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CEO of the Year

John Rice
GE Power Systems

Much is heard about the legions of Wall Street-obsessed CEOs who focus on quarterly earnings, to the detriment of long-range planning.

Then there's GE Power Systems' John Rice, our CEO of the Year, whose eye is on distant horizons.

Consider GEPS' sophisticated new H turbine, a next-generation behemoth that recently underwent successful testing in Cardiff, Wales. The firing temperature is so hot that steam — steam — is used to cool the metal blades.

The H turbine promises to break the watershed 60 percent fuel efficiency barrier, a potential boon to power plants, where even a 1 percent spike in thermal efficiency can mean millions in savings over the life of a plant.

"The H turbine has been over 10 years in development, and we have almost \$1 billion invested in the technology," says Rice. "Yet we expect to sell only a handful of the turbines over the next three to five years. If we were trying to maximize our short-term results, we wouldn't even consider developing it."

But Rice is looking years out, both in power technology and in his civic activities around town.

While it's been only three years since General Electric's largest division moved to Atlanta (Wildwood Office Park), Rice this year will chair the Metro Atlanta Chamber of Commerce, evidence of his rapid rise in civic esteem.

Rice also is a member of the recently formed Atlanta Committee for Progress, a select group of business executives advising Atlanta Mayor Shirley Franklin on economic development issues. He's likewise part of Gov. Sonny Perdue's kitchen cabinet of business leaders.

"John has a genuine sense of responsibility to the community and GE Power Systems has become a major corporate citizen in a very short period of time," says Charles H. (Pete) McTier, president of The Robert W. Woodruff Foundation. "John's very bright and very goal-oriented. He knows what leadership is all about and, besides that, he's a doer."

Rice doesn't foresee any major new initiatives as Chamber chairman, but vows to "keep moving the needle" on education, transportation, water-and-sewer issues and other matters critical to the city.

"If we don't have a sewer system that works, we can do just about everything else we

want relative to economic development and we still won't be successful," says Rice, referring to the large-scale crisis now confronting Atlanta officials.

Education has always been a major civic thrust for the 46-year-old Rice. The GE Foundation has pledged \$1 million to Atlanta's Southside High School to fund programs aimed at doubling the number of students who go on to college. GE employees also mentor students at Southside and in Cobb County schools.

"You can't even conceive of a bright future if you don't have a strong, robust education system," says Rice. "Actually, I think our public schools are better than we often hear. There are pockets of excellence — top teachers and administrators who turn out excellent students."

At GEPS, the personable Rice is known for his participatory management style, for soliciting input up and down the chain of command. Chat sessions with employees are a norm.

It's a culture imbued with the principles of Six Sigma, a legacy of the Jack Welch tenure at General Electric. Six Sigma is intended to produce decisions based on rigorous analysis and quantifiable results.

"At its heart, Six Sigma is about understanding what your customers want and developing a game plan to deliver it," says Rice. "Now that may sound easy, but when you're selling power equipment in \$100 million increments, projects are very complicated. It takes a lot to get them right."

Fueled by surging demand in the U.S. and a spate of acquisitions, GEPS saw its revenue soar from \$8.5 billion in 1998 to \$22.9 billion in 2002. But the market has cooled considerably, dropping 2003 revenue to a projected \$18.5 billion.

"We predicted the downturn three years ago, and it's unfolding just the way we thought it would, led by a substantial decline in the U.S. market," says Rice. "But in fact, we're performing better than our initial estimates. Our services business, for instance, is now as big as our entire power systems business was six or seven years ago."

Given changing marketplace dynamics, diversification is an ongoing process, with renewable energies one focus. Strong growth is predicted for the company's oil-and-gas business but also wind energy and environmental services (aimed at reducing plant emissions).

One 2003 acquisition was Jenbacher AG of Austria, which manufactures power-and-heat-generating engines that run off biogases, such as those produced at landfills and livestock farms.

"Our wind-turbine business is growing at the fastest rate," says Rice. "When we acquired it [in 2002] from Enron, annualized revenue was about \$500 million. We'll hit two and one-half times that [for 2003]."

GEPS operates in more than 100 countries and controls more than half the world market in gas turbines. Increasingly, the company is looking abroad.

"In 2004, almost 75 percent of our revenue will come from outside the U.S.," says Rice. "We expect tremendous growth in China and in such European countries as Spain and Italy."

The position Rice holds speaks volumes, says Kerry Stirton, senior research analyst for Sanford C. Bernstein Investment Research in New York City.

"You don't get to be the head of Power Systems, which is GE's most important business, without being a star," he says. "GE's farm system is the best in the world. There's a lot of talent to choose from."

Stirton says Rice is adeptly navigating the shoals caused by excess capacity. "It's a tough job, but he's doing it well," says Kirton. "Remember, a lot of capacity was injected into the world in the 1990s and early 2000s."

Former U.S. Sen. Sam Nunn, who serves on parental GE's board of directors, is equally high on Rice. "John brings brain, enthusiasm and creativity to the table," says Nunn. "Besides that, I believe he's a person of great integrity."

Rice deflects credit for GEPS' rising prominence in Atlanta, home to 1,700 of the company's 35,000 employees worldwide.

"I get reflected glory from everything our employees do," he says. "When we had Hands-On Atlanta Day and 1,500 of our people showed up, it wasn't because I told them to. It's because they realize how important it is to give back to their community."

In the power industry, the winds are always shifting, the technologies ever-changing. Solid oxide fuel cells. Off-shore wind. Photovoltaic cells. Hydrogen-based power. Organic photovoltaic. "New" nuclear. Choose your science and bet the future.

"There are emerging technologies that we need to be investing in now, even though they may not deliver any shareholder value for another five to 10 years," he says. "Or [they] may not until we're all retired and somebody else is doing this."

In corporate circles, that's the ultimate in long-term. **BtoB**