

The CEO Interview

# Leading U. S. Steel in challenging times

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CEO Mario Longhi discusses leading the company through a difficult period, its search for growth, and what constitutes success.

**Now more than a century old**, United States Steel was at one point not only the world's largest steel manufacturer but the world's largest company. Yet it has struggled in recent years: international steelmakers, particularly from China, have made inroads into the US market, while the drop in oil prices has reduced demand for steel from mining companies, in particular. Now, chief executive officer Mario Longhi is working to turn the tide. After more than two decades at Alcoa and then five years as chief executive officer of Gerdau Ameristeel, Longhi joined U. S. Steel in July 2012 and was named president and CEO in September 2013. He has taken action to turn the company around and, in this interview with McKinsey's Rik Kirkland, discusses the challenge of growing in a difficult and evolving market, the need for being innovative, and his definition of success. An extended and edited transcript of Longhi's remarks follows.

## Creating the conditions to grow

The company has been losing money for five years in a row. You can only endure so much of that if you're going to stay alive. But life is bigger than staying alive—people have a right to thrive, and companies have a right to thrive. For that, you need to focus: What is it that we do, and how do we do it? We need to have a customer focus, to really understand what solutions they're looking for so that we can apply our science and our capabilities to help them and create value for both, including ourselves. And we have to do this in businesses that are very cyclical. But we will not remain victims of the markets. We're going to deliver economic profit through the cycle.

Of course, there's not a simple answer. It's a lot of hard work in a very organized manner, and intense focus on our customers. Because we are in automotive, we are in energy, we're in construction, industrials—we're everywhere. Each and every one of those segments has its own idiosyncratic ways in which things work. So we've refocused the organization starting with the customer, we're translating the opportunities into how we run the business, how the operations go, and we're boosting research and development to a significant level.

## Driving growth through innovation

We're keeping our minds open to where the growth opportunities are. Of course, we're based in steel, but we're going to understand a lot better where we should be going. And, you know, even though we articulate it, it's a two-step approach: earn the right to grow, and then grow profitably. These things don't happen necessarily in two separate moments. We're going to be ready to seize that opportunity once we better understand it.

In automotive, for example, it's wonderful what's happening. Innovation is thriving in there, because of the new regulations that we need to improve miles per gallon and all that. And alternative materials have been making quite significant inroads in it. I think steel, to a degree, has been asleep at the wheel. But I don't think steel really believed that alternative materials could come in and penetrate as fast as they are doing. We're sort of catching up.

People think of steel and the steel people think of themselves—and portray themselves, if you look at pictures—as if there's always this crucible spitting fire. In reality, this is a profoundly scientific organization. You look at the mathematical models that are required for you to deal with a blast furnace, and the rolling, the fineness that needs to be in a controlled process for it to be perfect—it's phenomenal. So we really are creating those conditions in order to innovate with the customers.

## Harnessing digitization

Let me mention digitization in two terms. The first one is simulation: the importance of you being able to simulate processes with as much accuracy as you can. It's going to save time on the development of new things, and it's going to eliminate a lot of waste that goes on as we're trying to come up with a new way of doing that stuff. The other one is the learning of deposition of metal on something else, and we have done a lot of coatings on our products. So I think it's opening up an arena where, you know, printing, 3-D printing and all of that, may add a new dimension to business that we have never touched before.

I was actually researching a very young tech company. They created some chips that are like a speck of dust. And those sensors, if you can embed them into any material, are going to be able to capture temperatures, pressures, torsion—all sorts of information. That can be transmitted through the part and feed information to whatever it is that you're doing—in a car, on a ship, or whatever. We are in an era of exponential evolution, given the nature of the scientific evolution that technology has delivered. Having the ability to have people dedicated to learning and researching these things is going to help us cope with the speed today's world requires and how we innovate.

## Being an engaged leader

I'm a very curious person. I'm a farm boy; I always had a lot of curiosity. And from my parents' being farmers, you see everything's possible. I grew up with that.

In my professional career, I've had the pleasure and the privilege of having gone through so many different environments where change was always there. So that change became part of me. And you only have two options in life: you're going to change because you're forced to, or you're going to change because you create value by doing it in a controlled and forward manner. In that regard, it's easy for me to engage with the organization and begin a discussion around where success lies. What does success look like? You start from there.

One of the key elements is making sure that you have decisions made at the right level. In today's world, you can die just by the amount of data that gets dumped on you. You have to have an ability to prioritize and to separate what's really crucial and important from everything else. And then you apply judgment to how you go about doing it.

One thing is that e-mails do not run my life. We have a strategy, we have a cadence to it, and I try to be observant of all the nuances that go on every single day. But you have to make sure that the rest of the organization does the same. The secret is a lot of good prioritization so that you never lose focus on the essential things. But it's intense.

### Finding the path to success

If people can't explain what they have with some facts in front of you and get to the gist of it pretty quickly, I don't think they fully understand what they're talking about. They need an intense, objective view of, "This is the problem that we have and the root cause of it." Don't just deal with symptoms; don't waste time with a lot of information that really doesn't add a lot of value. As you go down into the organization, people need to learn: decisions should be made at this level, not be passed up here and not be passed up there.

We're pushing it down. It's about having people commit, but with authority to make the decisions that need to be made. You can't succeed in a transformational effort of this magnitude if you don't have people really good at getting to root cause, finding solutions, and making a decision at the right level.

I don't think you arrive at "success." You achieve a status of performance that gives you what you need to aspire to and be capable of doing next. That is the definition of success in my view. You create it every single day, you push the envelope every single day, and you should aim very, very high because people are incredibly capable of achieving things that sometimes seem a little difficult. ■

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