark	Thomas J. Falk
154.	221	67	F	D	B	A	Burlington Northern Santa Fe	Matthew K. Rose
155.	277	122	C	C	D	B	Frontier Communications	Mary Agnes Wilderrotter
156.	158	2	D	B	B	C	Qlogic	H.K. Desai
157.	145	-12	C	B	C	C	Merck	Richard T. Clark
158.	149	-9	D	C	B	C	Unum	Thomas R. Watjen
159.	274	115	C	F	A	B	El Paso	Douglas L. Foshee
160.	166	6	C	C	F	A	Patterson	James W. Wiltz
161.	214	53	D	C	D	A	Cintas	Scott D. Farmer
162.	194	32	C	D	B	C	Big Lots	Steven S. Fishman
163.			D	A	C	C	Aetna	Ronald A. Williams
164.	213	49	C	C	D	B	National Semiconductor	Brian L. Halla
165.	195	30	C	B	F	B	NVIDIA	Jen-Hsun Huang
166.	164	-2	C	B	C	C	Sealed Air	William V. Hickey
167.	112	-55	D	A	F	B	Titanium Metals	Steven L. Watson
168.	311	143	C	F	C	B	Millipore	Martin D. Madaus, Ph.D.
169.	182	13	C	F	A	C	Biogen Idec	James C. Mullen
170.	254	84	D	F	A	B	D.R. Horton	Donald J. Tomnitz
171.	266	95	D	F	A	B	Electronic Arts	John S. Riccitiello

Three Top Wealth Creators —

John Martin, Gilead Sciences



Score: 95

This \$5.3 billion pharmaceutical company develops and markets treatments for life-threatening infectious diseases (HIV and Hepatitis B), pulmonary and cardiovascular diseases.

Proprietary pharmaceuticals is a “hit-record” business, one in which your product or service is either very successful (and life is good) or it’s not (and you’re trying to survive while developing for your next, hoped-for hit).

Once you put all the brains, skills, capital and hard work into creating an industry-leading product, *and* if Dame Fortune is smiling (that is, your competitors don’t beat you to the punch with an even better product), you’ll do well—in Gilead’s case, 50 percent operating margins and global scalability.

John Wiehoff, C.H. Robinson Worldwide



Score: 92

You can still make money as a matchmaker. C.H. Robinson is an \$8.6 billion third-party logistics provider, a trucking broker. It sports an asset-light business model—doesn’t own any trucks, etc. Instead,

it uses its solid relationships with 32,000 shippers and 50,000 trucking companies and its proprietary information system to keep trucks as full as possible and shipments moving economically. It’s not as volume-sensitive as a shipper and no one shipper represents more than 3 percent of revenue. It can use its matchmaking information system as a vehicle to expand outside the U.S.

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Overall Ranking	'08 rank	Change from '08 rank	Mv/IC	3 Yr. EM	EQ Change	Mgmt. Quality Score	Company	CEO
172.	129	-43	A	F	A	F	American Tower	James D. Taiclet, Jr.
173.	234	61	D	F	A	B	Centex	Timothy R. Eller
174.	226	52	D	D	A	C	Compuware	Peter J. Karmanos, Jr.
175.			C	B	D	C	Equifax	Richard F. Smith
176.	291	115	F	D	A	B	LSI	Abhijit Y. Talwalkar
177.	229	52	F	F	A	B	Eastman Kodak	Antonio M. Perez
178.	287	109	F	F	A	B	Northrop Grumman	Dr. Ronald D. Sugar
179.	185	6	D	B	F	B	Ryder System	Gregory T. Swinton
180.	244	64	B	D	F	B	Broadcom	Scott A. McGreggor
181.	170	-11	D	D	C	B	Limited Brands	Leslie H. Waxner
182.	271	89	D	F	B	B	Interpublic	Michael I. Roth
183.	305	122	C	F	A	C	Symantec	John W. Thompson
184.	222	38	D	B	D	B	ConocoPhillips	James J. Mulva
185.			A	A	F	F	EQT	Murry S. Gerber
186.			D	D	D	A	Archer Daniels Midland	Patricia A. Woertz
187.	76	-111	F	B	D	B	Hartford Financial Svc.	Ramani Ayer
188.	220	32	D	C	C	B	Marathon Oil	Clarence P. Cazalot, Jr.
189.	315	126	F	F	A	B	Novell	Ronald W. Hovsepian
190.	171	-19	D	F	B	B	CA	John A. Swainson
191.	169	-22	D	D	B	C	Goodrich	Marshall O. Larsen
192.	207	15	F	C	D	A	Lexmark	Dr. Paul J. Curlander
193.	239	46	C	D	D	B	Avery Dennison	Dean A. Scarborough
194.	267	73	F	F	A	B	Macy's	Terry J. Lundgren
195.	312	117	B	D	D	B	Quest Diagnostics	Surya N. Mohapatra, Ph.D.
196.	285	89	D	F	B	B	Goodyear Tire & Rubber	Robert J. Keegan
197.	217	20	C	D	B	C	ITT	Steven R. Loranger
198.	196	-2	C	B	B	F	PG&E	Peter A. Darbee
199.	270	71	F	F	A	B	Thermo Fisher Scientific	Marijn E. Dekkers
200.	109	-91	D	B	D	C	Loews	James S. Tisch
201.			F	F	A	B	Time Warner Cable	Glenn A. Britt
202.			C	D	D	B	Leggett & Platt	David S. Haffner
203.	211	8	C	C	F	B	Meredith	Stephen M. Lacy
204.	259	55	B	C	C	F	Southern Company	David M. Ratcliffe
205.	88	-117	A	A	F	F	Intl. Game Technology	Thomas J. Matthews
206.			F	D	A	C	Cephalon	Frank Baldino, Jr.
207.	334	127	D	F	B	B	Mylan	Robert J. Coury
208.	335	127	F	F	A	B	Boston Scientific	James R. Tobin
209.	208	-1	D	C	F	B	J.C. Penney	Myron E. Ullman, III
210.	183	-27	D	C	F	B	Black & Decker	Nolan D. Archibald
211.	174	-37	C	D	A	F	CMS Energy	David W. Joos
212.	297	85	F	D	B	B	Washington Post	Donald E. Graham
213.	322	109	D	F	B	B	Fedex	Frederick W. Smith
214.	307	93	F	F	A	B	Lennar	Stuart A. Miller
215.	296	81	F	D	C	B	Genworth Financial	Michael D. Fraizer
216.	331	115	F	F	B	B	Sandisk	Eli Harari, Ph.D.
217.	209	-8	B	D	B	F	Range Resources	John H. Pinkerton
218.			F	A	F	B	Valero Energy	William R. Klesse
219.	219	0	C	D	D	C	Hospira	Christopher B. Begley
220.			C	D	A	F	Northeast Utilities	Charles W. Shively
221.	163	-58	D	A	F	C	Reynolds American	Susan M. Ivey
222.	93	-129	D	A	F	C	General Electric	Jeffrey R. Immelt
223.	160	-63	B	B	F	F	Rockwell Automation	Keith D. Noshusch
224.	262	38	D	D	D	B	Novellus Systems	Richard S. Hill
225.	224	-1	F	D	C	B	Safeway	Steven A. Burd
226.	206	-20	D	D	D	B	Whirlpool	Jeff M. Fettig
227.	306	79	F	B	D	B	Tesoro	Bruce A. Smith
228.	190	-38	F	B	D	C	Carnival	Micky Arison
229.			B	F	B	F	Wisconsin Energy	Gale E. Klappa

Overall Ranking	'08 rank	Change from '08 rank	Mv/IC	3 Yr. EM	EM Change	Mgmt. Quality Score	Company	CEO
230.	295	65	F	F	B	B	Comcast	Brian L. Roberts
231.	81	-150	B	B	D	F	Nordstrom	Blake W. Nordstrom
232.	248	16	F	F	C	B	Tenet Healthcare	Trevor Fetter
233.	293	60	F	F	C	B	Autonation	Michael J. Jackson
234.	69	-165	B	B	F	F	Baker Hughes	Chad C. Deaton
235.	189	-46	C	C	C	F	Chevron	David J. O'Reilly
236.	281	45	B	D	C	F	Citrix Systems	Mark B. Templeton
237.			D	F	C	B	Kraft Foods	Irene B. Rosenfeld
238.	143	-95	C	A	F	B	Nucor	Daniel R. DiMicco
239.			F	D	F	A	Cardinal Health	R. Kerry Clark
240.	128	-112	B	B	D	F	Staples	Ronald L. Sargent
241.	108	-133	B	C	C	F	EOG Resources	Mark G. Papa
242.	233	-9	D	F	C	B	New York Times	Janet L. Robinson
243.	241	-2	F	D	C	B	Xerox	Anne M. Mulcahy
244.	152	-92	B	B	F	F	Apache	G. Steven Farris
245.	278	33	F	F	B	B	CBS	Leslie Moonves
246.			C	C	F	F	J.P. Morgan Chase	James S. Dimon
247.	134	-113	C	C	C	F	Ball	R. David Hoover
248.	147	-101	C	C	C	F	Morgan Stanley	John J. Mack
249.	50	-199	C	B	D	F	Tiffany	Michael J. Kowalski
250.	333	83	F	F	B	B	Southwest Airlines	Gary C. Kelly
251.	256	5	D	D	F	B	Teradyne	Michael A. Bradley
252.	225	-27	D	B	C	F	Verizon	Ivan G. Seidenberg
253.			F	D	C	B	Sun Microsystems	Jonathan I. Schwartz
254.	132	-122	C	A	F	F	BJ Services	J. W. Stewart
255.	53	-202	B	C	D	F	Cummins	Theodore M. Solso
256.	235	-21	D	D	D	B	Dow Chemical	Andrew N. Liveris
257.	212	-45	C	F	B	F	Cabot Oil & Gas	Dan O. Dinges
258.	105	-153	C	F	A	F	Massey Energy	Don L. Blankenship
259.	130	-129	C	C	C	F	Netapp	Daniel J. Warmenhoven
260.	184	-76	D	F	D	B	AK Steel Holding	James L. Wainscott
261.	318	57	F	D	C	B	Wyndham Worldwide	Stephen P. Holmes
262.	290	28	F	D	F	B	Gannett	Craig A. Dubow
263.	324	61	F	D	D	B	Office Depot	Steve Odland
264.	99	-165	C	A	F	F	Caterpillar	James W. Owens
265.	83	-182	C	B	D	F	Centerpoint Energy	David M. McClanahan
266.	265	-1	C	F	F	B	Pulte Homes	Richard J. Dugas, Jr.
267.	89	-178	C	B	D	F	BB&T	John A. Allison, IV
268.	117	-151	D	C	C	F	Hewlett-Packard	Mark V. Hurd
269.	269	0	F	D	D	B	Regions Financial	C. Dowd Ritter
270.	133	-137	B	C	F	F	Estee Lauder	William P. Lauder
271.	328	57	F	D	B	B	Micron Technology	Steven R. Appleton
272.	284	12	F	D	F	B	Supervalu	Jeffrey Noddle
273.	139	-134	C	B	F	F	Applied Materials	Michael R. Splinter
274.	283	9	F	F	D	B	Vulcan Materials	Donald M. James
275.	258	-17	C	D	C	F	Entergy	J. Wayne Leonard
276.			C	B	F	F	Autodesk	Carl Bass
277.	327	50	F	F	C	B	Meadwestvaco	John A. Luke, Jr.
278.	90	-188	D	A	F	F	National Oilwell Varco	Merrill A. Miller, Jr.
279.	121	-158	C	D	F	F	Noble Energy	Charles D. Davidson
280.			D	C	D	F	SCANA Corp	William B. Timmerman
281.	84	-197	C	C	D	F	Cooper Industries	Kirk S. Hachigian
282.	251	-31	F	D	F	B	News Corp.	K. Rupert Murdoch AC
283.			C	F	B	F	Quanta Services	John R. Colson
284.	303	19	D	D	B	F	EMC	Joseph M. Tucci
285.	304	19	C	C	D	F	Nicor	Russ M. Strobel
286.	201	-85	C	C	D	F	PPG Industries	Charles E. Bunch
287.	240	-47	D	D	B	F	Chesapeake Energy	Aubrey K. McClendon

Overall Ranking	'08 rank	Change from '08 rank	Mv/IC	3 Yr. EM	EM Change	Mgmt. Quality Score	Company	CEO
288.	250	-38	D	F	A	F	Waste Management	David P. Steiner
289.	165	-124	C	D	C	F	Hess	John B. Hess
290.	98	-192	D	A	F	F	Abercrombie & Fitch	Michael S. Jeffries
291.	151	-140	D	A	F	F	Allegheny Technologies	L. Patrick Hassey
292.	299	7	D	F	A	F	Dean Foods	Gregg L. Engles
293.	242	-51	D	F	A	F	DTE Energy	Anthony F. Earley, Jr.
294.			D	F	F	B	Fiserv	Jeffery W. Yabuki
295.			C	C	D	F	Wynn Resorts	Stephen A. Wynn
296.	298	2	D	D	C	F	Xcel Energy	Richard C. Kelly
297.	280	-17	D	F	F	B	Ciena	Gary B. Smith
298.	292	-6	D	C	C	F	American Electric Power	Michael G. Morris
299.	177	-122	C	C	F	F	Danaher	H. Lawrence Culp, Jr.
300.			D	C	C	F	Walt Disney	Robert A. Iger
301.			D	F	A	F	L-3 Communications	Michael T. Strianese
302.	276	-26	F	F	A	F	Williams	Steven J. Malcolm
303.	199	-104	D	B	F	F	Discover	David W. Nelms
304.	319	15	F	F	F	B	Fidelity National Information Services	Lee A. Kennedy
305.	253	-52	D	F	B	F	Allegheny Energy	Paul J. Evanson
306.	300	-6	C	C	F	F	KLA-Tencor	Richard P. Wallace
307.			C	C	D	F	Newell Rubbermaid	Mark D. Ketchum
308.			F	D	B	F	Union Pacific	James R. Young
309.	191	-118	D	C	D	F	Parker Hannifin	Donald E. Washkewicz
310.			F	C	C	F	Duke Energy	James E. Rogers
311.	275	-36	F	D	B	F	Bank Of America	Kenneth D. Lewis
312.	230	-82	F	D	B	F	CSX	Michael J. Ward
313.	289	-24	D	F	B	F	DaVita	Kent J. Thiry
314.	223	-91	F	C	D	F	Nabors Industries	Eugene M. Isenberg
315.	79	-236	F	C	D	F	PNC Financial Services	James E. Rohr
316.	48	-268	F	A	F	F	Manitowoc	Glen E. Tellock
317.	215	-102	D	C	F	F	Comerica	Ralph W. Babb, Jr.
318.	141	-177	F	B	F	F	United States Steel	John P. Surma, CPA
319.			F	D	B	F	Norfolk Southern	Charles W. Moorman, IV
320.	197	-123	C	C	F	F	Stanley Works	John F. Lundgren
321.	218	-103	D	D	D	F	Molex	Martin P. Slark
322.	286	-36	F	D	C	F	Pinnacle West Capital	William J. Post
323.			F	F	B	F	Pioneer Natural Resources	Scott D. Sheffield
324.	325	1	D	C	F	F	Whole Foods Market	John P. Mackey
325.	232	-93	F	B	F	F	King Pharmaceuticals	Brian A. Markison
326.	326	321	-5	F	C	D	Consolidated Edison	Kevin Burke
327.	294	-33	F	D	D	F	Anadarko Petroleum	James T. Hackett
328.	323	-5	F	D	D	F	CVS Caremark	Thomas M. Ryan
329.			D	D	F	F	NASDAQ OMX Group	Robert Greifeld
330.	237	-93	F	D	F	F	Eaton	Alexander M. Cutler
331.	320	-11	F	D	D	F	Jabil Circuit	Timothy L. Main
332.	309	-23	D	D	D	F	KeyCorp	Henry L. Meyer, III
333.	308	-25	F	D	F	F	Zions Bancorp	Harris H. Simmons
334.	247	-87	F	C	F	F	Capital One	Richard D. Fairbank
335.	330	-5	F	D	D	F	Centurytel	Glen F. Post, III
336.	257	-79	F	D	F	F	Textron	Lewis B. Campbell
337.	317	-20	F	F	C	F	International Paper	John V. Faraci
338.	272	-66	D	F	F	F	CME	Craig S. Donohue
339.			F	F	D	F	Republic Services	James E. O'Connor
340.	288	-52	F	F	D	F	Nisource	Robert C. Skaggs, Jr.
341.	264	-77	F	F	F	F	CIT	Jeffrey M. Peek
342.			F	D	F	F	J.M. Smucker	Timothy P. Smucker
343.	302	-41	F	F	F	F	Dynegy	Bruce A. Williamson

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Douglas Baker, Ecolab



Score: 92

Six billion dollar Ecolab manufactures and sells cleaning, infection-prevention and pest-elimination products, and textile and ware-washing systems to institutional, hospitality and industrial customers. The largest company in a highly fragmented industry, it has created a two-pronged approach to customer loyalty: high-touch service and proprietary product-dispensing equipment that both saves customers money and creates switching costs. (After all, why put a business based on relationships at the mercy of the purchasing department?)

With an international presence, its results have lately been impacted by the decline in the hospitality industry, but its infection-prevention (H1N1, etc.) presence bodes well going forward.

— and Destroyers

Jeffrey Peek, CIT Group



Score: 8

\$2.9 billion CIT has long been a lender to the now-troubled small and mid-size business (SMB) market, offering asset and cash-flow-based funding. And it's the largest SBA lender.

CIT's problems lie not only with the now-stressed SMB market, but are rooted in its management's judgment calls—the heart of what a CEO is paid to do—and a healthy dollop of bad luck.

Its forays away from SMB financing into student loans and subprime mortgage lending did not pan out. And management seems to have ignored the risk that its source of money to lend (the capital markets) would freeze up, leaving it unable to lend and make money. Perhaps they thought they too were too big to fail. Lee Iacocca's wisdom applies, paraphrased, "If we're wrong about this, will we be able to absorb the consequences?"

John Faraci, International Paper



Score: 15

International Paper, with \$24.8 billion in 2008 revenue, has changed its business model dramatically in recent years (selling much of its timberland, its coated paper and other businesses). It's now focused on making uncoated paper and containerboard. But it hasn't freed itself from a challenged business model: Pricing and demand can change dramatically, industry overcapacity is a common problem, there's domestic competition from low-cost locales and it has limited control over pricing (powerful buyers). Plus, it faces volatile raw-material and energy costs. If the CEO's job is to create wealth for shareholders, we wonder why this business model seemed like it would do so. We believe that the core of the CEO's responsibility to shareowners is to keep the company competitive in, or to move the company into, one or more great businesses—those with the power to truly create economic wealth.

Lewis Campbell, Textron



Score: 15

Textron is a \$3.6 billion conglomerate, consisting of a financial services unit, Bell Helicopter, Cessna, an industrial (automotive) business and Textron Systems (defense, imaging and others). Although it has some now-solid franchises—Bell, and some Systems elements—its financial and industrial business units are challenged.

The "something's always going to be in the tank" nature of a conglomerate prevents it from regularly outperforming the market. As we've seen with GE, a financial services division can facilitate sales in the other divisions. It can also create a perfectly legal "cookie jar" to smooth out earnings with well-timed asset sales. But at 5 percent of revenue, Textron's financial-services unit seems to now be traumatizing the whole company.

It is reasonable to wonder about management's belief that the company's whole is worth more than its parts. On the other hand, when things go seriously south in one business, being able to rely on the cash flows of others that are doing well can be a lifesaver. —D.M.

How to Move Up in the Rankings

In publishing this list, *Chief Executive* aims to show CEOs both where they stand with respect to their peers (awareness being the mother of improvement) and to make clear how to go about improving one's standing. Improving will require several actions that the company's CEO, division heads and general managers can take:

At the corporate level:

- Use EM to measure wealth-creation throughout the company.
- Manage your portfolio of businesses from a wealth-creation perspective. This includes sensing opportunities—entering lucrative or fast-growing businesses as well as putting businesses making sub-par contributions into other hands or shuttering them. Set the contribution hurdle rate to maximize economic value creation.
- Ensure that the company's capital structure is right. This affects the capital charge and invested capital. Equity is more expensive than debt, but too much debt can kill a company (witness recent debacles).
- Avoid overpaying for acquisitions or buying back stock at its peaks.

At the business-unit level:

- The general managers of businesses need to find the best things they can do to boost operating results. (See “Leading Your Business to Maximum Results” (*CE*, Jan./Feb. 2008).)

At all levels:

- Get all you can out of your assets.

For years, IBM has been buying software companies so that its sales force, a major leverageable asset, has more products to sell to customers. Get more out of the intangible assets—not just intellectual property. Work to improve customers' feelings about your company and its offerings, the promises your brands represent, your value propositions, etc. For more, see “The Economic Stimulus Package Inside Every Business” (*CE Online*, Jan./Feb 2009), “How Your Company Thinks About Prospects and Customers Determines Your Revenue” (*CE*, July/August 2009) and “Do Intangibles Matter?” (*CE*, July/August 2008.)

- Finally, manage internal and external risks across the company by taking a wide-angle lens to what could happen. —D.M. ▲

Drew Morris (drew.morris@greatnumbers.com) is the founder and CEO of Great Numbers!, which helps executives figure out how to create them, and to master the skills needed to do so repeatedly. He has no stake in any of the companies mentioned.

Michael Burdi (www.economicmargin.com/moreinfo.htm) is senior analyst for Applied Finance Group, Ltd. (AFG), a Chicago-based independent equity research advisory firm specializing in performance and valuation measurement using Economic Margin.