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PROFILES
OF OVER
500 MAJOR
CORPORATIONS

EDITED BY GARY HOOVER, ALTA CAMPBELL, AND PATRICK J. SPAIN

1991

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H O O V E R ' S

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**PROFILES
OF OVER
500 MAJOR
CORPORATIONS**

EDITED BY

GARY HOOVER

ALTA CAMPBELL

PATRICK J. SPAIN

HOOVER'S HANDBOOK is intended to provide its readers with accurate and authoritative information about the enterprises profiled in it. The Reference Press asked all profiled companies and organizations to provide information for the book. Many did so; a number did not. The information contained herein is as accurate as we could reasonably make it. In many cases we have relied on third-party material that we believe to be trustworthy but were unable to independently verify. We do not warrant that the book is absolutely accurate or without any errors. Readers should not rely on any information contained herein in instances where such reliance might cause loss or damage. The authors and publishers specifically disclaim all warranties, including the implied warranties of merchantability and fitness for a specific purpose. This book is sold with the understanding that neither the authors nor the publisher is engaged in providing investment, financial, accounting, legal, or other professional advice.

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A PERSONAL NOTE FROM GARY HOOVER

I grew up in Anderson, Indiana, a General Motors factory town. I was amazed by the pervasive role of that enterprise in Anderson. Equally amazing, my friends and teachers seemed to know very little about GM. Bookstores were of no help either.

In the intervening 25 years, I have worked for three giant corporations and started two smaller ones, the most recent being The Reference Press, publisher of this book. My story, and that of The Reference Press, is told on page 457.

This book would not exist if I had not wanted it for myself, as I have ever since those years in Anderson. This book would not exist if I had not used much of my own money to fund the start-up of The Reference Press. Most important, this book would not exist were it not for people.

Enterprise — the act of getting people to try something new — is entirely a human endeavor. No enterprise — whether General Motors, the Red Cross, or The Reference Press — succeeds without the participation of individual men and women, sometimes hundreds of thousands of them. In the case of this book, about 60 people; they are named on the following page. I thank those people for making my ideal book a real book, and I dedicate it to them.

I finally have, in my hands, a book that tells the story of our major enterprises — from General Motors on down. I think it is a useful book and hope you will agree. Please use the postage-paid postcards in the back of the book to give us ideas that will make next year's edition even better.

Gary Hoover
Austin, Texas
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ACKNOWLEDGMENTS

Publisher and Senior Editor: Gary Hoover (GH)

Editor-in-Chief: Alta Campbell

Senior Editor: Patrick J. Spain (PJS)

Senior Writer: Alan Chai (AC)

Production Director: Holly Whitten

Desktop Publishing Director: Marcia Jenkins

Publishing Consultant: Ray Bard, Bard Productions

Office Manager: Tammy Fisher

Senior Writers

Cliff Avery (CA), Dale Ann Bean-Underwood (DAB),
Scott A. Blech (SAB), John Mark Haney (JMH)

Contributing Writers

Sharon Adams (SA), John T. Cathey (JTC),
Frank Arthur Dunaway (FAD), Paul A. Garlinghouse (PAG),
Geri Hoekzema (GSH), Linda R. Kelly (LK),
Tom Linehan (TL), Tom Logan (TWL), Glen F. Martin (GFM),
Elloa M. Mathews (EMM), Todd Nichols (TN),
Rebecca L. Salinger (RLS), David Henry Sanders (DHS),
Polly Ragatz Huntsman Tagg (PRHT), Leslie Townsend (LT),
Patrick J. Underwood (PJU), Trevor Zelman (TZ)

Financial Editor

Michael P. McNamara

Senior Editors

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Deborah Stratton

Contributing Editors

Kathy Bork, Jon Hockenyos, Allan L. Reagan

Senior Proofreaders and Fact Checkers

Peter A. Balderas, K. C. Francis, Susan K. Hausmann,
Barbara E. Wand

Proofreaders and Fact Checkers

Kathryn A. Baker, Roxanne Bogucka (RB),
Jane H. Chamberlain, Jacqueline Corcoran, Tara Ellis,
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Susan E. Weikum

Indexers

Alana Cash, Linda Webster

Other Contributors

Janet D. Dooley, Jeanine Gaddis, Barbara Jezek,
Marsha F. Kearns, Pamela Kern, Mark Longley,
Jack Moncure, Linda K. Oats, Daniel Quinn,
Rennie M. Quinn, Deborah A. Uhlman

Note: At the bottom of each profile, we have placed the initials of the writer(s) responsible for that page.

TEST YOUR BUSINESS I.Q.

(Questions on the Back Cover)

Answers: The correct answer to all four questions is c.

The largest U.S. S&L, H. F. Ahmanson (see profile on page 60), is making \$200 million a year and is fit as a fiddle.

The world's three biggest automakers are General Motors (page 255), Ford (page 243), and Toyota (page 537).

PepsiCo (page 430) operates or franchises over 18,000 fast-food restaurants under the names Kentucky Fried Chicken, Pizza Hut, and Taco Bell, making it the largest fast-food chain in the world.

Since its acquisition of SOHIO, British Petroleum (page 138) has become the largest oil producer in the 50 states, largely because of its presence on the Alaskan North Slope.

ABOUT *HOOVER'S HANDBOOK*

The core of this book is 542 one-page profiles of major enterprises, of all types, from around the world. These profiles are arranged alphabetically. They contain basic information on the nature of each enterprise, its history, the people who run it, the products or services it delivers, and its financial performance.

This information can be considered required reading for anyone interviewing for a job with, selling products or services to, buying from, competing with, or considering investing in one of these enterprises.

The profiles are preceded by two other types of information. First, immediately following this page, we have included some ideas about how to use and understand the information in the book. This section includes a basic explanation of corporations and the way they are measured, recommendations for further reading, and a glossary explaining the corporate takeover terms that are frequently encountered in the book. We have tried to explain business in plain English, assuming little or no prior knowledge. Second, we have included a number of lists of the largest companies, compiled from our own data and many other sources.

Following the profiles are four indexes: first, a list of broad industry groupings and the enterprises in each group; second, an index of the profiled enterprises by headquarters location; third, an index of people named in the profiles; and fourth, the main index of the book, which lists all enterprises and products named in the profiles. ♦

GETTING THE MOST OUT OF *HOOVER'S HANDBOOK*

Because of the pervasive nature of business corporations, we at The Reference Press believe we can all benefit from a better understanding of these giant enterprises. Certainly, if we are thinking about buying stock, we need to know what to look for, how to predict which businesses will be successful, and how to judge and measure the performance of a company. But it is becoming equally important to judge the performance of corporations as employers, suppliers, and customers. We can no longer assume that, just because a business is big, it is permanent, or that it is a secure place to work. Most of us were born into a world where “the Big Three” meant GM, Ford, and Chrysler; within 10 years, we may find that Asia and Europe each has one of “the Big Three,” perhaps all three.

You will notice that we have included 29 selected nonprofit and governmental enterprises in this book. These enterprises, not unlike business corporations, hire and fire people; they must garner adequate capital to function; and they too must exercise vision if they are to prosper in a changing world. Whether you are thinking about working for one of them or donating money to them, it is equally important to have some idea of what they are about and how well they are run.

Thousands of business strategists, analysts, journalists, and managers spend their lifetimes trying to figure out what's important in business, what separates the winners from the losers. Thousands of books and articles have been written on topics from management methods to marketing tactics. While *HOOVER'S HANDBOOK* does not pretend to be a textbook, we believe the book will be most useful if you have a basic grasp of the key issues in business.

In the following pages, we've tried to concisely and clearly explain some of these key concepts. First, we address the big picture — the study of why businesses do the things they do. This approach is called strategic analysis or economic analysis.

Second, we look at financial analysis — the study of the financial performance of businesses. This section also touches on key concepts useful to investors.

We then describe how to use each profile and its components, and end with a brief section of recommendations for further reading and a glossary of takeover terms.

THE BIG PICTURE

ENTERPRISES

The 542 organizations profiled in this book are best described as enterprises. Some are large, with bold objectives: the best example is the United States of America. Most began with more humble goals. These enterprises deliver a variety of products and services, from ketchup to hammers, from Ph.D. degrees to surgery. To illustrate the diversity of enterprises at work in the world around us, we have included public companies and private companies, U.S. companies and foreign companies, and even several nonprofit and governmental entities.

Nevertheless, all can be called enterprises. Each began in the mind of one person or a small group of people. To have made it to the size and influence required to be included in this book, they must have enlisted more people over time. To one degree or another, these people must share the same underlying goals. For an enterprise, whether private or public, for profit or not, is simply a group of people who have joined together in pursuit of a common goal.

Business Enterprises

Most of the enterprises in this book are business enterprises. These differ primarily from nonbusiness organizations in the way they are financed. Whether General Motors or the Red Cross, enterprises need money. Governments usually get most of their funds from taxation. Universities and religious and service organizations generally rely on the charitable instincts of people who share their interests.

By definition, business enterprises are funded by private capital. These enterprises cannot rely on taxation or on charitable solicitation. Instead, they must find investors or lenders. The most fundamental source of financing for private enterprise is equity capital (selling stock), which is further described later in this section.

In order to persuade people or financial institutions to invest their savings in a business enterprise, that enterprise must offer the promise of a financial reward, or return. While this book is full of stories of successful enterprises, others here have not been good investments.

When industry began evolving from individual craftspeople and cottage industry, requiring larger groups of people to maximize the technology of the industrial revolution, business was usually financed by people who already had a great deal of capital: often those who had inherited land from their feudal ancestors.

As more and more individuals, such as small merchants and skilled craftspeople, began to prosper from this revolution, there was no way for them to readily participate in large business ventures, other than by working for a paycheck. This new middle class, with modest savings, could not become part owners of a major enterprise. While they were interested in participating in the profits of these enterprises, they could not afford to take the risks involved.

The most traditional forms of business enterprise are the sole proprietorship and the partnership. In a sole proprietorship, you put everything you own at risk. If your business goes broke or gets sued successfully, you can lose your house and all your other personal property. The same is true of partners in a general partnership. Even if you put up \$5 and your partner \$1,000,000, people owed money by the partnership could come after you for everything you've got. This high level of risk prevented small investors from sharing in the success of great enterprises.

The Corporation

It seems a natural evolution that society figured out a way around this. The idea of incorporation is that a business enterprise is an entity unto itself, that the individuals putting up the money are not personally liable for all the debts and problems of the enterprise. If you buy stock in a corporation, your risk or liability is limited to the amount you invest. In the U.S., we use the term "corporation"; in France, the equivalent of "anonymous society" (SA); and in the United Kingdom, "public limited company" (PLC), stressing the limited-liability aspect of the corporate entity.

When the concept of the corporation was first invented, it was considered revolutionary. Even economist Adam Smith thought the concept was a fad that would not last, one of his few obvious errors of prediction. Today, the corporation is taken for granted. Many of us

who work for corporations underestimate the power of this invention.

The concept of incorporation, in whatever language, has allowed millions of people to share in the fruits of enterprise, whether their own enterprise or that of others. The corporate form of business organization has allowed massive projects to be undertaken and new ideas to be tried — ideas that would never have seen the light of day were they dependent on taxes, charity, or the willingness of sole proprietors and partners to risk everything they had.

The business corporation pervades our lives. Most of us work for one, be it large or small. Virtually everything we consume comes from one. And whether we buy stocks or bonds directly, put our money into mutual funds or pension programs, or loan it to banks or life insurance companies, much of our savings ends up financing business corporations.

THE ROLE OF DEMAND

Any understanding of a company must first start with a basic grasp of the industry that the company competes in. And that industry perspective starts with the demand for the products or services produced by the industry. In looking at any company, three questions must precede all others:

1. How much of the product or service do people (or other companies) buy?
2. How much of it do they buy from the enterprise under consideration, compared to what they buy from competitors (market share)?
3. How easily can customers substitute some other product?

All products, from diamonds to bread, have unique characteristics, but none are as important as these three. All companies have their own attributes, as discussed in the following pages, but none are as critical as these three.

The nature of the soap company, whose products almost everyone uses, is different from the jet engine maker who sells to a few. The maker of specialized orthopedic shoes looks at the world differently than the mass producer of sneakers; he or she faces a different world. If your company has a market share leader like Kodak film or Heinz ketchup, the challenges are vastly different from those for a new, young competitor. Most business enterprises have products that are well established as well as new, experimental products. The

makers of slide rules found out the hard way that their product was replaceable when the more powerful but inexpensive pocket calculator came into being.

What answers should we look for to these three questions? While each case is unique, a company is generally in pretty good shape if everybody uses lots of the product, doesn't buy it from anybody else, and can't substitute anything for it. Aside from government-endorsed monopolies like electric utilities, we can't think of any case in this book in which a company can respond to all three questions with such strong answers.

That is what makes business such a challenge for the people who manage it.

Changing Demand

Of equal importance to the three answers is the trend in the answers: in other words, for each question, is the answer this year the same as the answer last year? Is the answer getting better or worse? A lot better or a little better? A lot worse or a little worse? To understand the direction of change over time (better or worse) and the rate of change over time (a lot or a little), we can rephrase the three questions:

1. Are people buying more or less of the product or service each year?
2. Is this firm's market share rising or falling?
3. Are people more often substituting other products, or is the product becoming more entrenched?

The direction of change (up or down) is the starting point here. A company with rising demand for its products (for example, VCRs) has a more promising future than the maker of black-and-white TV sets. The company with a rising market share (Toyota) is headed in a better direction than the firm that's losing share (General Motors). At one time the telegraph and the telephone were competitors; railroads and airlines fought over passengers. In each case, correctly picking the survivor paid off for investors and employees alike.

Any analysis of trends must also pay attention to the rate or relative size of change. For example, your company shipped 9,000 items last year and 10,000 this year and crows about the increase of 1,000 to all within earshot. But are you listening to the competitor who went from 1,000 to 2,000 in the same period of time? Next year, will they just gain 1,000 again, or will they double again, to 4,000? Any analysis of change must focus on the percentage rate of change, which was 11% (increased by 1/9) for your firm but 100% (doubled) for your smaller competitor.

The Customer

Whether we look at the absolute level (how much) or the rate of change (what percent), understanding demand is the starting point for understanding any enterprise. For those charged with the task of managing an enterprise, this means that nothing is more important than understanding the customer and the customer's needs.

We believe that the managers of the successful enterprises in this book generally follow three simple rules with regard to their customers:

1. These managers put themselves in the shoes of their customers and follow The Golden Rule. They treat their customers the way they would like to be treated. They use, and believe in, their own products. When Lee Iacocca starts driving a Toyota, it's time to sell your Chrysler stock.
2. These managers go out of their way to know the characteristics of their customers. Where do they live? How old are they? How much money do they make? How much schooling do they have? Are they single or do they have families? If customers are individuals or families, the answers to these demographic questions are discovered by market research (*e.g.*, surveys) and by studying the census. If customers are other businesses, many of the answers are in this book.
3. These managers do everything in their power to ensure that potential customers know that the company's products and services exist, and know where to find them.

Once we understand the demand for a company's products and whether the firm is gaining or losing market share (and at what rate), we can look at the other ways in which industries and companies differ.

COMPARING INDUSTRIES

Each industry has its own unique set of characteristics that go beyond basic demand and that affect every company in the industry.

Cyclical versus stability

The home-building industry goes up and down with mortgage interest rates and other factors. Stockbrokers prosper in good markets and lose customers after crashes. On the other hand, the demand for toothpaste and shoes is pretty reliable. The cyclical company must be prepared for the natural cycles it will experience; on the other hand, Coke is more worried about market share and Pepsi than about year-to-year swings in total soft drink demand.

Business products and services versus consumer products and services

The skills required by Walt Disney are vastly different from those required by Caterpillar. Selling millions of \$5 movie tickets or \$30 videocassettes is a radically different proposition from selling bulldozers at \$500,000 apiece. Cat requires fewer but longer sales calls; Disney announces its products with ads and opens the doors. Disney doesn't even know the names of all of its customers. Some companies with expertise in selling to businesses have tried and failed to sell to individual consumers, and vice versa.

Different Price Points

There is also a big difference between selling \$10,000 cars and \$50,000 cars and between selling \$300 washing machines and rolls of toilet paper. Marketing skills demonstrated in one area may not be successful at different price points. Higher-priced items usually require more effort per sale on the part of both buyer and seller than small, inexpensive things.

Commodities versus differentiated products

When you buy gasoline, you know pretty much what you're getting. Commodities are simple products, often made in huge quantities by many firms. Usually, the most important factor in picking whom you'll buy from is price. Texaco couldn't sell gas at \$5 a gallon next door to a Shell station selling it for \$.50. At least Texaco wouldn't sell much. However, determining the difference between Giorgio perfume and Obsession is much trickier. Individual emotions and tastes come into play. The two products do not appear the same to the consumer. Novels by James Michener are not exact substitutes for those of Sidney Sheldon. Most companies in this book try to differentiate their products from those of the competition; some are successful and some are not.

There are many other ways that industries differ; the four listed above are among the most common. There is nothing inherently good or bad about a cyclical industry or a commodity-producing company. But a company's odds of prospering are greatest if demand is stable and growing and if that company has successfully differentiated its products or services from those of the competition.

COMPARING COMPANIES

Within any industry, each company may take any number of approaches. Which approaches it takes are what managers are paid to decide. The individual characteristics of a company include attributes relating to strategy, financing, and managing.

Comparing Companies: Strategy

Every company has a strategy, whether expressed or not. Those firms with no apparent strategy can be considered to have haphazardness as a strategy. Companies can also have the same strategy year after year or change strategies periodically, sometimes falling into haphazard phases. Perhaps more than any other aspect of a company, strategy is a direct reflection of the views of the people at the top.

Consistency

In general, the most successful companies in this book are those that have kept a clear vision in place for many years. McDonald's, while a relatively young company, has not diversified out of restaurants or even into coffee shops. For them, adding seats and adding breakfast were big changes.

At the same time, it is pointless to stick to strategies that time has passed by. When the railroads first lost their passenger business to airlines, and then most of their small freight business to truckers, they were forced to review their status. The successful ones have emerged as huge haulers of bulky commodities such as grain and coal and of heavy products like automobiles. Many of our older industries have had to develop creative strategies to adjust to changing times, new technologies, and foreign competition.

Diversification

Probably the single most common method of shifting strategy is to diversify. While this term generally connotes moving into whole new fields of endeavor, it can also take three other forms:

1. **Geographical diversification.** One of the most fundamental forms of growth is to take a good idea to new territory. Holiday Inns started in Memphis and worked outward; Wal-Mart began in Arkansas and is still in only 32 states. Coca-Cola early in its history began peddling its product in Mexico and Canada and now sells worldwide.
2. **Horizontal diversification.** This term, from economics, means to diversify by buying competitors or similar companies in other locations. The giant trusts of the late 19th and early 20th centuries (for example, U.S. Steel) were formed by combining most of the major companies in an industry. Our largest trash collectors, Browning-Ferris and Waste Management, were originally formed by buying up local and regional mom-and-pop operations.
3. **Vertical diversification, more commonly referred to as vertical integration.** This means buying up your customers and/or your suppliers. At one time, Henry

Ford's River Rouge plant in Detroit made its own steel and glass, and finished Fords rolled off the other end of the production line. Integrated oil companies are those with wells, refineries, and filling stations.

Geographical, horizontal, and vertical diversification are all well-established strategies for increasing the size and competitiveness of a company. In the 1960s and 1970s, more companies began to diversify into vastly different fields.

The term *conglomerate* came into use in the 1960s to describe firms that operated in several unrelated industries. Managers of these firms came to believe they could manage anything, that the basics of running a steel mill were no different from those of running an airline. While managers undoubtedly will continue this debate, the companies in this book indicate that prosperity is easier to achieve when an enterprise is focused, or at least sticks to fields with something in common. While Sears retail stores seem different from Allstate car insurance, the company originally sold the insurance to its retail customers. Sears's later introduction of the Discover Credit Card was a natural outgrowth of its experiences with its own Sears credit operation.

This book contains only 27 enterprises that were so diversified that we could not assign them to some broad industry group. While almost all the firms have diversified to one degree or another, most have remained in fields that are in some way related, such as mass-marketed consumer products. Most of the diversified companies are in two or three industries. General Electric stands out as one company that is an industry leader in several businesses that are, at best, only vaguely related.

Technology and Innovation

Each company can also take any number of roads with regard to innovation. Fred Smith at Federal Express created a whole new industry. Some companies take a good idea and apply it in a different way: Home Depot is the application of the Toys "R" Us concept of giant, low-priced specialty stores to home-improvement retailing. Other companies are truly clones: Amdahl was founded to make copies of IBM mainframe computers for a lower price. Costco Wholesale applied the Price Company concept in another part of the U.S.

While successful innovators can reap substantial rewards, they also entail substantial risk. The first successful large computer was the UNIVAC, made by a predecessor of Unisys. A late entrant to the field, IBM, made more money from the idea. The large general merchandise discount store was created by small, entrepreneurial companies. But no one executed the idea as

successfully as K mart, until the even later entry of Wal-Mart.

While innovation often comes from small, entrepreneurial enterprises, this is not always the case. Minnesota Mining and Manufacturing (3M) is an unusual company that seems to specialize in innovation, from Scotch tape to Post-it notes. This tradition continues even as 3M grows larger and larger.

Whether we look at technology in computers, in chicken growing, or in toy stores, the management of each company must decide whether it will be a leader or a follower, which technologies to bet on, and how much to bet.

This book includes successful companies that have taken many routes with regard to innovation. The one common denominator of the successful enterprises is that they make quality products, year after year after year.

Comparing Companies: Financing

Business corporations have a number of choices as to how they finance themselves. Their first choice is whether to sell shares of stock to raise money or to borrow the money. While all companies have stock, they can have no debt, some debt, or a great deal of debt. The companies in this book range from zero indebtedness to several billion dollars of debt. This debt can take many forms, including bank loans and direct loans from individual or corporate investors (*e.g.*, bonds, debentures, commercial paper, mortgages). The heavy use of debt (called leverage) can increase the returns to shareholders but also entails substantial risk. The distinctions between debt and equity and the risks of leverage are further examined in the financial analysis section, starting on page 18.

Another decision is whether to operate as a public or a private company. Most corporations are private, also called privately held or closely held corporations. Most, but not all, of the biggest corporations are public companies, or publicly held.

Private companies do not sell stock to the general public; while they may have thousands of shareholders, most are owned primarily by family members, managers, or employees. You cannot call a stockbroker and buy or sell shares. It is harder to get your money out of an investment in a private company (an "illiquid" investment). Private companies cannot raise money as easily as public companies, since they do not have access to the public stock markets. On the other hand, private companies are not required by law to reveal information about themselves, and some are indeed very secretive. This book includes more than 50 private companies.

Public companies, since their stock is available to anyone who calls a stockbroker, are required by the Securities and Exchange Commission (SEC) to report their sales and profits quarterly and to produce a full report to shareholders annually. When you call a broker and buy or sell stock in a public company, the transaction is normally executed in a matter of minutes; therefore, common stocks of public companies are "very liquid." Stocks can be traded on the New York Stock Exchange (NYSE, or Big Board), the American Stock Exchange, or the Over-the-Counter (OTC) market, the most important part of which is NASDAQ (National Association of Securities Dealers Automatic Quote system). Most of the largest U.S. companies are listed on the NYSE.

Most companies begin life as private companies; when and if they decide to sell stock, they are said to "go public" through an Initial Public Offering (IPO). At that time, the SEC requires that they publish a prospectus detailing virtually every aspect of their business and management. Because these documents are so revealing, smart potential investors pore over prospectuses.

Public companies can also "go private," a practice virtually unknown 15 years ago. This recent financing strategy most commonly occurs in the form of the leveraged buyout (LBO). In an LBO, a small group of investors borrows enough money to buy all the stock in a company on the stock market. This investor group usually includes an investment firm specializing in LBOs (for example, Kohlberg Kravis Roberts). The group often includes the management of the company being bought out. LBOs require huge amounts of debt — up to billions of dollars. Often, the debt is in the form of "junk bonds" sold directly to the public — a concept we will return to in the financial analysis section.

Because of the rise of LBOs, there are now several companies whose stock is privately held (by the investor group) but whose bonds (debt) are publicly held. RJR Nabisco is a good example of this. While technically not publicly held, such companies are required by the SEC to release substantial information because the public can loan money to these enterprises (that is, buy bonds issued by the companies).

Comparing Companies: Management

Perhaps the most important differences between the companies in this book are their management styles. While strategies and financing methods reflect management, there are also more direct ways to compare managers.

One of the most common ways of dividing management is into centralized and decentralized management. The idea here is that, prior to Alfred P. Sloan's

innovations at General Motors in the 1920s, most companies were run "from the top down," with all key decisions made by very few people at headquarters, often by one person. Sloan developed the idea of passing authority and responsibility "down the line." Heads of divisions and other operating units were considered closer to the customer and were entrusted with more power. Sloan's ideas were widely copied in organizations worldwide.

Today, the distinctions have become blurred: it is not uncommon for a company to have highly centralized financial controls, while production and other decisions are decentralized. Other companies change their approach periodically, and yet others give decentralization lip service without much reality behind it. Also, such questions of management structure are not readily discernible from annual reports and other company literature; you really have to talk to the people who work in the organization.

Another difference among these companies is their management style, or corporate culture. It has become very stylish to talk about corporate culture. This very broad subject can cover everything from dress (blue jeans or pinstripes) to reward systems (based on seniority or contribution to sales and profits). An enterprise's culture is usually a direct reflection of the personalities of its leaders.

An aspect of management that is less discussed is the profession of the people at the top. While, as top executives, they are defined as "management," these people worked their way up through more specific fields: finance, marketing, engineering, law, operations or production, etc. Years ago, people were classified in broad groups like doctors, lawyers, and businessmen. But to call a printer or a broadcaster or a carmaker a businessman or businesswoman is not very useful. These are very different professions. Companies that really understand their own strengths often have clear ideas about what skills are most important at the top. Pharmaceutical maker Merck is run by a man with a Ph.D. whose strength is research; Dow Jones is run by journalists; Disney is run by an entertainment professional; and Coke is run by a lifelong Coke marketer. We believe that much of the success of these companies flows from having the right type of people in the top jobs.

COMPLETING THE PICTURE

Before descending into the mathematical details of financial analysis, we believe there are two last viewpoints that are important to a broad understanding of business: the view that each enterprise evolves over time, and the view that enterprise is a human activity. While these two perspectives may seem obvious, it is not

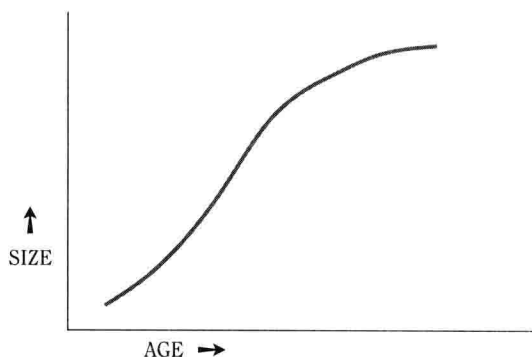
uncommon for analysts to financially analyze a company "six ways to Sunday" without having completed the big picture; these two brief sections put the final touches on that picture.

The Natural Evolution of Enterprises

As can be seen from the above comments, every enterprise is unique. And yet, they do share one process: like living organisms, they grow, evolve, and mature. Each enterprise begins as an idea, usually on the part of one person or a small group of people. This idea, or invention, can be a product or a way of doing things, from service to production. In order to succeed, it should represent a better or more efficient way; it should add value. This is often described as "finding a need and filling it."

Many of the companies in this book took roundabout routes to their "destinies" — Armstrong made bottle corks before floors; Cummins Engine was based on the tinkering of a banker's chauffeur. Other creative products were discovered by accident. Once a company "hits stride," mass-producing a commercially viable product or service, early growth is usually rapid.

As an enterprise ages, this growth slows, eventually to very low growth (no higher than the growth of the overall economy). This fast growth—medium growth—slow growth cycle is called the S-curve, based on the shape shown here.



As companies evolve along this curve, they become more established, more structured, and usually more bureaucratic. As they grow, they can become more focused on protecting their assets than on inventing new products and services. In this way, they become vulnerable to the attacks of the next generation of entrepreneurs coming along, who have less to lose but more to gain through innovation.

While it has become all the vogue to praise the achievements of entrepreneurs, we often forget that managing a mature enterprise can be a very difficult challenge. At the same time that a company is at its