



Controversial Wardrop out at AK Steel

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AK Steel

Chairman and Chief Executive Officer Richard M. Wardrop Jr., whose combustible personality alienated labor unions, customers and top government officials, resigned yesterday. His right-hand man, executive vice president John G. Hritz, also left the Middletown, Ohio, steelmaker.

Although board members praised Wardrop and Hritz for their leadership, sources said board members have grown increasingly weary of the controversy surrounding Wardrop in recent months.

One industry official described the McKeesport native as "the last of the genetically flawed steel dinosaurs." Wardrop ran AK with an iron fist and relished confrontations, especially with the [United Steelworkers of America](#).

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"The board simply believes that now is the time for a new perspective to address the company's current challenges," said AK director Robert H. Jenkins, chairman of a newly appointed corporate oversight committee created by AK's board. Jenkins is former chairman of industrial equipment maker Sundstrand Corp.

The shakeup caps a tumultuous year for AK, which has a Butler plant that employs approximately 1,500. Since December, Wardrop has lost a bidding war for bankrupt National Steel to archrival U.S. Steel; sparred with General Motors, its biggest customer, over contract terms; and accused Ohio regulators of conducting a "high stakes vendetta against the employees of AK Steel." Meanwhile, there has been little improvement in relations with the USW, which deteriorated dramatically since Wardrop became chairman in 1997.

Wardrop earned a reputation as one of the best operators in the industry during his 35-year career. He started at U.S. Steel in 1968 and eventually became manager of the company's Mon Valley Works. Wardrop resigned in 1990 after an internal audit revealed he and other individuals used company funds to purchase ski passes, golf clubs and other goods for personal use.

He joined AK two years later, winning praise for being able to squeeze more steel out of blast furnaces and temperamental mill equipment. But of late, AK has been plagued by the same problems that beset its less efficient competitors. Over the last two and a half years, the company has lost more than \$700 million. At

the same time, U.S. Steel and International Steel Group, another competitor who has grown through acquisitions, negotiated labor agreements with the USW that dramatically reduced their operating costs.

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"This needed to happen," said analyst Chris Olin with Longbow Research in Cleveland. "New blood at the company provides an opportunity to reopen the labor contract discussion with the union."

USW President Leo Gerard said the union is looking forward to working with new management "to create a more productive and successful environment."

"It's unfortunate it's come to this, but in many ways this is a positive development," Gerard said.

Chief Financial Officer James L. Wainscott was named acting CEO. Former Caterpillar Chairman Donald V. Fites, an AK director since 2000, will lead the executive search, which industry analyst Charles Bradford says will not be an easy task.

"There is a huge shortage in this industry of good managers. I could put them on one hand. You get a lot of retreads," Bradford said.

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