



CALLING ON MR FIX-IT

“Nobody ever calls me when things are going well,” says **STEVE MILLER**, one of America’s best-known corporate rescue gurus. In conversation with Brunswick’s **JENNIFER LOWNEY** and **JUSTIN DINI**, Miller talks about the lessons learned from a life of corporate firefighting

ROBERT S. “STEVE” MILLER has been called many things. *The Wall Street Journal* dubbed him “Mr Fix-it for American industry.” In his memoir, the title has him as *The Turnaround Kid*, and he writes that when dealing with organizations on the brink of collapse he is “like a surgeon, faced with a desperate patient who waited too long to seek treatment, I would feel the pressure, hear the second-guessing, and receive much of the blame.” Indeed, Miller has had to take flak from many of the people he has dealt with over the years,



estate, aircraft manufacturing, insurance, steel – and the Detroit Symphony Orchestra (“which may have been my best turnaround ever,” he says).

As this interview and his memoir make clear, Miller believes that leading an organization through a crisis requires those hard-to-define personal qualities: character and leadership. That is why he so often refers to the fundamental values with which he was raised. He spends much of the early part of his book dealing with his roots, discussing his family support system, especially his wife Maggie, who died of cancer while he was in the midst of a bitter battle to steer Delphi out of financial crisis, and upon whom he relied as a confidante and consultant in his most difficult business dealings.

As Miller recounts, a central part of his foundation was his grandfather, a man who never finished high school but worked his way up from the logging camps of the Pacific Northwest to become owner of his own lumber mill in small-town Oregon. This provided Miller not only with a set of values to live by but also the financial security to allow him to act with confidence (and often with politically perilous bluntness) in his corporate life. “While he was the boss, my grandfather was never a bully,” Miller writes. His sense of responsibility for the mill, its workers, and the community left a lasting impression. “The important stuff about human character, values, and leadership I learned in Oregon,” he says.

In classic American fashion, Miller’s father joined the professional classes, becoming a successful corporate lawyer in Portland, Oregon, and Miller, himself, reached even further, gaining a law degree from Harvard and an MBA from

Stanford and then rising through the ranks of corporate America. He became a nationally-known business leader in 1979 when he was tapped by Lee Iacocca to lead financial negotiations during the government-backed rescue of Chrysler Corporation, where he stayed on as CFO until the early 1990s when he lost an acrimonious CEO succession battle. In the subsequent two decades, Miller has been called upon to rescue a string of large companies facing crisis, from real estate behemoth Olympia & York to Delphi to the financial services giant AIG.

Legendary car marketer Bob Lutz summed up what he thought about his former Chrysler colleague’s abilities in a crisis: “When times are good, nearly anyone can lead. When times are bad, you need someone like Steve.”

ALWAYS PREPARED

What is a crisis? “A management challenge confronted by a leadership that is both unprepared for it and panicked by it. What makes one more serious than another? Whether you anticipated it, whether you were prepared,” says Miller.

By definition, most of the big rescue projects Miller has taken on have involved companies that were sideswiped by events – and AIG certainly fits that bill. The giant insurance company was caught unawares by the financial crisis in 2008 when huge bets made by just a handful of AIG traders on the housing market proved to be a key component of the crisis that threatened not only AIG and other Wall Street institutions but the entire world financial system.

AIG was the largest single recipient of government bailout money (to the tune of \$182 billion) at the end of 2008, →

such as union organizer Ron Gettelfinger, President of the United Automobile Workers, who accused Miller and his management colleagues of being, among other things, “all about corporate greed,” and the populist television pundit Lou Dobbs, who castigated Miller & Co as “disgusting” for actions they took to save auto parts maker Delphi in the mid 2000s. But it is all part of the game when you take on a corporate rescue mission, Miller reckons.

Miller has developed a set of general principles for dealing with corporate crises from his decades-long career, which has spanned a number of America’s great industries – automobiles, real

and a few months later Robert Benmosche was brought in as CEO, with Miller joining the board and later becoming Chairman. Both men have said that they thought at the time the company could not be saved, that it would likely be liquidated. But five years down the road, AIG has paid the government back the full \$182 billion bailout plus another \$23 billion in profit to the taxpayer.

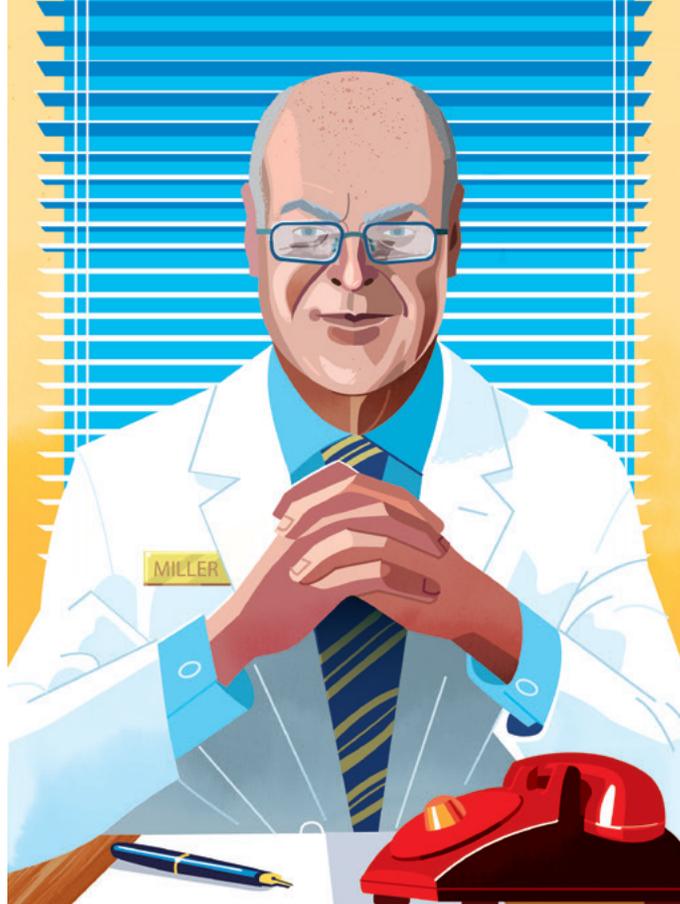
In the process of saving the company, Benmosche and Miller halved it in size, both in terms of assets and employees, and refocused it on the core insurance business.

As the leadership oversaw the unwinding of massive toxic trades and took other measures to save the company, it faced a “crisis within a crisis” when AIG came under heavy fire from politicians and the media for paying bonuses to get the job done. Both men vigorously defended the payment of bonuses to staff who, they argued, had nothing to do with the original trading sins. It was irrational, as Miller told *The Wall Street Journal*: “If I had just put \$182 billion [into a company], I would not aim to go hire the cheapest management.”

Nonetheless, it was typical of the kind of political flak that rescue managers face in high profile cases, where public money may be involved and many jobs are at stake. Miller praises Benmosche’s leadership in the situation, pointing out how he faced down the politicians on the issue of bonuses and compensation and won kudos – and support – from beleaguered AIG staff who were crucial for the company to dig itself out of a hole.

BE ACCESSIBLE

How does leadership work in a crisis? Miller says it is about acting quickly and decisively, and reflecting that publicly:



“In a number of the situations I’ve been in we’ve had to file a Chapter 11 bankruptcy and that is terrorizing to the people who work in the firm. The thing is won or lost on the day you file. Everybody is going to pounce and wonder, ‘What is this all about? What does it mean?’ You just have to say, ‘We have got to take at least one whole day for senior management to focus only on communication, to say what this means, why we are here, and what we’re going to do about it.’”

In the turnarounds with which Miller has been involved since the early 1990s, it was

STEVE MILLER

Brought up in America’s Pacific Northwest in a family steeped in traditional values of self-reliance, Steve Miller went on to earn a law degree at Harvard and an MBA at Stanford before embarking on a career at Ford Motor Company. As a mid-level financial executive at Ford in Caracas, Venezuela, he was recruited to help Lee Iacocca and the management team at Chrysler Corporation carry out an unprecedented corporate rescue mission in the late 1970s. He stayed on as CFO of Chrysler until 1992 when he began a second career as corporate turnaround specialist, taking on missions to save a number of high-profile companies, from Waste Management to AIG.

“In Chapter 11, you’ve got to take at least one whole day to focus only on communication”

important to avoid panic by providing clear leadership, something he learned from his front row seat at what is still seen as the seminal US corporate rescue: Lee Iacocca’s turnaround of Chrysler.

Leadership is only partly about authority and confidence; it is also about honesty and accessibility, says Miller. “Accessibility is a style point of mine – to be accessible not only to your customers and all that, but to the employees.”

When Miller went in to rescue US airplane maker Hawker Beechcraft, for example, he made a point of giving out his email address to all employees, even if it meant working nights and weekends to respond to everyone individually. He also went straight to the cafeteria to mingle with the workforce. “You learn the damndest things that otherwise wouldn’t get through the filters up to the executive suite,” he says.

HOLD THE LINE

Is it better to stand firm or compromise? It depends on the situation, of course, but sometimes it is essential to stick to your guns in order to save a company. In one of his most difficult turnarounds – autoparts maker Delphi – Miller had to withstand



incredible pressure from unions, politicians and even from then-CEO of GM, Rick Wagoner, who was worried a strike at Delphi, a major supplier, could threaten his production.

“In the Delphi case, I strongly felt that we could not continue to operate and to lose money with the totally uncompetitive labor contracts – we were paying \$75 an hour for 35,000 people while I was there, competing with people in the US with the same unions paying \$20 an hour. How could I win any work? We were going out of business sooner or later, so we might as well confront it,” Miller recalls.

Slashing his salary to a symbolic \$1 a year and refusing to speak to the press didn’t really work. But speaking to the press hadn’t worked either. Eventually, a hard-fought “labor transformation deal” was achieved that helped change direction for Detroit. Miller says his favorite response was not from creditors or shareholders, but a letter offering begrudging praise from a union engineer who initially was ready to hate him.

MAKE A DECISION

In Miller’s experience, troubled companies have gotten that way in part because “they’re all bogged down in internal politics and having endless debates about, ‘Should we do it this way or that way?’” After spending a few weeks listening to employees and customers and assessing the situation, he makes a judgment about the strategic direction and priorities of the company. “We’re going that way. Bang. And I don’t think it matters whether it’s a right decision or not – who will ever know. You just do it by gut instinct. The important thing is you created a direction. Making the decision is what matters.” ♦

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OVER TO YOU MAESTRO

Steve Miller says **his most satisfying rescue** may have been the Detroit Symphony Orchestra (DSO), whose fortunes had suffered along with those of Motown itself. There was also a personal connection for Miller as it brought him closer to his son Alexander, who had studied oboe at the Juilliard School in New York and whose advice he sought about the project in 1988.

There were a number of challenges besides the need to fill a financial gap, including the politically charged one of making an almost exclusively white institution more inclusive in a city which had so many non-white citizens. This was critically important for the DSO because part of its funding came from the public purse.

The thorniest problem was finding a way to be more inclusive in selecting orchestra members without compromising the rigors of the selection process. In the end, it required fairly deft negotiations between Miller, politicians, orchestra representatives, board members and others. They came up with an innovative solution that included an apprenticeship program that allowed the DSO to attract talented minority musicians. “I had learned a few things in my business life” that worked for the DSO, Miller says. “One of the most important was that creative solutions can often be found outside the non-negotiables.”



GARBAGE

When asked about the **biggest mistake in his life**, Miller says unequivocally: “Garbage.” He is referring to the Waste Management merger with USA Waste.

As a board member, it was bad enough finding out that Waste Management, a fast-rising corporate star of the 1980s, was built on a foundation of sand.

“It was a great company. But in the 1990s, to keep the stock price supported, they really cooked the books. I went on the board [in May 1997] and a few months later, the CEO that we had just hired [Ronald LeMay] said, ‘Steve, I got some bad news for you, the accounting here is totally screwed up ... and the CFO just quit this morning.’” I said, ‘That’s pretty ugly. What else?’ He said, ‘Well, I’m quitting, too.’”

After looking at various options, Miller said he thought he had found a good fix by arranging a merger with much smaller upstart USA Waste, which then imposed its highly decentralized management system. Things seemed to go well at first but “a year later I got a call from management saying, ‘Looks like we missed our earnings by a mile here.’ On the day earnings came out, half the market value of the company just disappeared,” he says.

THE WARNING SIGNS

It led Miller to develop a list for board members of warning signs that a crisis may be looming:

- Repeatedly missed earnings.
- Lack of candor.
- Firing the bearers of bad news.
- Lack of healthy internal debate.

Acting early on these signs means “there’s always a chance that a CEO needs some help and you can provide it before a problem becomes a crisis.”