

Prospering In
NEW YORK

Globalization, Digitalization, and Productivity

An Interview with Harold McGraw III,
Chairman, President, and Chief Executive Officer, The McGraw-Hill Companies



Harold McGraw III

EDITORS' NOTE With a B.A. from Tufts University and an M.B.A. from the University of Pennsylvania's Wharton School of Business, Terry McGraw joined The McGraw-Hill Companies in 1980, and has since held a number of senior managerial and executive positions, including Vice President of Corporate Planning, President of McGraw-Hill Publications Company, and President of McGraw-Hill Financial Services Company. He was elected President and COO of The McGraw-Hill Companies in 1993, CEO in 1998, and Chairman of the Board in December 1999.

COMPANY BRIEF New York-based The McGraw-Hill Companies (www.mcgraw-hill.com) is a global information services provider, operating in the education, media, and financial services markets through more than 280 offices in 40 countries. With leading brands such as Standard & Poor's, the world's leading provider of independent equity research, market indices, and credit ratings; BusinessWeek, the number-one global business magazine in print and online; and McGraw-Hill Education, the company is one of the world's largest publishers covering virtually every aspect of the education market, from pre-kindergarten to professional learning.

Would you provide an overview of McGraw-Hill's business units and your outlook for growth for the units?

We are driving the financial services,

education, and business information markets through our leading brands such as Standard & Poor's [S&P], McGraw-Hill Education, BusinessWeek and J.D. Power and Associates.

In our financial services business, Standard & Poor's continues to capitalize on the tremendous growth in the world's capital markets, which are expected to exceed \$214 trillion by 2010. Today, S&P is more global and more diverse than ever, and the market trends driving demand for S&P's products and services remain very positive.

McGraw-Hill Education is poised for long-term growth as the need for education continues to grow in our global, knowledge-based economy. In the U.S. education market, enrollments and funding are growing across all grades from kindergarten through college, and the international markets for educational materials are also steadily expanding. In addition, the convergence of content and technology is creating opportunities for new products and new teaching methods.

Lastly, the ongoing transformation of our information and media segment is positioning its market-leading brands, such as BusinessWeek, J.D. Power and Associates, and Platts, for the future. As the Internet reshapes the business-to-business market, it creates new opportunities to deliver information and analytics to our customers. Our goal is to enhance the value of our trusted content by expanding how and where we deliver it, extending its functionality, and integrating it into our customers' workflows.

What are the key priorities or challenges that you see for the business for the coming year?

This is a very exciting time for us – we're experiencing solid growth and good prospects.

In the coming year we will continue to focus on the real growth drivers: globalization, digitalization, and productivity.

International expansion remains a focal point. Our non-U.S. revenue continues to grow at a strong pace. Today, S&P rates more corporate debt issues in Europe than in the United States; McGraw-Hill Higher Education continues to expand its presence in China, India, Jordan, and Brazil; and Platts generates more than 50 percent of its revenue from non-U.S. sources.

Technology is another growth driver we remain focused on. We are building a state-of-the-art data center that will strengthen our technology-based product development and

business-support platforms, and help us deliver an increasing amount of our products digitally and with greater security and reliability.

To enhance productivity, we have initiated a business process management program designed to help improve the quality of our products, reduce delivery time, and minimize costs.

Would you highlight the role and impact of technology on the business?

Developing technology-driven solutions is a key element of our strategy for growth. We are focused on leveraging technology to create new solutions that enhance the value and functionality of our content. To achieve that, we continue to expand the integration of our offerings into our customers' workflows. One example of our progress is reflected in the strong growth of Standard & Poor's Capital IQ division, which provides a Web-based research platform to many of the world's investment banks, hedge funds, private equity firms, consultants, and corporations.

How important is community involvement to the culture of McGraw-Hill, and how do you engage your employees in this area?

Our mission is to provide essential information and insight that helps individuals, markets, and societies perform to their potential. Fundamental to this mission is conducting our business responsibly and working to enhance the economic, social, and environmental well-being of the communities that we serve. As such, our commitment to corporate responsibility is an integral part of the way we do business and how we conduct ourselves.

As a result of our overall efforts, this year we were named a winner of the prestigious Award for Excellence in Workplace Volunteer Programs by the Points of Light Foundation. I am very proud of our employees and their commitment to helping people around the world better their lives and strengthen their communities.

How important is being based in New York City to your success?

We are very proud to be headquartered in New York City. As the financial and business capital of the world and the vanguard of global commerce, culture, and innovation, the city has so much to offer. But for us, the best thing about New York City is that it, like our company, has a truly global reach, which makes it a natural fit for us. One-third of our employees are based in international markets, and we operate in 40 countries. ●