

DANIEL R. DIMICCO

2006

STEELMAKER OF THE YEAR



The Steelmaker of the Year Award is presented annually by AIST to recognize notable leaders and their contributions to the steel industry. Daniel R. DiMicco received the honor on May 3 during the President's Award Breakfast at AISTech 2006 in Cleveland, Ohio. Cited for his entrepreneurial spirit, distinguished leadership and exceptional contributions to the steel industry, DiMicco was lauded for his steadfast guidance of Nucor Corp. through a period of significant growth and changing global dynamics, as well as his enduring vision of future steelmaking opportunities.

In the Nucor annual report, the name of every employee is printed on the cover of the report to signify the value of each individual. To parallel that, in humble acceptance of his award from AIST, DiMicco asked all Nucor employees present at the President's Award Breakfast to stand and be recognized, calling them the true steelmakers of the year.

Iron & Steel Technology editor, Joann Cantrell, recently sat down with DiMicco in the fourth-floor conference room in the brand-new Nucor office building in Charlotte, N.C. His thundering voice could be heard as he made his way through the floor, greeting fellow employees by name and asking each about family and vacations. Defying the CEO stereotype, DiMicco puts others at ease, retaining the down-to-earth style of a guy from a middle-class family in New York.

I&ST: What was it like growing up in Mt. Kisco, N.Y.?

DiMicco: Growing up in the '50s and '60s in Mt. Kisco was a great time to be a kid. It was a great town to grow up in. I come from a large extended family. My mom had nine brothers and sisters. My dad had only one brother, but my dad and his brother together ended up with 10 kids between them. I'm the oldest of five — three sisters and a younger brother. My family environment was very strong and loving. The loving support from the extended family was always there. We were always over someone's house on Sundays having dinner and visiting. We were very close. I had cousins who in many cases were more like brothers, and friends who were more like cousins. It was a very enjoyable time, with lots of support from our parents. It created an environment that allowed me, as the oldest in the family, to have the complete trust and confidence of my parents, and I didn't want to disappoint them and still don't to this day.

I grew up during a carefree time. Things didn't get crazy until the Vietnam War. I lived in typical small-town America. There were parades all the time — Memorial Day, Fourth of July, you name it, there was a parade going on. We had Little League games, and at the opening of the season there was a parade. The kids used to get together all the time and play football and baseball on sandlots, more so than even the organized activities. We used to have street teams where one street would play another street. The community was very involved and provided a great environment for children to grow up in.

I&ST: What did your father do for a living?

DiMicco: He was in the beer distributing and soda manufacturing business that his dad and his uncles started. That all came from a little candy store that his grandmother started when they came over from Italy in the early 1900s. She used to make soda pop in a little back room, and out of that grew the soda manufacturing business that the brothers all ran together. Then they got into beer distributing and that's the business my dad was in his entire life.

I used to go to the store as a kid and sweep the floors and organize the broken cases and put them all together. I'd try to blend the cases and anticipate what the customers wanted. It was a fantastic time. I just can't imagine it being any better.

I&ST: Can you provide some background on how you became interested in metallurgy and materials science?

DiMicco: In grammar school and high school, I always had an aptitude for numbers and science. I was guided into the engineering discipline out of high school. At Brown University I started out in electrical engineering and quickly found out that was not for me, and I moved into metallurgical engineering and materials science. I then went on to graduate school at the University of Pennsylvania and continued my education in metallurgy and materials science.

During my junior year at Brown, we'd all talk about what industry we wanted to work in. NASA was big back then, and the semiconductor business was just taking off — all of the high-tech professions. We all agreed the last industry we wanted to work for was steel because it was a dinosaur. It wasn't like everything else with bells and whistles going off and new research and technology. So right there, I learned my first



lesson: never say never, because I've been in the steel industry my entire career and I would have missed out on a great experience had I continued to think that way about the industry.

I&ST: How did you land your first job at Republic Steel?

DiMicco: When I got out of graduate school, I went to work as a research engineer. It was a great experience there; I learned how to do things well and what not to do. I got the job through one of my professors at the University of Pennsylvania who had contacts with a number of steel producers, and one of them was Republic. I liked what I was doing, and I thought I would like to continue my career in research. After about three or four years, I figured out that's not where I wanted to spend my time. I felt like there was a better way to work together as a company and with people. I thought there was a better way to lead people.

I&ST: Did that thinking lead you to Nucor?

DiMicco: I kept reading about this company named Nucor. I remember seeing a cover of *Iron Age* magazine and reading about them. One of my buddies and I said it was the type of company we'd like to work for someday.

A few years later, he ended up working for Nucor in Utah, and he called me up one day and said, "They're looking for a metallurgist for the new steel plant they're building in Plymouth. You really ought to look at this, Dan." So I did. I interviewed for the job and was lucky enough to get it. And Nucor hasn't disappointed me since then.

I started out with them as a metallurgical engineer, a plant metallurgist, and worked my way up to different managerial positions in melting and casting. A few years later, in 1991, I had the opportunity to be a general manager and vice president of Nucor-Yamato. Then in 1999, I came here to Charlotte as executive vice president, and a year later was made CEO. During that time, the culture, the people, the teamwork, how the company treated you with respect — all of those things were what my buddy and I were dreaming about when we thought Nucor would be a great place to work.

Nucor is not perfect by any means, but it truly lived up to its billing as a company where you could go as far as your abilities would take you. It was a company that promoted people who demonstrated the ability to be successful.

I'm here because I'm standing on the shoulders of a lot of people at Nucor who, by virtue of how well they did their job, brought attention to me as a supervisor, a manager and a leader. It's been a great experience. I owe a lot to the people in this company who have supported me over the years, and I obviously owe a lot to my parents and my family for the solid start they gave me, with sound fundamentals that culturally are very similar to Nucor's culture. It's been a very good fit.

I&ST: Last year, when Keith Busse received the 2005 Steelmaker of the Year Award, he called Ken Iverson the greatest man to grace the steel industry since the days of Andrew Carnegie. Having been at Nucor for over 23 years, what can you say about Ken Iverson and how he's influenced you?

DiMicco: I would wholeheartedly agree with Keith in his description of Ken. The organization, culture and the success that he built in Nucor over the years was part of the complete revolution of the American steelmaking industry. Certainly Ken was a leader in terms of this. Today, 55 percent of all steel made in the United States is made in electric arc furnaces, which was the technology that he adopted and helped to make the standard for making steel. Not only did he help revolutionize the industry from a technology standpoint, but also the way he interacted with employees and customers, and the long-term focus that he had and the culture that he built. The lasting legacy will be the culture, and that's up to us not to destroy but to continue to add to and build on in a constructive, positive way. That's why we all love working for this company. We work hard to make sure we hire the right kind of

people who will add to what we already have.

I&ST: You talk a lot about the culture and hiring the right kind of people. How does Nucor achieve this?

DiMicco: We certainly have a very good track record of being significantly better than most. A lot of people will say that people are your most important resource. The reality is, the *right* people are your most important resource. As a company, you need to make sure that you're spending a good amount of time working to hire the right kind of people who are going to fit in with your culture — people with a strong work ethic who are going to be driven by the opportunity to advance themselves and their careers. We're an organization that values a team

approach with the pay-for-performance approach.

At each of our operations, the general managers and operating managers are responsible for hiring the right people. It's very important to hire right from the entry level in such a way that you bring people in who are going to fit in well. We work hard to find people who are team oriented, who are willing to take the right kind of risks and thrive in our environment. To have no structured approach to hiring people, to hope that you're going to get the right mix is ridiculous. It's not going to happen. You have to work at it just like everything else.

Nucor is well-known as a leader in the industry and well known as a progressive company that takes care of its employees and has a long-term focus. We have a good reputation and it's relatively easy for us to attract good people to our company. As we become more technical from the standpoint of the type of products we make — more high-quality





products — bringing in technical people has been a real issue. We're actively involved in a recruiting process, particularly for technical people, metallurgists, engineers and IT people. Today, we have around 60 interns working within Nucor, and that is a program that has grown significantly over the last five years. It's worked out very well. Right now it's working out so well that our needs are being met and then some. The program is very much a formal and a focused program, whereas 10 years ago, it wasn't.

I&ST: Nucor has a management philosophy to run a company more efficiently by being a low-cost producer. This seems to be a simple solution. Why is Nucor more successful at this than other steel producers?

DiMicco: Formulas are pretty simple, but when you try to understand what makes the formula work, it can be difficult. Our whole system is designed to provide motivation and opportunity for people to be the best they can be. Nucor's culture would never fit into a unionized operation. By virtue of definition, we have very few layers of management between the ground floor and myself. The whole idea behind that is to make sure communication flows freely. We don't have a lot of middle managers and we don't have unions. We don't want anything to get in the way of the communication of the people on the ground floor and the leadership of the company. I answer my own phones and I answer my own e-mails. I visit the plants and talk with the employees. I don't just walk through the plant and wave. And that's typical Nucor. That was the style of Ken. Adapting to it is difficult.

Why are we focused on low cost? First of all, you have to have a long-term focus. If you're going to be in business for the long term with a very difficult and competitive business like steelmaking, you'd better be a low-cost producer to be able to survive the tough times. All businesses are cyclical as the economy comes and goes, but the steel industry can be very difficult, very competitive on both an international and domestic basis. The only way you can ensure that you're going to be around for a long time is to have a model as a low-cost producer.

We do that by having a work force that has taken ownership of the philosophy of high productivity, pay for performance, and working together as a team. They have a long-term focus in the way that they interact together solving problems, not just dealing with what's going on in the moment. That's part of what makes us unique. We have people who have bought into a system that allows them to be very efficient and productive, and that drives down our cost.

We have incentives and bonuses throughout the company designed to make sure that people do everything in their power to keep us a low-cost producer with high productivity. There are pay programs throughout Nucor that reinforce the whole idea of being efficient and low-cost. It's at the shop floor level,

where employees get paid based on how many tons of good steel they make in a week — and it's not a little bit, it's two-thirds of their pay. The general managers are getting paid out of return on assets or return on equity — how efficiently we're using our shareholder dollars and how efficient we are at making our investments. How we manage those assets determines how we get paid. We have a return-on-assets bonus, a return-on-equity bonus, and we have a profit-sharing program that all the employees except the senior officers are involved in that reinforces the idea that in order to be in business for the long-term, you have to make a profit. There's a payback. In good years, it's a much bigger number than in the bad years. In the last couple of years, the numbers have been pretty good, on average about \$20,000 a year plus some special one-time bonuses for employees.

I&ST: What can you tell us about the new SBQ mill that Nucor is planning to build?

DiMicco: We did say that it was going to be built in the South. We have not announced the location yet; we are in conversations, and the plant will employ somewhere between 200 and 300 people. We haven't announced the cost of the plant yet, and the location will have a lot to do with what that plant will finally cost.



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We have talked about the type of products we'll produce. We'll have a capacity of about 850,000 tons, but the plan is that it will not operate at that level from day one. We'll be very comfortable if we're in the 400,000- to 450,000-ton-a-year range and then add different products. Everything from finished bars to forging quality billets will come out of that plant. Plus, we have a shortage of billet capacity in the company today with some of

the new acquisitions we've made like Connecticut Steel, which does not have a meltshop, so they have a need for 300,000–400,000 tons of product and semifinished billet form.

The technology that we will be using to make this product will give us a clear advantage over several of the competitors in the current marketplace. Special bar quality product is a niche product where there are a number of very high-cost producers. There's also a lot of imports coming in, and our strategy will be to displace a lot of those imports. We will be very competitive with the high-cost producers. The technology that we're putting in will allow us to produce a higher-quality product. It is a niche market in the sense that it is a small market that will be producing product that other people aren't producing. We know we can be a low-cost producer versus imports and some of the domestic competition.

We are in the business of buying a lot of that product ourselves. We know what the strengths and deficiencies are over a number of the players in the market that supply the product. We've had a design all along to get into this business. We tried to buy Qualitech years ago, and that did not work out. But we



said all along that we were going to get into the SBQ business, and now is the time to do it.

I&ST: You've recently been named "Steelmaker of the Year," but you have also been called "the evangelist for American manufacturing."

DiMicco: Not by me, I don't call myself that.

I&ST: How did you get that name?

DiMicco: Certainly, it has to do with passion. My passion for well-run companies and how businesses treat employees and how that fits into Nucor all have a role in this. But more than that, like anything else in life, if you're going to do something of value, you have to believe it's important. You have to have passion for it.

This whole manufacturing issue is very serious. It's an issue that was brought to our attention by our customers, Nucor didn't initiate this, but we saw that if what was going on continued, we'd be losing our customer base as an industry. Not just Nucor, but the entire U.S. steel industry. It's bad enough that we have to deal with the dumped, illegally traded imports of steel in this country that are heavily subsidized by various governments around the world. And we will get World Trade Organization action on this one way or the other. It's an issue that's important to the industry and important to our country. It's ludicrous for the U.S. government to forsake its leadership role in the way that it conducts its trade policy or how it allows other countries to conduct their trade policies in direct violation of their agreements with the WTO. It's the responsibility of our government to make sure we have a level playing field. That's all we're asking for. Shame on them if they don't do that. Shame on us if, when given one, we can't compete and win.

I&ST: What is the number one action that our government could take to make a level playing field?

DiMicco: They need to hold people accountable for playing by the rules instead of overlooking it. Not classifying China as a currency manipulator is a farce on the part of our government. They're doing it for geopolitical reasons. The Chinese understand the difference between politics and business. We're the ones who don't understand the difference. We think they're connected; they understand they're not. We can deal with

them on a business front without jeopardizing geopolitical issues. We're not holding the Chinese accountable to live up to the agreements they made when they joined the WTO, which banned the subsidizing that China is doing. The biggest threat to globalization and world trade is not protectionism. The biggest threat is having rules that are not enforced properly to maintain an environment that is unbiased by any government.

We are a supporter of global trade, but it has to be done by abiding by the rules. If we don't hold others accountable to those rules, we have no one to blame but ourselves.

Today, times are good. What we're doing is working to make sure that the system in place doesn't get destroyed when times get ugly in the future. All CEOs and business leadership should be focused on that in the way they run their companies, making sure that our children and their children have an opportunity to be part of a healthy global trading system.

I&ST: Obviously, you've been a very fortunate person. Do you have a favorite charity?

DiMicco: My extended family members are the most important people in the world to me. A number of very important people in my family have died of cancer, and those cancers that attack children are the most heinous of all. Throughout our company we have charitable events where we raise millions of dollars in support of that. At Nucor-Yamato, there was a charity event for St. Jude's. Another one at Hickman, Arkansas, raised money for the Children's Hospital in Arkansas. Same thing in Berkeley. Those are areas that would be the most important for Nucor and myself.

Also, tragedies like the Gulf Coast — we want to be part of that and help out financially. We'd like to make a difference. If a tornado or flood hits an area, Nucor employees often go out to help rebuild the area. One of the tenets of Nucor is not only to be a profitable, successful, long-term company, but also to be stewards in the communities where we live and work.

I&ST: On a personal note, you've said that your dream job would be as first baseman for the New York Yankees. If you could pick your own all-star team, with yourself on first base, who would be on the field with you?

DiMicco: I'd be anything for the Yankees — that would be my dream job. Moose Skowron's going to be mad at me — he was the former Yankee first baseman in the '50s when I was growing up. Mickey Mantle was my childhood hero. There's been so many great Yankees. You'd have Yogi Berra behind the plate, Whitey Ford and Bob Turley on the mound, Goose Gossage, Mariano Rivera would be on that team and Derek Jeter as shortstop. Tony Kubek would be right behind him, and Clete Boyer, third base. Second base would be Bobby Richardson, and Joe DiMaggio and Lou Gehrig and Babe Ruth — it would be a hell of a team. ♦



Richard O'Hara, 2005 AIST president, presents the 2006 Steelmaker of the Year Award to Daniel R. DiMicco.