

I'm delighted to be with you tonight and to have a chance to talk about Northwest Georgia with our friends from around the state. I'll share some information about our local industry and our community—both good and bad—and intersperse some thoughts on leadership.

I want to welcome you to a region that is one of the most important economic engines in the state. Outside of Metro Atlanta, I can't think of another area of the state that has had such a long and consistent record of economic growth.

This growth has been anchored by the carpet industry and its related supplier industries. Ninety percent of the \$13 billion carpet industry is produced within a 40 mile radius of where we sit. The industry's rapid growth over the last 30 years was facilitated by a combination of unique factors in the Dalton area: (1) group of strong local entrepreneurs and risk takers, (2) a municipal utility that worked hand-in-hand with the industry and has always had very competitive rates, (3) (at the time) strong, locally owned banks that supported and financed the risk takers, (4) an available workforce from surrounding rural areas (that workforce has changed over time—more on that later) and (5) logistics friendly I-75.

In the last 10 to 15 years, the industry has consolidated to three or four significant manufacturers which has enhanced financial stability for these companies.

The industry has had a great impact statewide as well as locally. I would note that Shaw Industries (the world's largest carpet producer) has revenues of over \$5.0 billion, is in the top 10 of all Georgia employers, and is the number one manufacturing employer in the state with almost 23,000 employees. Overall, this industry is by far the largest manufacturing employer in the state.

Speaking of Shaw, I was asked to share insights into reasons for the company's success (I don't want this to sound like an advertisement). Let me give you just two or three. First, any organization has to be grounded and led from a core set of values. All of your actions, all of your philosophy, and ultimately the culture of your organization is determined by these values. The three founding values of Shaw Industries are Honesty, Integrity, and Hard Work. Everything we do is tested against these values. I would bet that, if asked, any of our 30,000 employees could quote you the values. One of the results of your values is, over time, the kind of organization you build.

Those who know the company and industry (whether competitors, suppliers, or customers) will tell you that what sets Shaw apart is the quality and integrity of our people—our entire organization. For many, many years we have focused on recruiting the best talent, investing heavily in training and development, having a focus on retainment of a huge percent of our organization, investing in leadership development, and having an overriding philosophy of “respect for the individual”. I know it’s a standard cliché, but our people are our most important competitive advantage.

We have always aspired to be great (certainly not there yet)—our expectations are always high. We try to set the bar high. We wanted to be a world-class company. We constantly benchmark and compare ourselves to world-class companies.

Another driver to our success has been that we have always had a long-term view. From our founders onward, this company was built to be a long-term entity. Even when we were a public, stand alone company, we took more of a long-term approach versus the quarterly focus that many companies take. When I took the job as CEO, Warren Buffett had only one piece of advice (direction)—manage the company as if it is in your family and will be in your family for the next 100 years. That was it.

Today, our industry is going through the most difficult recession in its history. This has been brought on by the national housing depression, the ensuing credit crises, and the unprecedented increase in energy and petrochemical costs. Also, over the last ten years, carpet has lost some market share to hard surface flooring. This recession has been difficult on our communities with thousands of layoffs. Although there is some local concern about the carpet industry's long-term prospects, it is a very viable and very stable industry. Once we get through this down cycle, the industry will see a strong comeback as it always does. Long term, the demographics of population growth and household formations are very favorable to floorcoverings. The industry has little to no competition from imports, with none expected in the foreseeable future. Although, industry growth may not be double digits as in 70's and 80's, we should see consistent single digit growth over the long-term (approximating GNP growth).

One of the key issues that the industry—and the community—has faced is the influx of Hispanic immigrants to fill jobs in the carpet industry. Dalton/Northwest Georgia has probably been at the forefront of this issue around the state.

Historically, a large majority of the industry's workforce did not live in Dalton—it was imported in—commuting from surrounding counties and rural areas. Beginning around the mid 1990's, as many of these other areas grew and created jobs, this workforce no longer had to commute to Dalton. Combined with strong carpet industry growth during this time, a workforce need was created—and Hispanic immigrants filled the vacuum. This was a huge learning curve for the industry (language, customs, culture) and also the community. A lot of stress was put on the community—schools, housing needs, and cultural assimilation—that is still ongoing, although tremendous progress has been made. Without these workers, industry growth could have come to a standstill. Although there was conversation in the industry about moving certain operations elsewhere (Mexico - offshore), it didn't turn out to be a realistic alternative. These new additions to the workforce enabled the industry to continue its growth and fully staff operations in this area.

Today, Shaw's Hispanic/Latino employee population—in Northwest Georgia—is approximately 20% of our total. Within our communities, our school systems have probably been the most challenged. Today, Dalton city public schools are 65% Latino; the county system is 35%.

Obviously, community leaders had to work together to make this work—schools, industry/business, government. The community has managed it well, but there is no question it was stressful. Our school systems have done an excellent job of assimilation and are effectively servicing the needs of all of our students. One of the last challenges/opportunities is to make sure that we get Latino leadership involved and “at the table” within the community.

I think that one of the focuses of this year’s Leadership Georgia program is water and sustainability issues, I want to share with you something you probably don’t know. The carpet industry is a true national leader and is at the forefront of American industries/business in sustainability and environmental leadership. (I haven’t found many other businesses/industries with as much progress.) Let me give you just a very few examples: (1) The industry has reduced water consumption per unit by 50% over the last 8 to 10 years. Shaw is set to reduce its usage/unit by another 25% by the end of this year. This is significant progress. (2) The industry is a leader in recycling both post-industrial and post-consumer waste—this recycled product is reused both in carpet products as well as in other, non-carpet products. (3) The industry is taking responsibility for its products after their useful life.

Over five hundred million pounds of PCC are collected each year and kept out of landfills. Shaw itself is collecting 300 million pounds of PCC and is turning 100 million pounds of this back into new first quality carpet, avoiding virgin petrochemicals. The industry converts over 400 million pounds of plastic bottles into carpet every year. Shaw has the only waste-to-energy unit in the industry, turning carpet waste and scraps into steam to power our plants. We will be investing in more of these. Shaw is committed to zero landfill waste and is a member of the EPA's Smartway transportation initiative, has joined the U. S. Department of Energy's "Save Energy Now" program with a commitment to reduce energy usage by 25% over 10 years, and is a Founding Reporter of the Climate Registry.

Our industry and all of our communities can be proud of this industry's leadership in this critical arena. But from a Shaw perspective (and I'm sure other companies'), the great thing about all of this, the power of it, is that we don't see these as "environmental" or "green" initiatives—they are business growth initiatives; it is about business growth and sustainability of the enterprise.

The opportunities these initiatives are creating—new markets, new customers, new products, lower costs, etc.—makes it a “business growth” initiative, not an environmental program (an important distinction). A fundamentally important view that will drive the success of environmental initiatives through our free enterprise system.

The carpet industry is going to be an economic anchor and a stabilizing force for years to come in this area. However, Dalton and its surrounding communities are challenged to create an even higher growth, more diversified economy. Existing industry will provide stability, but it may not provide the strong “growth” in jobs that most communities desire. Our local leadership is focused on this task. Before I talk about that challenge, let me digress a little. I’m sure most of you are familiar with that famous acclamation by the comic strip character Pogo—“We have seen the enemy and he is us!” In almost all failures/disappointments (99%) — business failures, community failures, political failures, social failures—the root cause is almost always a failure of leadership. A majority of people—of leaders—do not like to admit that they are the problem. But, it is almost always a failure of leadership.

Now, let me explore this a little more—I'll get back to the current local challenges in a minute—and talk a little about leadership in general. There are many important elements of leadership, but there are two or three that I think are particularly useful for both business and community leadership. The first is to understand reality. Have to have a realistic assessment of your environment. It can't be what you want it to be or wish it to be. It may be a very positive reality or a very negative reality, but it has to be reality.

Too many times I've seen leaders make bad decisions simply because they started with assumptions which weren't reality. Charlie Munger, Vice Chairman of Berkshire Hathaway, has been quoted saying: "One should recognize reality even when you don't like it—especially when you don't like it."

Second, a leader has to be committed to be a change agent. Leadership and "status quo" are naturally, diametrically opposed. If you take a leadership role—in anything—you are basically committing (or should be) to "change" something and improve something. You are committing to lead others to an even better place or circumstance than the present.

Third, is to have passion. Whatever you do, do it with eagerness and energy and enthusiasm. Others must know you are really committed—and will knock down walls and move them out of the way to accomplish what is needed. Passionate leadership can be a beautiful—and “scary” thing.

Now, back to our local challenge. Dalton/Whitfield County is being “challenged” by surrounding communities, who have probably moved faster in creating infrastructure and incentives for economic development.

Certainly, there have been many positive changes and much progress here over the last 10 to 15 years; but frankly, we let some opportunities elude us. To some extent, business leadership took a backseat during much of the decade of the 90’s. We didn’t view things “realistically”. This community had been very successful—we didn’t see the need for change. We didn’t reach out and engage state government for both our opportunities and our needs. We allowed our city and county government to bicker with each other which impeded progress. We didn’t do a good job getting our community on the same page and going in the same direction. Our business leadership did not take a visible enough and active enough role in community issues.

About 7 or 8 years ago, that began to change. Business became concerned about some of the direction and became more actively involved in educational issues, in economic development, and in local government. Today, we have the best political leadership we've ever had. Our city and county governments are working together and creating positive synergies for tax payers. We have a strong and growing four year college in Dalton State College, which has a well-funded Foundation, which will be a boon to economic and cultural development. Both of our public school systems continue to make good progress. Downtown has been revitalized with a streetscape project, and we have an active Economic Development Authority.

Business is at the table and supporting this progress although there is still a lot of work to do. Frankly, I don't know that existing industry would have supported diversifying our economy and having an active EDA 10 to 15 years ago. However, all of us realize that the success of the community and the success of the corporation go hand-in-hand; and we are supportive of anything that improves opportunity and quality of life in our community.

The recent announcement of the Volkswagen plant in Chattanooga has accelerated the region's economic development activity. There will be numerous tier 1, 2, and 3 Volkswagen suppliers looking for site locations in Northwest Georgia.

Obviously, the Volkswagen investment will enhance—and change—East Tennessee and Northwest Georgia’s economy in the future. Much of Northwest Georgia is well positioned to participate in this development, and we are certainly supportive of local efforts to make this happen.

Finally, and in closing, I want to commend each of you for your participation in Leadership Georgia. Engaged business leadership is absolutely essential for the success of our communities. Strong leadership can solve almost any problem or opportunity. Our state will have plenty of both of these over the next few years, and we are fortunate to have citizens like you ready, willing, and able to do your part.

Thank you for listening and I hope you enjoy your stay in Dalton.