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## Dow Corning: The Path to Reinvention

*Detroit Free Press* columnist Tom Walsh would bet that you could not name the multi-billion dollar Michigan company that endured nine years of Chapter 11 bankruptcy, and then in two years increased its annual sales by more than \$1 billion and more than doubled its profits (\$238 million to \$602 million).<sup>1</sup>

The company Walsh was referring to was Dow Corning Corporation (Dow). As he explained, Dow Corning was the leader in global silicon product sales at \$4.4 billion worldwide, and made a commitment to grow jobs locally in Michigan, in part through the expansion of its 63%-owned venture, Hemlock Semiconductor Corporation (Hemlock, Michigan). ShinEtsu owned 24.5% of this joint venture, and Mitsubishi Materials owned the other 12.50%

Most of Dow Corning's 4,052 U.S. employees lived in Michigan, and the company wanted to keep it that way. "We want to help find ways to make Michigan a competitive place," said Don Sheets, the firm's CFO.<sup>1</sup> The ability to think globally and act locally has allowed Dow to expand its global footprint while providing a great work environment in Michigan and around the world.

### Background

Dow Corning, a joint venture between Corning, Inc. and The Dow Chemical Company, was established in 1943 to research silicon, the second most abundant element on earth. The company started making silicone breast implants in the 1960s. Although they were originally designed for women who underwent mastectomies, cosmetic use of the implants increased over the years. Soon, some women developed autoimmune diseases such as lupus, which experts believed were connected to the implants. Although the allegations were never scientifically proven, Dow Corning electively discontinued implant production in 1992. But that was not fast enough to prevent the deluge of negative press and injury lawsuits that followed, and the company was forced into bankruptcy in 1992.<sup>2</sup>

When Dow Corning emerged from bankruptcy, it pledged to pursue a new era of greater transparency, tackle global problems with innovation, and provide a safe and supportive environment for employees. Pursuing innovative global product development allowed Dow to grow its product and service base to more than 7,000 offerings. This strategy was quite successful. The second quarter of 2007 was Dow's sixth consecutive quarter of record sales. Sales were \$1.23 billion, 16% higher than the \$1.06 billion in Q2 of 2006.<sup>3</sup> (See **Exhibit 1** for quick facts on Dow Corning.)

*Research Associate Grace Augustine developed this mini-case under the supervision of Professor Lynn P. Wooten of the Michigan Ross School of Business Center for Positive Organizational Scholarship. ©2009 The William Davidson Institute*