



100 Years and Counting

TO STAY COMPETITIVE, COMPANIES MUST CONSTANTLY ADAPT TO CHANGING DEMANDS

Around the turn of the 20th century, America was a powerhouse of industry and imagination. The frontier had been conquered, and the first transcontinental railroad had been built. Cities were growing and becoming electrified. Steel, oil and agriculture were already global industries. Both national and overseas markets were open to new products, services and ideas. Companies founded 100 years ago and still thriving today have been savvy enough to capitalize on these opportunities — even able to “see the invisible opportunities under everyone’s noses that only the truly innovative can see,” says Mukul Pandya, co-author of *Lasting Leadership: What You Can Learn From the Top 25 Business People of Our Times* and editor in chief of *Knowledge@Wharton*, the online journal for the Wharton School of Business.

Centurial corporations — such as Standard Insurance Co., a subsidiary of STANCORP FINANCIAL GROUP INC. (SFG), which sells group life insurance and retirement plans; SPECTRUM BRANDS INC. (SPC), best known for Remington shavers; and CEMEX S.A. DE C.V. (CX), a leading global producer of cement — may be skilled at managing risk, spotting underserved markets, changing course quickly and finding creative ways to build a brand. David Kyle, chairman, president and CEO of ONEOK INC. (OKE), a large natural-gas distributor, elaborates on the challenges of managing growth and change that have kept his company competitive since its founding 100 years ago. “More often than not, the complementary actions of buying and selling assets create value for our shareholders and provide exciting opportunities for our employees,” he says. “That has been our history and it will be our future.”

Adaptation is crucial, say the companies. For example, in 1982 GANNETT CO. INC. (GCI) anticipated the popularity of a national newspaper and created *USA Today*, which has become the largest-selling daily newspaper in the U.S. Gannett and the companies profiled here are celebrating 100-year anniversaries this year.

KELLOGG CO. (K)

Corn flakes cereal was invented by accident by Will Keith Kellogg and his brother, Dr. John Harvey Kellogg, who ran a hospital and health sanitarium in Michigan. They had been trying to develop a tasty substitute for the bland bread on the menu. One day, they were called away before they put the wheat through the rollers. When they returned, the wheat was stale, but they decided to roll it anyway.

Instead of long sheets of dough, each wheat berry was flattened into a small, thin flake. The patients loved the healthy yet tasty flakes, and W.K. Kellogg recognized the market potential. On April 1, 1906, the Battle Creek Toasted Corn Flake Co. started production. From the beginning, W.K. Kellogg saw the value of advertising and brand building, according to the company. He bought a full-page ad in the *Ladies Home Journal* to spread the news about “The Original and Best” corn flakes cereal, and annual sales surpassed a million cases by 1909.

CEO James Jenness says such marketing savvy launched “100 years of enduring brands that are a mainstay in households around the world.” Building brand loyalty among families was a key strategy, adds Jenness. In 1931 Kellogg sponsored *The Singing Lady*, the nation’s first radio network program for children. Two years later, it added the words “Snap! Crackle! Pop!” to its Rice Krispies boxes. As baby boomers entered the scene in the 1950s, the company developed cereals that appealed to them, such as Kellogg’s Frosted Flakes, and sponsored family-oriented television shows, including *Superman*. Frosted Flakes’ Tony the Tiger became an icon. Today, reporting sales of \$9.6 billion in 2004, the company says it is the world’s leading producer of cereal, as well as the maker of Pop-Tarts toaster pastries, Eggo waffles, Keebler cookies and Cheez-It snacks.



AMERICAN GREETINGS CORP. (AM)

Ever since Polish immigrant Jacob Sapirstein began selling Victorian-style postcards in Cleveland, CEO Zev Weiss says, the company “has created products that help people connect with one another in a way that reflects the trends, emotions and spirit of the times.” The company flourished in the Depression when people bought cards to lift their spirits, Weiss notes. During World War II, Sapirstein’s company designed red-white-and-blue cards with patriotic themes for families to send to soldiers overseas. The 1950s anti-establishment movement that began with the beatniks led to the Hi Brows — tall, slim cards featuring cartoon-style artwork with irreverent, comic punch lines.

Weiss points out that American Greetings’ skill at reflecting societal values continued with character licensing for toys, gifts and collectibles. In 1967, during the Vietnam and civil rights protests, the company introduced Holly Hobbie, a nostalgic character symbolic of simpler times. She became the company’s first licensed property. In 1982, the company reports, baby boomer parents caused near riots as they tried to get their hands on Care Bear stuffed animals and accoutrements.

Realizing that the Internet was also a way to transmit social expressions, the company says, it launched its own site in 1996 that featured paper and electronic greeting cards; today AG Interactive has 2 million paying subscribers, and the site contributed \$47.7 million in net sales in the six months ending Aug. 31, 2005, out of \$830 million in company net sales for that period. AG Interactive’s latest ventures: providing graphics, games and other content to wireless communications.

AMERICAN ELECTRIC POWER CO. INC. (AEP)

When AEP’s founders decided to incorporate in New York in 1906, electricity was delivered by dozens of small, struggling utilities to communities across the U.S. The company says its founders realized that consolidation could lead to efficiency in this new service, and they acquired the company’s first utility properties within days of incorporation. Five years later, the company created its first interconnected system by laying a 33,000-volt line across 30 miles of Indiana farmland between power plants in Muncie and Marion.

As other companies caught on and created competition, AEP says, it endured in a commodity business by continuing its early strategy of



acquisitions and innovation. Following its latest merger with Central and South West Corp. of Dallas in 2000, the Columbus, Ohio-based company now serves more than 5 million customers in 11 states. “Technological leadership has been a hallmark of AEP since the company’s beginning,” says CEO Michael G. Morris. Among its advancements was the 1924 commissioning of the first plant to reheat steam to generate electricity, the Philo Plant in southeastern Ohio. In 1969, AEP built the world’s first 765-kilovolt line, enabling the utility to deliver higher voltage across greater distances. Now Morris points to plans to build the largest clean-coal power plant in the world by 2010. Today, AEP reports that it is one of the largest power generators and distributors in the country, with more than \$11.9 billion in 2005 revenues.

Centurial companies are skilled at spotting underserved markets, changing course quickly and building a brand.

CORN PRODUCTS INTERNATIONAL INC. (CPO)

This corn-refining company decided from the beginning that survival depended on marketplace expansion — both overseas and in the wider application of its products. Company executives back then, says Chairman, President and CEO Samuel Scott, “had the foresight to go where the markets and raw materials were.” In the

early 1900s, Westchester, Ill.-based Corn Products reports, the company began its search for global opportunities with ventures in Europe, soon followed by operations in Canada, Argentina and Brazil. Scott says that the company had the international arena pretty much to itself, noting, for example, that it was “in Korea before the Korean War.” In 2004 the supplier of sweeteners and starches established

its first manufacturing presence in China, providing modified corn starch to this growing market. Today, Corn Products, with 2005 reported revenues of \$2.36 billion, has 33 plants in 15 countries.

The geographic growth was accompanied by the development of new products, from adhesives to caramel color, for use in many industries, says Scott. Its 1923 patent for crystalline dextrose opened up new food and

confectionary applications, and the product later was used in intravenous injections and vitamins. The company’s invention of cationic starch created markets in the paper-making industry. Corn Products reports that its ingredients are now used by 60 industries, including food, soft drinks, brewing, pharmaceuticals, corrugating paper and textiles. □

