

# 2010 Wealth Creation index

THE THIRD ANNUAL RANKING OF THE *CHIEF EXECUTIVE/APPLIED FINANCE* GROUP WEALTH CREATORS—AND DESTROYERS—SEES NEW CONTENDERS SURFACE AND SEVERAL THAT SUSTAINED PERFORMANCE THROUGH TOUGH TIMES.

**N**ow in its third year, the wealth creation index developed by *Chief Executive*, Applied Finance Group and Great Numbers! attempts to identify those business leaders who have performed best in creating true economic value—as opposed to mere accounting value—as measured by GAAP metrics. Creating value is, after all, why CEOs do what they do. The WCI leans heavily on the concept of economic margin (EM). (EM measures the degree to which a company makes money in excess of its risk-adjusted cost of capital.) While there is no single metric that is perfect, EM comes close, in that it isn't dependent on share price in assessing management's impact on val-

ue creation. (The rankings do not include REITs among the S&P 500 and only assess companies whose CEO has been in the job for at least three years in order to get a fair appraisal of its actions under varying conditions. For more details on methodology, see "Ranking CEO Wealth Creation," p. 46.)

The past 12 months have not been an easy time to grow—or for companies with high levels of EM to maintain them. The more profitable a company is, the more difficult it is to maintain high levels of profitability when competitors step up and target market leaders. Some companies find that the "easy money"—high margins on a product or market—ultimately dries up. Also, if a business model is successful and a

TOP 10 WEALTH CREATORS		
1	Jeffery H. Boyd	Priceline.com
2	Daniel P. Amos	Aflac
3	J. Christopher Donahue	Federated Investors
4	Steven P. Jobs	Apple
5	Jeffrey P. Bezos	Amazon.com
6	Ian M. Cook	Colgate-Palmolive
7	Douglas M. Baker, Jr.	Ecolab
8	Daniel Hamburger	DeVry
9	Willard D. Oberton	Fastenal
10	John P. Wiehoff	C.H. Robinson Worldwide

TOP 10 WEALTH DESTROYERS		
1	Gregg L. Engles	Dean Foods
2	Thomas M. Ryan	CVS Caremark
3	Irene B. Rosenfeld	Kraft Foods
4	Paul J. Evanson	Allegheny Energy
5	Myron E. Ullman, III	J.C. Penney
6	Michael W. Laphen	Computer Sciences
7	James T. Hackett	Anadarko Petroleum
8	Eugene M. Isenberg	Nabors Industries
9	Andrew N. Liveris	Dow Chemical
10	Donald E. Graham	Washington Post

## WEALTH CREATOR

### James A.C. Kennedy T. Rowe Price

Underlying T. Rowe's success is a story of the power of a worthy, uplifting and unifying belief system to drive a business, even a large one, for 70-plus years. Since inception, the company set out to make its investors' financial well-being the center of their business. In the founder's words, "Profits must follow a job well done, and result from the good will of the investing public." Simply, they're on the investor's side. That manifests itself in considerable efforts to educate prospective

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and current investors, serve them well and honestly and act in their best interests. The company continues its efforts to educate both kids and adults about personal finance. Among these is a new exhibit at Epcot, an educational online game for kids and teens, and an online collection of money lessons parents learned, or didn't, growing up. All this flowed from a few well-chosen words by an adept and right-hearted leader, their founder, and adeptly sustained since by CEOs like Kennedy. —Drew Morris

## WEALTH DESTROYER

### John P. Surma U.S. Steel

Businesses with high fixed costs, like U.S. Steel, can do extraordinarily well—once they've covered their fixed costs. And terribly if sales fall below what's needed to cover those costs. Lower volume, pricing pressures, or both, can cause this, as was recently the case with U.S. Steel, a vertically integrated steel producer, whose business is designed to deliver product quite profitably at high volume. In the recession, operating income dove from \$3.1B in 2008 to a \$1.7B loss last

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year on a 54 percent revenue drop. Of course, high-leverage business models are inherently risky. The interesting management and governance question is whether to try to preserve such models (and risk-reward profiles), or to create the ability to prosper under a wider set of circumstances, as the mini mills which compete with U.S. Steel, have done. Should Surma work on reducing fixed costs; trading off increasing variable costs somewhat? What might happen to U.S. Steel's market cap if he does? That is, do most of his long-term investors want something they can bet on, just as it is? —DM

OVERALL RANKING	'09 Rank	Change from '09 Rank	MVIC	3 Yr. EM	EM Change	Mgmt. Quality Score	COMPANY	CEO
1			A	A	A	A	Priceline.com	Jeffery H. Boyd
2	23	21	A	A	A	A	Aflac	Daniel P. Amos
3	2	-1	A	A	A	A	Federated Investors	J. Christopher Donahue
4	35	31	A	A	A	A	Apple	Steven P. Jobs
5	4	-1	A	A	B	A	Amazon.com	Jeffrey P. Bezos
6			A	A	B	A	Colgate-Palmolive	Ian M. Cook
7	7		A	B	A	A	Ecolab	Douglas M. Baker, Jr.
8			A	A	A	A	DeVry	Daniel Hamburger
9	40	31	A	A	B	A	Fastenal	Willard D. Oberton
10	6	-4	A	A	C	A	C.H. Robinson Worldwide	John P. Wiehoff
11	53	42	A	A	B	A	Philip Morris International	Louis C. Camilleri
12			A	A	C	A	T. Rowe Price	James A.C. Kennedy
13	105	92	B	B	A	A	Expedia	Dara Khosrowshahi
14	12	-2	A	A	C	A	AutoZone	William C. Rhodes, III
15	13	-2	A	C	A	A	Dominion Resources	Thomas F. Farrell, II
16	89	73	B	B	A	A	Mattel	Robert A. Eckert
17	136	119	A	B	A	A	Amerisource Bergen	R. David Yost
18	42	24	A	B	B	A	3M	George W. Buckley
19	45	26	A	A	B	A	Altera	John P. Daane
20	65	45	A	B	B	A	Yum! Brands	David C. Novak
21			C	A	A	A	Cliffs Natural Resources	Joseph A. Carrabba
22	61	39	A	A	C	A	Sigma-Aldrich	Dr. Jai P. Nagarkatti
23			A	A	C	A	Urban Outfitters	Glen T. Senk
24	1	-23	A	A	D	A	MasterCard	Robert W. Selander
25	28	3	B	C	A	A	TECO Energy	Sherrill W. Hudson
26	94	68	A	B	B	A	McDonald's	James A. Skinner
27			A	B	B	A	Ross Stores	Michael Balmuth
28	71	43	A	A	D	A	American Express	Kenneth I. Chenault
29	255	226	B	C	A	A	Cummins	Theodore M. Solso
30	37	7	A	A	D	A	Varian Medical Systems	Timothy E. Guertin
31	57	26	B	C	A	A	Peabody Energy	Gregory H. Boyce
32	24	-8	A	A	D	A	Expeditors International	Peter J. Rose
33			C	B	A	A	PPL	James H. Miller
34			A	A	C	A	Aon	Gregory C. Case
35	58	23	A	B	C	A	Progressive	Glenn M. Renwick
36	64	28	B	A	C	A	Occidental Petroleum	Ray R. Irani, Ph.D.
37			B	B	B	A	TJX	Carol M. Meyrowitz
38	87	49	A	A	D	A	Waters	Douglas A. Berthiaume
39	66	27	B	B	B	A	IBM	Samuel J. Palmisano
40			C	B	A	A	Newmont Mining	Richard T. O'Brien
41	79	38	A	D	A	A	Medco	David B. Snow, Jr.
42	54	12	A	A	D	A	Teradata	Michael Koehler
43			A	C	B	A	Cerner	Neal L. Patterson
44	116	72	A	A	D	A	Franklin Resources	Gregory E. Johnson
45	143	98	C	B	B	A	Texas Instruments	Richard K. Templeton
46			A	A	B	C	FMC Technologies	Peter D. Kinnear
47	5	-42	A	A	F	A	Gilead Sciences	John C. Martin, M.D.
48	49	1	A	A	F	A	IntercontinentalExchange	Jeffrey C. Sprecher
49			B	C	B	A	Kellogg	A.D. David Mackay
50	125	75	A	A	D	A	Western Union	Christina A. Gold*

\* Retired September 1, 2010

OVERALL RANKING	'09 Rank	Change from '09 Rank	MVIC	3 Yr. EM	EM Change	Mgmt. Quality Score	COMPANY	CEO
51	102	51	A	A	F	A	Coach	Lew Frankfort
52	44	-8	A	A	F	A	Moody's	Raymond W. McDaniel, Jr.
53	69	16	B	D	A	A	Allergan	David E.I. Pyott
54			A	B	A	C	ONEOK	John W. Gibson, Jr.
55	10	-45	A	A	F	A	Lorillard	Martin L. Orlowsky
56	36	-20	A	A	F	A	Exelon	John W. Rowe
57	47	-10	A	A	F	A	Express Scripts	George Paz
58	101	43	B	C	B	A	Exxon Mobil	Rex W. Tillerson
59	72	13	A	A	D	A	Halliburton	David J. Lesar
60	51	-9	A	A	F	A	Schlumberger	Andrew Gould
61			A	A	F	A	Cognizant Technology Solutions	Francisco D'Souza
62	16	-46	A	A	F	A	Nike	Mark G. Parker
63	25	-38	A	A	D	A	Google	Eric E. Schmidt, Ph.D.
64	62	-2	B	C	B	A	Abbott Laboratories	Miles D. White
65	22	-43	A	B	D	A	C.R. Bard	Timothy M. Ring
66	34	-32	A	C	B	A	Stericycle	Mark C. Miller
67			A	C	C	A	Praxair	Stephen F. Angel
68	96	28	A	A	F	A	McGraw-Hill	Harold W. McGraw, III
69	20	-49	B	A	D	A	FLIR Systems	Earl R. Lewis
70	26	-44	A	A	F	A	Rockwell Collins	Clayton M. Jones
71	95	24	B	B	C	A	Boeing	W. James McNerney, Jr.
72	134	62	C	C	A	A	Intel	Paul S. Otellini
73	8	-65	A	A	F	A	Microsoft	Steven A. Ballmer
74	78	4	B	C	B	A	Hudson City Bancorp	Ronald E. Hermance, Jr.
75	73	-2	B	B	C	A	Johnson & Johnson	William C. Weldon
76	48	-28	B	C	B	A	Baxter International	Robert L. Parkinson, Jr.
77	82	5	B	D	A	A	Saint Jude Medical	Daniel J. Starks
78	46	-32	B	B	C	A	Bed Bath & Beyond	Steven H. Temares
79			B	B	C	A	Wells Fargo	John G. Stumpf
80	236	156	B	D	B	A	Citrix Systems	Mark B. Templeton
81	122	41	B	B	C	A	H.J. Heinz	William R. Johnson
82	43	-39	B	C	C	A	Becton Dickinson	Edward J. Ludwig
83	60	-23	B	B	D	A	Stryker	Stephen P. MacMillan
84	180	96	B	D	A	A	Broadcom	Scott A. McGregor
85			B	C	D	F	Berkshire Hathaway	Warren E. Buffett
86	219	133	B	D	B	A	Hospira	Christopher B. Begley
87	109	22	B	C	B	A	Microchip Technology	Steve Sanghi
88	126	38	C	A	D	A	Freeport-McMoRan Copper & Gold	Richard C. Adkerson
89	39	-50	B	B	C	A	BMC Software	Robert E. Beauchamp
90	148	58	C	C	B	A	McKesson	John H. Hammergren
91	68	-23	B	C	B	A	Family Dollar Stores	Howard R. Levine
92	80	-12	C	C	B	A	Analog Devices	Jerald G. Fishman
93	56	-37	B	A	D	A	Genuine Parts	Thomas C. Gallagher
94	59	-35	B	B	C	A	Oracle	Lawrence J. Ellison
95	21	-74	A	B	B	C	Campbell Soup	Douglas R. Conant
96	75	-21	B	A	F	A	Precision Castparts	Mark Donegan
97	33	-64	A	A	D	C	Linear Technology	Lothar Maier
98	181	83	B	D	B	A	Limited Brands	Leslie H. Wexner
99	67	-32	C	B	D	A	O'Reilly Automotive	Gregory L. Henslee
100			A	B	C	C	Clorox	Donald R. Knauss

WEALTH CREATOR

Ian Cook  
Colgate Palmolive

Colgate has long been well run. Ian Cook, successor to the extraordinarily successful Reuben Mark, has continued its many sound management practices. For example, it has long leaned heavily on IT to create uncommon efficiencies.

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A notable element of Colgate's management practices is its Funding the Growth program. The company continually streamlines its operations, squeezing out costs, and then applying the savings toward two goals: One half goes into driving sales; the

other goes to the bottom line. Colgate is obviously not the only company doing this, but they've made the practice front and center, which helps. And it sure beats diluting shareholders equity to grow (by paying with stock), and wasting money on overpriced acquisitions, as some tech companies have recently done. —DM

company is making healthy profits, it becomes a target.

Similarly, the regulatory environment can make it difficult for companies to maneuver. Both financial and health-care companies have become the worst-performing sectors over the last 12 months. Even the well-managed ones struggle with maintaining past success. For example, MasterCard, which led the rankings last year, couldn't maintain its change in EM momentum and slipped to No. 24, still a respectable score. Federated Investors, however, has consistently stayed in the top three since the WCI's inception.

In entering the S&P 500 this year, Priceline.com vaulted to the top of this year's rankings. The company's EM had been dragged down in earlier years, but was consistently high in more recent years. It has also had tremendous success in moving its U.S. business model to international markets, with non-U.S. revenue doubling last year to top U.S. revenue. In addition, Priceline kept its operating costs in check, limiting them to 20 percent of year-on-year growth while pursuing an industry-leading growth in revenues of 27 percent. This allowed the firm to take market share from Expedia, another high scorer. Because the company offers a commodity product in a cutthroat industry marked by extreme ease of entry, it's difficult to assess whether Priceline can maintain its high-wire act. CEO Jeffrey Boyd says, "The most important metric we use is gross bookings growth, which refers to the overall value of all the travel products we sell. The Internet and online travel are still in

## WEALTH DESTROYER

### Eugene M. Isenberg Nabors Industries

This is the kind of story that gives CEOs a bad name. Nabors is a large oil and gas drilling and servicing contractor, which brought its investors a three-year total shareholder return of -19.18 percent as of June 30, 2010, the

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end of our measurement period. Isenberg, its CEO, is egregiously overcompensated, having been paid \$147 million over the past three years. (His 2009 compensation was down by 68 percent, as revenue dropped by 34 percent.) The seven-member board—which includes Isenberg and his handsomely compensated COO (\$57.4 million in the past three years)—has failed to address the compensation issue. The question for Isenberg and his board is: Just who are they there to serve? If the answer to that question doesn't sound, well, very fiduciary, what are they going to do about it? —DM

their infancy in many parts of the world. As a global business, our focus is on increasing overall sales and building our market share. We also look to maintain or improve our net operating margins so we can grow profitably. When interim results don't match expectations, our management team evaluates whether it is a supply, marketing or cost issue and makes adjustments accordingly.”

As the online travel market grows more saturated it will be more difficult to differentiate. But Priceline enjoys a healthy balance sheet and has slightly less cash than debt, so it gets high marks for managing growth and profitability.

Other stellar wealth creators include Jeffrey Bezos of Amazon and Douglas Baker of Ecolab, both of whom return to the top 10 from last year, showing that strong execution skills translate into wealth-creating staying power. Daniel Amos of Aflac, Steve Jobs of Apple, Ian Cook of Colgate-Palmolive, John Wiehoff of C.H. Robinson Worldwide and Daniel Hamburger of DeVry return in 2010 among the high scorers. David Yost of Amerisource Bergen, Theodore Solso of Cummins, Gregory Johnson of Franklin Resources, Mark Templeton of Citrix Systems, Chris Begley of Hospira and James Rohr of PNC Financial were among the leaders who advanced at least 100 positions in ranks since 2009.

Less stellar performances were logged by Windstream's Jeffrey Gardner, ConAgra's Gary Rodkin and FirstEnergy's Anthony Alexander, who are all among those who dropped more than 100 places since last year. ▲

OVERALL RANKING	'09 Rank	Change from '09 Rank	MVC	3 Yr. EM	EM Change	Mgmt. Quality Score	COMPANY	CEO
101	315	214	B	C	C	A	PNC Financial Services	James E. Rohr
102	120	18	C	C	B	A	Bank of New York Mellon	Robert P. Kelly
103	19	-84	C	A	D	A	Fluor	Alan L. Boeckmann
104	70	-34	B	A	F	A	Avon	Andrea Jung
105	30	-75	A	C	F	A	Salesforce.com	Marc Benioff
106			B	B	D	A	M&T Bank	Robert G. Wilmers
107	169	62	C	D	A	A	Biogen Idec	James C. Mullen
108	162	54	C	D	B	A	Big Lots	Steven S. Fishman
109			B	C	D	A	Automatic Data Processing	Gary C. Butler
110	249	139	B	C	C	A	Tiffany	Michael J. Kowalski
111	100	-11	C	C	B	A	Hormel Foods	Jeffrey M. Ettinger
112			A	A	D	C	PSEG	Ralph Izzo
113			C	F	A	A	Ford Motor	Alan R. Mulally
114	231	117	B	C	C	A	Nordstrom	Blake W. Nordstrom
115	81	-34	C	A	F	A	Goldman Sachs	Lloyd C. Blankfein
116			C	D	B	B	Viacom	Philippe P. Dauman
117			C	C	C	A	Gap	Glenn K. Murphy
118	74	-44	B	D	A	C	Pall	Eric Krasnoff
119	223	104	B	B	B	C	Rockwell Automation	Keith D. Nosbusch
120	135	15	B	C	C	A	Illinois Tool Works	David B. Speer
121	191	70	C	C	C	A	Goodrich	Marshall O. Larsen
122	251	129	D	D	A	A	Teradyne	Michael A. Bradley
123	31	-92	D	A	D	A	AES	Paul T. Hanrahan
124	55	-69	C	A	F	A	Torchmark	Mark S. McAndrew
125			B	A	F	A	PepsiCo	Indra K. Nooyi
126			B	D	C	A	LabCorp	David P. King
127	52	-75	C	A	F	A	Lockheed Martin	Robert J. Stevens
128	153	25	C	C	C	A	Kimberly Clark	Thomas J. Falk
129	77	-52	B	B	C	C	Emerson	David N. Farr
130	84	-46	B	B	F	A	Qualcomm	Dr. Paul E. Jacobs
131	138	7	B	B	D	A	Polo Ralph Lauren	Ralph Lauren
132	99	-33	B	A	D	C	Brown-Forman	Paul C. Varga
133	14	-119	A	A	F	C	Paychex	Jonathan J. Judge
134	216	82	D	F	A	A	SanDisk	Eli Harari, Ph.D.
135	132	-3	C	A	F	A	Chubb	John D. Finnegan
136			D	C	B	A	CarMax	Thomas J. Foliard
137			F	A	C	A	Western Digital	John F. Coyne
138	98	-40	C	B	F	A	Cisco Systems	John T. Chambers
139	107	-32	D	D	B	A	Raytheon	William H. Swanson
140			C	A	F	A	Dell	Michael S. Dell
141			D	D	B	A	Allstate	Thomas J. Wilson, II
142	108	-34	C	C	D	A	Honeywell	David M. Cote
143			B	F	A	B	Visa	Joseph W. Saunders
144	244	100	C	B	C	C	Apache	G. Steven Farris
145	289	144	D	D	B	A	Hess	John B. Hess
146	149	3	C	C	C	A	Agilent Technologies	William P. Sullivan
147	97	-50	A	B	D	C	Sherwin-Williams	Christopher M. Connor
148	144	-4	C	B	D	A	Ameriprise Financial	James M. Cracchiolo
149	197	48	D	D	B	A	ITT	Steven R. Loranger
150	3	-147	A	A	F	C	Monsanto	Hugh Grant

# Ranking CEO Wealth Creation

BY DREW MORRIS AND MICHAEL BURDI

The ranking focuses on the performance of companies (and their CEOs) in the S&P 500 index for the three years that ended on June 30, 2010. It's based on reported results during that period and estimates for the next 12 months.

CEOs whose tenure did not cover the full three years were not ranked. Also not ranked are the 14 REITs in the 2010 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. (The list itself casts these scores as a sequential ranking.) The component rankings are shown as letter grades with companies in the top 20 percent of each sector receiving an A; the bottom 20 percent receiving an F.

## Market (or Enterprise) Value/Invested Capital (MV/IC)

This measure shows the degree to which investors value the company's assets, relative to their cost. Market value is what a buyer would have to pay to buy the company outright; that is, to purchase all the stock and pay off all 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' Economic Margins

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

OVERALL RANKING	'09 Rank	Change from '09 Rank	IM/IC	3 Yr. EM	EM Change	Mgmt. Quality Score	COMPANY	CEO
151			B	B	D	C	U.S. Bancorp	Richard K. Davis
152	86	-66	C	B	F	A	Total System Services.	Philip W. Tomlinson
153			C	D	C	A	RadioShack	Julian C. Day
154	324	170	C	D	C	A	Whole Foods Market	John P. Mackey
155	114	-41	D	B	D	A	MetLife	C. Robert Henrikson
156	112	-44	A	B	F	B	PACCAR	Mark C. Pigott
157			D	A	F	A	UnitedHealth Group	Stephen J. Hemsley
158	93	-65	C	B	F	A	Darden Restaurants	Clarence Otis, Jr.
159	268	109	D	C	C	A	Hewlett-Packard	Mark V. Hurd*
160	165	5	F	B	C	A	NVIDIA	Jen-Hsun Huang
161	156	-5	B	B	C	C	QLogic	H.K. Desai
162	285	123	B	D	C	B	Nicor	Russ M. Strobel
163	145	-18	D	B	F	A	Travelers	Jay S. Fishman
164	137	-27	C	D	C	A	Amgen	Kevin W. Sharer
165			C	B	F	A	Zimmer	David C. Dvorak
166	184	18	D	C	C	A	ConocoPhillips	James J. Mulva
167	104	-63	A	C	F	B	Robert Half International	Harold M. Messmer, Jr.
168	140	-28	F	A	D	A	Forest Laboratories	Howard Solomon
169	312	143	F	D	A	A	CSX	Michael J. Ward
170	158	-12	F	B	D	A	Unum	Thomas R. Watjen
171	193	22	C	D	B	B	Avery Dennison	Dean A. Scarborough
172	113	-59	F	B	D	A	Corning	Wendell P. Weeks
173	247	74	C	D	C	A	Ball	R. David Hoover
174	240	66	C	C	D	A	Staples	Ronald L. Sargent
175	300	125	D	C	D	A	Walt Disney	Robert A. Iger
176	217	41	B	D	C	B	Range Resources	John H. Pinkerton
177	234	57	A	B	F	C	Baker Hughes	Chad C. Deaton
178	110	-68	B	C	C	C	Pactiv	Richard L. Wambold
179	293	114	C	F	A	B	DTE Energy	Anthony F. Earley, Jr.
180			C	B	F	A	Helmerich & Payne	Hans Helmerich
181			B	D	D	A	Dentsply International	Bret W. Wise
182	202	20	C	D	B	B	Leggett & Platt	David S. Haffner
183	127	-56	D	A	F	A	Humana	Michael B. McCallister
184	278	94	D	A	F	A	National Oilwell Varco	Merrill A. Miller, Jr.
185	200	15	D	B	F	A	Loews	James S. Tisch
186	308	122	F	D	A	A	Union Pacific	James R. Young
187			C	C	F	A	Airgas	Peter McCausland
188	175	-13	C	C	F	A	Equifax	Richard F. Smith
189	129	-60	A	C	D	C	Marriott	J.W. Marriott, Jr.
190	279	89	C	B	D	B	Noble Energy	Charles D. Davidson
191	121	-70	D	C	D	A	Costco	James D. Sinegal
192	155	-37	B	D	C	B	Frontier Communications	Mary Agnes Wilderotter
193	323	130	C	F	A	B	Pioneer Natural Resources	Scott D. Sheffield
194	222	28	D	B	F	A	General Electric	Jeffrey R. Immelt
195	246	51	C	C	B	C	JP Morgan Chase	James S. Dimon
196	157	-39	F	B	F	A	Merck	Richard T. Clark
197	264	67	B	B	D	C	Caterpillar	James W. Owens
198	204	6	A	C	B	F	Southern Company	David M. Ratcliffe
199			C	B	C	C	Home Depot	Francis S. Blake
200	103	-97	C	C	C	C	Harris	Howard L. Lance

\* Resigned August 6, 2010

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 forecast, 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 increasing 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.

### A Validity Check on the Ranking Method

The top 50 companies in the ranking delivered an average total shareholder return (TSR) of 73.3 percent between January 2007 and June 2010 (the period covered in the reported financials). The bottom 50 companies' TSR averaged -3.4 percent, while the S&P 500's average was 14.9 percent (without its 14 REITs). The top 50's median TSR was 33 percent; the bottom 50's was 9.5 percent.

#### Total Shareholder Return January 2007-June 2010

	Average	Median
<b>Top 50</b>	73.3%	33.0%
<b>Bottom 50</b>	-3.4%	9.5%
<b>S&amp;P 500</b>	14.9%	

As the table above shows, the top 50 companies in the wealth-creation ranking far outperformed the bottom 50 companies and the S&P 500. Note: Total shareholder return equals share-price return plus reinvested dividends.

For tips on how to rise in the rankings, see "How to Move Up," on p. 48. And for more details on economic margin and how companies scored, see [www.economicmargin.com/moreinfo.htm](http://www.economicmargin.com/moreinfo.htm). ▲

OVERALL RANKING	'09 Rank	Change from '09 Rank	M/M	3 Yr. EM	EM Change	Mgmt. Quality Score	COMPANY	CEO
201	286	85	C	D	B	C	PPG Industries	Charles E. Bunch
202	177	-25	D	F	A	B	Eastman Kodak	Antonio M. Perez
203	163	-40	F	B	F	A	Aetna	Ronald A. Williams
204	206	2	F	C	C	A	Cephalon	Frank Baldino, Jr., Ph.D.
205	166	-39	D	C	D	A	Sealed Air	William V. Hickey
206	63	-143	D	B	F	A	Jacobs Engineering Group	Craig L. Martin
207			C	D	C	B	Pitney Bowes	Murray D. Martin
208	9	-199	F	A	F	A	Constellation Energy	Mayo A. Shattuck, III
209	192	-17	F	C	C	A	Lexmark	Dr. Paul J. Curlander
210	242	32	D	F	A	B	New York Times	Janet L. Robinson
211	221	10	D	B	D	C	Reynolds American	Susan M. Ivey
212	172	-40	A	F	A	F	American Tower	James D. Taiclet, Jr.
213	317	104	B	D	D	B	Comerica	Ralph W. Babb, Jr.
214	238	24	D	B	F	B	Nucor	Daniel R. DiMicco
215	119	-96	F	B	F	A	Lowe's	Robert A. Niblock
216	159	-57	D	F	A	B	El Paso	Douglas L. Foshee
217	273	56	D	C	B	C	Applied Materials	Michael R. Splinter
218	224	6	D	D	A	C	Novellus Systems	Richard S. Hill
219	232	13	D	F	B	B	Tenet Healthcare	Trevor Fetter
220	214	-6	D	F	A	B	Lennar	Stuart A. Miller
221	307	86	D	D	B	C	Newell Rubbermaid	Mark D. Ketchum
222	198	-24	C	C	B	F	PG&E	Peter A. Darbee
223	189	-34	D	F	B	B	Novell	Ronald W. Hovsepian
224	303	79	B	C	C	F	Discover Financial Services	David W. Nelms
225	233	8	D	F	B	B	AutoNation	Michael J. Jackson
226	194	-32	F	F	A	B	Macy's	Terry J. Lundgren
227	334	107	F	D	C	B	Capital One	Richard D. Fairbank
228	333	105	D	F	B	B	Zions Bancorp	Harris H. Simmons
229	306	77	D	C	B	C	KLA-Tencor	Richard P. Wallace
230	321	91	D	D	C	B	Molex	Martin P. Stark
231	257	26	C	F	D	B	Cabot Oil & Gas	Dan O. Dinges
232			F	C	D	A	WellPoint	Angela F. Braly
233	331	98	D	F	A	C	Jabil Circuit	Timothy L. Main
234			F	D	C	A	Pfizer	Jeffrey B. Kindler
235	287	52	D	F	B	B	Chesapeake Energy	Aubrey K. McClendon
236	302	66	F	F	B	B	Williams	Steven J. Malcolm
237	250	13	F	F	A	B	Southwest Airlines	Gary C. Kelly
238	201	-37	F	F	A	B	Time Warner Cable	Glenn A. Britt
239	309	70	D	C	F	B	Parker Hannifin	Donald E. Washkewicz
240	220	-20	C	C	A	F	Northeast Utilities	Charles W. Shivery
241	262	21	D	D	D	B	Gannett	Craig A. Dubow
242	339	97	F	F	A	B	Republic Services	James E. O'Connor
243	294	51	F	F	A	B	Fiserv	Jeffery W. Yabuki
244			D	D	D	B	Harman International	Dinesh C. Palival
245	106	-139	B	A	F	F	Windstream	Jeffery R. Gardner
246	290	44	D	C	F	B	Abercrombie & Fitch	Michael S. Jeffries
247	228	-19	F	C	F	A	Carnival	Micky Arison
248	263	15	D	D	C	B	Office Depot	Steve Odland
249	131	-118	D	D	C	C	ConAgra Foods	Gary M. Rodkin
250	265	15	B	B	D	F	CenterPoint Energy	David M. McClanahan

OVERALL RANKING	'09 Rank	Change from '09 Rank	M/MC	3 Yr. EM	EM Change	Mgmt. Quality Score	COMPANY	CEO
251	90	-161	B	B	D	F	FirstEnergy	Anthony J. Alexander
252	225	-27	D	D	C	B	Safeway	Steven A. Burd
253	176	-77	F	D	A	C	LSI	Abhijit Y. Talwalkar
254	147	-107	A	F	B	F	CB Richard Ellis	W. Brett White
255	260	5	F	F	B	B	AK Steel Holding	James L. Wainscott
256	337	81	F	F	B	B	International Paper	John V. Faraci
257			F	A	F	B	NRG Energy	David W. Crane
258	141	-117	D	D	D	B	Kroger	David B. Dillon
259	170	-89	F	F	A	C	D.R. Horton	Donald J. Tomnitz
260	229	-31	B	F	B	F	Wisconsin Energy	Gale E. Klappa
261	171	-90	F	F	A	B	Electronic Arts	John S. Riccitiello
262	325	63	F	C	C	C	King Pharmaceuticals	Brian A. Markison
263	186	-77	F	D	D	B	Archer Daniels Midland	Patricia A. Woertz
264	230	-34	F	F	B	B	Comcast	Brian L. Roberts
265	213	-52	F	D	C	B	FedEx	Frederick W. Smith
266	85	-181	B	F	A	F	CONSOL Energy	J. Brett Harvey
267			C	B	C	F	NextEra Energy	Lewis Hay, III
268			F	F	B	B	Masco	Timothy Wadhams
269	271	2	F	F	A	C	Micron Technology	Steven R. Appleton
270	282	12	D	C	F	B	News Corp.	K. Rupert Murdoch AC
271	124	-147	C	C	D	F	Invesco	Martin L. Flanagan, CPA
272	330	58	D	F	D	B	Eaton	Alexander M. Cutler
273	241	-32	B	C	D	F	EOG Resources	Mark G. Papa
274	203	-71	C	D	F	B	Meredith	Stephen M. Lacy
275	261	-14	F	D	C	B	Wyndham Worldwide	Stephen P. Holmes
276	340	64	D	F	C	B	NISource	Robert C. Skaggs, Jr.
277	92	-185	A	C	F	F	Akamai Technologies	Paul Sagan
278	142	-136	B	B	F	F	Sempra Energy	Donald E. Felsing
279	161	-118	F	C	F	B	Cintas	Scott D. Farmer
280			C	D	B	F	Fifth Third Bancorp	Kevin T. Kabat
281			F	D	D	B	R.R. Donnelley & Sons	Thomas J. Quinlan, III
282	258	-24	C	F	A	F	Massey Energy	Don L. Blankenship
283	150	-133	C	F	A	F	Coca-Cola Enterprises	John F. Brock
284	280	-4	C	D	B	F	SCANA	William B. Timmerman
285	291	6	B	B	F	F	Allegheny Technologies	L. Patrick Hassey
286	342	56	F	D	F	B	J.M. Smucker	T.P. & R.K. Smucker
287	332	45	C	F	A	F	KeyCorp	Henry L. Meyer, III
288	207	-81	D	F	A	F	Mylan	Robert J. Coury
289	195	-94	C	F	B	F	Quest Diagnostics	Surya N. Mohapatra, Ph.D.
290	252	-38	D	B	D	F	Verizon	Ivan G. Seidenberg
291	298	7	D	C	C	F	American Electric Power	Michael G. Morris
292	318	26	F	D	D	B	United States Steel	John P. Surma, CPA
293	276	-17	B	C	F	F	Autodesk	Carl Bass
294	295	1	B	C	F	F	Wynn Resorts	Stephen A. Wynn
295	296	1	D	D	B	F	Xcel Energy	Richard C. Kelly
296	313	17	C	F	B	F	DaVita	Kent J. Thiry
297	320	23	F	D	D	C	Stanley Works	John F. Lundgren
298			C	B	F	F	AT&T	Randall L. Stephenson
299	117	-182	C	C	D	F	Omnicom	John D. Wren
300	288	-12	D	F	B	F	Waste Management	David P. Steiner

## 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. Improvement 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 opportunity sensing—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.
- Avoid overpaying for acquisitions or buying back stock at its peaks.

## WEALTH CREATOR

### Daniel Hamburger DeVry

DeVry deserves kudos for both recognizing the potential and high scalability of their business model and for doing what was needed to capitalize on it. Through the '90s, DeVry's educational offerings included its historical technical focus, business and management education, and its professional-certification preparation. Affected as many were by the tech crash in 2000, DeVry's management didn't sit around waiting for things to improve. They broadened sub-

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ject matter offerings, focusing on in-demand educational areas. Its offerings now include: medical, veterinary and nursing degrees; vocational programs in health care and online secondary education. They've also benefited from the flight to training brought on by the recession. Here's where fortune favored not only the bold, but the prepared.

—DM

### 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. Example: large software companies (IBM, Oracle and others) have been acquiring other software firms so that their sales forces, which are major leverageable assets, have more offerings to sell to customers. Include all of your intangible assets, not just intellectual property, in your thinking. Work hard to create and 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, and “Do Intangibles Matter?,” *CE* July/August 2008).

Finally, manage internal and external risks across the company and its aggregate risk-reward profile by taking a wide-angle lens to what could happen. ▲

—Drew Morris

## WEALTH DESTROYER

### Gregg L. Engles Dean Foods

Dean is in a tough business—dairy products—and a lot seems to be working against it, even though it’s No. 1 in the U.S. Consumers are generally less willing to pay a premium for branded products. Moreover, retailers are using staples like milk to drive people into their stores, often by pricing store-brands at cost. Finally, Dean’s COGS can vary substantially given the cost of its volatile commodity inputs. The question is, when you’re in such a fundamentally challenged business,

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and the challenges are unlikely to go away, what should you do about it? And the answer is something. Like evolving into better businesses. Because the CEO is, after all, responsible for the company’s wealth creation, it’s his or her job to manage the wealth creation of the company’s portfolio of businesses—even if there’s only one business in that portfolio now.

—DM

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OVERALL RANKING	'09 Rank	Change from '09 Rank	MVIC	3 Yr. EM	EM Change	Mgmt. Quality Score	COMPANY	CEO
301	335	34	F	C	B	F	CenturyLink	Glen F. Post, III
302	226	-76	D	D	C	F	Whirlpool	Jeff M. Fettig
303	329	26	F	F	F	B	NASDAQ OMX Group	Robert Greifeld
304	179	-125	C	B	F	F	Ryder System	Gregory T. Swinton
305	284	-21	C	D	C	F	EMC	Joseph M. Tucci
306			F	D	F	B	Monster Worldwide	Salvatore Iannuzzi
307	299	-8	C	D	D	F	Danaher	H. Lawrence Culp, Jr.
308	283	-25	D	F	A	F	Quanta Services	John R. Colson
309	274	-35	F	F	F	B	Vulcan Materials	Donald M. James
310	188	-122	F	C	C	F	Marathon Oil	Clarence P. Cazalot, Jr.
311			D	F	B	F	Marshall & Ilsley	Mark F. Furlong
312	301	-11	F	F	A	F	L-3 Communications	Michael T. Strianese
313	310	-3	F	F	B	F	Duke Energy	James E. Rogers
314	275	-39	D	D	D	F	Entergy	J. Wayne Leonard
315			D	D	D	F	McAfee	David G. Dewalt
316	277	-39	F	F	A	F	MeadWestvaco	John A. Luke, Jr.
317	319	2	F	D	B	F	Norfolk Southern	Charles W. Moorman, IV
318	76	-242	F	A	F	F	Questar	Keith O. Rattie
319	152	-167	D	F	C	F	Genzyme	Henri A. Termeer
320	182	-138	D	F	C	F	Interpublic	Michael I. Roth
321	326	5	F	D	C	F	Consolidated Edison	Kevin Burke
322	338	16	F	F	F	B	CME Group	Craig S. Donohue
323	245	-78	F	F	B	F	CBS	Leslie Moonves
324			C	F	D	F	Roper	Brian D. Jellison
325			F	D	C	F	SunTrust Banks	James M. Wells, III
326	215	-111	F	D	C	F	Genworth Financial	Michael D. Fraizer
327	218	-109	F	C	F	F	Valero Energy	William R. Klesse
328	174	-154	D	D	F	F	Compuware	Peter J. Karmanos, Jr.
329	212	-117	F	F	C	F	Washington Post	Donald E. Graham
330	256	-74	D	D	D	F	Dow Chemical	Andrew N. Liveris
331	314	-17	F	D	D	F	Nabors Industries	Eugene M. Isenberg
332	327	-5	F	D	D	F	Anadarko Petroleum	James T. Hackett
333			F	F	C	F	Computer Sciences	Michael W. Laphen
334	209	-125	F	C	F	F	J.C. Penney	Myron E. Ullman, III
335	305	-30	D	F	D	F	Allegheny Energy	Paul J. Evanson
336	237	-99	F	F	D	F	Kraft Foods	Irene B. Rosenfeld
337	328	-9	F	D	F	F	CVS Caremark	Thomas M. Ryan
338	292	-46	F	F	F	F	Dean Foods	Gregg L. Engles

**Drew Morris** ([drew.morris@greatnumbers.com](mailto:drew.morris@greatnumbers.com)) is the founder and CEO of Great Numbers!, which helps executives find, and deliver on, the untapped upside in their businesses. He has no stake in any of the companies mentioned. **Michael Burdi** ([www.economicmargin.com](http://www.economicmargin.com)) is senior analyst for Applied Finance Group, Ltd., a Chicago-based independent equity research advisory firm specializing in performance and valuation measurement using EM. **Chris Austin**, senior portfolio consultant at AFG, also contributed to this article.