Another Look


Helen Coster, Jack Gage, Jonathan Fahey & Tim Doyle

July 26, 2004
Irrational Fear

Two years ago, in an article about expansion in China by the U.S. company Emerson, we helped to fuel American hysteria about a flood of engineers graduating from Chinese and Indian universities. Foreign schools were outpacing the U.S., we said, creating a pool of low-wage, highly skilled workers who were stealing a competitive beat. But in December engineering professor Vivek Wadhwa at Duke University started looking for facts about the number of engineers coming out of Indian and Chinese schools. He came up empty-handed. “Magazine cover stories had been written about this phenomenon,” says Wadhwa. “It was really over the top. But no one had any facts.”

Upon calling universities and government agencies, Wadhwa learned that not all engineers are created equal. Both countries had been giving engineering credit to graduates of two- and three-year degree programs: In China motor mechanics and network administrators can be called engineers. On a per capita basis the U.S. produces twice as many four-year engineering degrees as India and about 7% more than China.

But Wadhwa’s study fails to take into account that a substantial number of engineering graduates from U.S. colleges are foreign-born and often return to their home countries. Nonetheless he fears a knee-jerk reaction from U.S. lawmakers to train more engineers may result in oversupply and plummeting salaries. “This is why the numbers are so dangerous,” he says. --Helen Coster

October 16, 2000
Bigger Crush

When Australia’s Foster’s bought national beverage rival Southcorp last year for $2.5 billion, the move highlighted the ongoing consolidation scramble in the wine industry. We’d last written about the brewer’s shopping spree in 2000 when it bought California’s Beringer Wine Estates for $1.5 billion.

A year later Southcorp--at the time Australia’s biggest wine producer--purchased premium Australian winery Rosemont for $776 million. But the company suffered a hangover as an oversupply of grapes in California, as well as other factors, drove Southcorp into a discounting campaign that drained margins.
But yeasty Foster’s, with 2005 sales of $4 billion, sees the acquisition of Southcorp as an opportunity to balance its wine portfolio, never mind Southcorp’s 8% drop in sales to $874 million in 2005. Foster’s chief executive, Trevor O’Hoy, also says he can streamline Southcorp’s operations. In the meantime another grape glut could be looming, so size had better give O’Hoy a strong hand. Investors may grow impatient with Foster’s share price, which hasn’t been getting better with age (down 8% in 2005). --Jack Gage

October 4, 2004
A Rebound for Jordan

When we profiled Electronic Data Systems Chief Michael Jordan, takeover rumors were swirling around the struggling tech giant. Profits were feeble, the stock price was lagging, and eds needed to drum up more business. Despite long odds, Jordan is turning the Plano, Texas behemoth around. As promised, he has cut 10,000 workers since our story, and plans to cut an additional 7,000 or more by year’s end. He’s also retrained an impressive 50,000 workers--more than double the 20,000 he’d planned--on a new slate of hardware and software. The company signed deals worth $20.5 billion in 2005, up 43% from 2004. And in February EDS announced it was holding on to a surprisingly big chunk of its work that General Motors, its former parent, had put out to bid.

Jordan still needs to pump up revenues--down slightly from 2004--but investors are reacting well, recently pushing shares to a three-year high of $27. --Jonathan Fahey

December 8, 2003
Liquid Gold

When we last visited Sasol, the South African company that makes synthetic fuels from coal was looking to expand globally and build natural-gas-to-liquid-fuel plants in Qatar and Nigeria. The Qatar plant, which opened last year, is producing 34,000 barrels a day, and the Nigerian plant is under construction. While the plant costs are weighing on profits, Sasol, like other energy companies, is enjoying booming fuel prices. Profits rose 61% in 2005 to $1.5 billion on sales of $11 billion. Critically, for a company that gets 48% of revenues outside of South Africa, the company’s international sales rose 8% in that period, despite a strong rand.

Things at home may not be rosy, however. On Feb. 15 the South African government threatened a special tax on Sasol because of “windfall gains” resulting from spiking oil prices. The company, which benefits at home from import-parity pricing that allows it to charge the same high prices as energy importers, is vigorously fighting the proposal by noting that the rand cut its gain when repatriating export profits. Currencies cut many ways. As of early February Sasol shares on the New York Stock Exchange had more than tripled since our original story ran, to $43. But shares have since retreated under the political heat. --Tim Doyle