

# ALUMNI

## PROFILE

LESLIE KOO:

## Undaunted agent of change

By Ed Kromer



Not so long ago, it seemed as if the only person on the side of Leslie Koo (BA 1977), president and chairman of Taiwan Cement Corporation, was Woodrow Wilson.

That's right, *the* Woodrow Wilson, 28<sup>th</sup> president of the United States who led the nation to war and peace, imposed the first federal income tax and enacted the Clayton Antitrust Act, the Federal Trade Commission and the Federal Reserve. More to the point, he also once famously said, "If you want to make enemies, change something."

It has become a favorite quote of Koo's. At Taiwan Cement, bellwether of its nation's miraculous economy

for half a century, he's changing everything.

When Koo began the hard work of reengineering antiquated systems and attitudes in 2003, he won few friends at first. Employees, shareholders, even analysts criticized his reforms as drastic at best and organizational suicide at worst.

"The response cycle was typical," Koo says. "Initially, people were shocked and said that we were totally wrong.

Then, when we pushed them to implement the changes, the shock gave way to resentment. It was very painful."

But very necessary. Though it had been profitable since the day it was privatized in 1954, Taiwan Cement was a company in steep decline. And Koo believed it would be even more painful to watch the historic company languish into a relic of a bygone era.

Taiwan Cement was the first of Taiwan's state-run companies to be privatized after the nationalist KMT government split from mainland China and its newly omnipotent Communist Party in the late 1940s. And the company has been connected to the Koo family since its new beginning. When

the KMT government instituted its landmark "Lands to the Tiller" reform, Koo's father, Dr. Chen-Fu Koo, exchanged much of the family's substantial ancestral land—to be dispersed among former tenant farmers—for shares in the newly private enterprise. He also became Taiwan Cement's first chairman. And he helped establish the Taiwan Stock Exchange. Taiwan Cement was the first company to list, in 1962.

While his father was making history, Leslie Koo studied accounting and computer science at the University of Washington, skills that would serve him well. After graduating in 1977, he returned to Taipei and took a job in auditing with Arthur Andersen, then earned an MBA from Wharton in 1981. The next year, Koo joined Taiwan Cement. As a specialist in the company's electronic data processing center, he made an impact immediately, designing and implementing a distributed processing decision support system, the first in Taiwan. His stock rose sharply. He was named vice president in 1988, president in 1991 and chairman in 2003.

But the view from the top was of a house in need of serious renovation. "Cement had always been a profitable business," Koo says. "But our ranking, relative to other major companies, was

dropping steadily. Our people had become complacent, content to indulge in past successes."

The future looked less certain. While the domestic cement market was nearing saturation, the company was mired in old-age bureaucracy, inefficiency and bloat.

"That was very alarming to me," Koo says.

He recalled the words of a business professor at the UW who had opened his prophetic course on corporate social responsibility with a suggestion that it might prove to be the most important class the students would ever take. "And it turned out to be true," Koo says. "It made me ask myself, do I just want to be a corporate man? Or do I want to do things the right way?"

"I simply could not be the one who saw the problem and did nothing."

When he took over the helm in 2003, Koo wasted no time. He streamlined operations, installed a "big bang" enterprise resource planning system across departments, and persuaded the unions to support a merit-based pay scale. He also cleaned up inefficiencies, starting at the headquarters, where he cleft a third of his white-collar staff.

Most of all, he evangelized the need for reform relentlessly. "Once you re-engineer, it's a faith," he says, "and you have to live by it."

Koo knew that modernizing operations and attitudes would be critical if Taiwan Cement was to take advantage of an unprecedented opportunity: China. The most ambitious capital project in the history of the world was going on just across the Taiwan Strait. In 2000 China, which requires more

cement than the rest of the world combined, opened its formidable doors to international providers in an effort to slake its thirst for raw materials.

His company's internal operations well into reform, Koo mounted an aggressive strategy in southern China that has proven to be a stroke of genius. Even as it retains a 53 percent share of the domestic market, Taiwan Cement is now the third largest in China in terms of clinker production—industry shorthand for fully integrated cement production.

Today the Taiwan Cement Group is well diversified. Koo presides over the core business, and also chairs a suite of complementary subsidiaries in power generation, waste management, petrochemicals, environmental services and logistical support (trucking and shipping). The aging company is behaving like the Asian tiger of its youth. Between 2003 and 2006, Taiwan Cement's operating income grew more than threefold, its net earnings increased fourfold, and its market capitalization tripled. As of early October, the market cap of this newly lithe company of 1400 employees producing more than 10 million tons of cement had topped \$5 billion.

Change may not make friends. But results like these do. Today, Koo's strategic expertise and undaunted vision are in high demand. In addition to his leadership of the Taiwan Cement Group, he serves as a director of the Taiwan Stock Exchange Corporation, Taiwan Polypropylene Company Ltd., and Far Eastone Telecommunications, Ltd. He is chairman of the Taiwan Britain Business Council and director

of the Chinese National Association of Industry and Commerce, the ROC-USA Business Council and the Sino-British Culture and Economy Association. And he's a member of the Foster School of Business Advisory Board. An active philanthropist as well, Koo joined his late father and brother to make a family gift of \$10 million to Wharton in 1998.

Barely into his fifth decade, Koo is not quite ready for a hobby-filled retirement—he's an avid photographer, stereophile and builder-of-things. Those pastimes can wait. There is much yet to accomplish at Taiwan Cement, more foreign markets to conquer.

"We're a very different company from four years ago, but we still have major catching up to do," he says. "If we want to become a major global player in the cement business, we need to run with the efficiency of a high-tech company and the customer focus of a service company. We've had some initial success, but it will take a few more years to completely change the attitude to a modern corporate culture."

Then, as the ad says, impossible is nothing.

"In the past, we were limited by the size of the Taiwan market," Koo says. "But now the sky's the limit. With Taiwan Cement, we want to make history, again." ■

*Leslie Koo is a recipient of the Foster School of Business 2007 Distinguished Leadership Award.*