

How To Make a Difference

Creating Value with the Right Values

An Interview with Steve Loranger,
Chairman, President, and Chief Executive Officer, ITT Corporation

EDITORS' NOTE Steve Loranger was appointed President and Chief Executive Officer and elected a Director of ITT Corporation in June 2004. He was elected Chairman of the Board of Directors in December 2004. Prior to this, Loranger served as Executive Vice President and Chief Operating Officer of Textron, Inc. from 2002 to 2004. From 1981 to 2002, Loranger held executive positions at Honeywell International Inc. and its predecessor company, AlliedSignal Inc., including serving as President and Chief Executive Officer of its Engines, Systems, and Services businesses. He is a member of the Business Roundtable and serves on the boards of the National Air and Space Museum and the Congressional Medal of Honor Foundation. He is also a Director of the FedEx Corporation. Loranger received bachelor's and master's degrees in science from the University of Colorado.



Steve Loranger

COMPANY BRIEF Employing approximately 40,000 people worldwide, ITT Corporation (www.itt.com) is a global high-technology engineering and manufacturing company in White Plains, New York that provides solutions in three business segments: Defense and Information Solutions, which develops, manufactures, and supports electronic and communications systems and applied engineering for worldwide defense and commercial markets; Fluid Technology, a global provider of fluid systems and solutions for the water, wastewater treatment, building trades, and industrial process markets; and Motion and Flow Control, operating in the marine, transportation, beverage, and aerospace market segments.

ITT unveiled ITT Watermark® in 2008, which is its signature corporate citizenship initiative focused exclusively on the provision of safe water, sanitation, and hygiene education to children and families in need and emergency response in times of crisis around the world.

How important is corporate social responsibility to the culture of ITT, and how are you driving it through the organization?

We have a vision that is about doing essential things in extraordinary ways, centered on our values, our customers, our people, and our work. We have always driven economic value-

creation as a company, but when we introduced our new vision and values in 2008, we elevated the subject of human value creation and social responsibility to the same level of corporate priority as making our numbers. So we have a two-pronged vision around creating value with the right values.

Corporate social responsibility has been an unbelievable stimulant to our employees as measured by employee engagement. It is creating an environment of pride and fulfillment, and has been an underlying component of employee innovation and engagement.

With all the need out there, how did you decide where to concentrate your focus?

We wrestled with that a lot as we were thinking of how to deploy this value-based vision into the organization. There are a lot of global issues to be addressed. It was imperative for us to focus our efforts on one primary flagship philanthropic activity. While through our U.S. defense business, we spend a lot of time investing in and supporting our troops and supporting things like the USO and advancing education in science and technology, the huge majority of our corporate resources are going into ITT Watermark. By providing focus to our efforts, we can make a bigger difference.

ITT Watermark has two components: bringing clean water, sanitation facilities, and hygiene education to schools in emerging countries such as Honduras, Guatemala, China, and India; and providing emergency response, where we deliver water treatment technology to places like Haiti, Myanmar, Sri Lanka, China, Honduras, and other regions where they have had natural disasters. By the end of 2010, we will have invested \$4 million into both aspects of this activity, working with our nonprofit partners like Water for People and Mercy Corps. In just two years, we have provided clean water solutions and hygiene education for more than a half a million children throughout the world. We've provided fresh water for hundreds of thousands of people in disaster areas via the freshwater treatment systems we've installed.

To be successful in that program, has it been critical to partner?

It's critical for us to have partners, because ITT alone cannot access all of these regions. We can provide financial strength, technology, and volunteer work hours: more than 3,500 ITT

employees have generated well over 20,000 volunteer hours. However, our partners – the folks at Water for People, Mercy Corps, and the China Women's Development Foundation – are our connection to the local economies.

During a recession, is it challenging to maintain the commitment to some of these programs?

Throughout the economic crisis, one of my roles was to make sure that our employees didn't see us blinking on important matters. So all aspects of our costs and our investments were carefully debated, but I'm pleased to say there was very little debate about ITT Watermark. Top leadership of the company and I felt this was a long-term investment and we were not going to make it subject to the ebbs and flows of the economy.

Also, I would say the same thing about a variety of our other investments. We're going to build our ability to make our customers successful; we're going to build in emerging markets; we're going to build talent development; and we're going to build our process capability and our leadership.

Even though ITT's earnings were down 6 percent last year, which was the best in our peer group, we still made additional investments in 2009 over 2008 in those areas. We preserved the things that matter most for the long term, which not only has the benefit of maintaining a good strategic and cultural position, but also sustained enormous employee engagement throughout the economic crisis.

The public perception of business leaders has suffered, even though there is a great deal of good work being done. Is it frustrating that a more positive message doesn't get out?

We know the best way to address this is to stay the course of our strategy. We do spend an enormous amount of our time being compliant, reporting properly, having the right ethics in the company, and having the right components of integrity and social responsibility – it is an enormous undertaking here and at many other companies. But ultimately, we will not be judged by where we are this year; it will be on how well we have contributed over a period of time to advance society. So we stay on the high road and stay focused on running the business with a long-term strategy, and we try to make the world a better place along the way. ●