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GM Recruits Microsoft's Liddell as New Finance Chief (Update2)

December 21, 2009

By David Welch

Dec. 21 (Bloomberg) -- General Motors Co., reaching outside the auto industry for a new chief financial officer, hired Microsoft Corp.'s Chris Liddell as vice chairman and CFO.

Liddell, 51, takes his new post effective Jan. 1, GM said in a statement today. Liddell, whose plan to leave Microsoft was announced Nov. 24, succeeds CFO Ray Young, who becomes GM's vice president of international operations on Feb. 1.

The move helps Chairman and Chief Executive Officer Ed Whitacre bolster a financial operation faulted by the Treasury's auto task force and deepens his imprint on management since CEO Fritz Henderson's ouster on Dec. 1. Liddell's age and work history also may position him to take Whitacre's place.

"It had to be an outsider," said Maryann N. Keller, a senior adviser at consultant Casesa Shapiro Group LLC in New York. "GM's finance department was too inbred."

Liddell, a New Zealand native, joined Microsoft in 2005 and was the first outsider to be named finance chief in more than two decades. He oversaw \$3 billion of expense reductions in the past fiscal year, including Microsoft's first companywide job cuts, and its first bond offering.

Liddell was previously CFO at International Paper Co., the largest U.S. maker of cardboard shipping boxes, and was CEO at New Zealand forest-products company Carter Holt Harvey Ltd.

'Depth and Experience'

"Chris brings a depth and experience to this job that were unmatched," Whitacre said in the statement. "Chris will lead our financial and accounting operations on a global basis and will report directly to me."

Like Whitacre, the former AT&T Inc. chairman and CEO who was named in June to lead a revamped GM board, Liddell comes to Detroit without a background in the auto industry. He will have to rebuild a finance group thinned by cost cuts and voluntary departures as staff members jumped to other jobs during GM's slide toward a June 1 bankruptcy filing.

While at Microsoft, Liddell played a crucial role in the Redmond, Washington-based company's failed bid to acquire Yahoo! Inc. last year. He worked earlier in his career as joint CEO for CS First Boston NZ Ltd. GM's new board includes three directors with private-equity experience.

‘Very Qualified’

“He’s very qualified for the job,” said Van Conway, managing partner of consulting firm Conway & MacKenzie in Birmingham, Michigan. “And he’s only 51, so why wouldn’t he be a candidate for CEO if he performs? It depends on how long Whitacre wants to stay.”

Joseph Phillippi, president of AutoTrends Consulting in Short Hills, New Jersey, said Liddell’s experience has prepared him to be CFO at GM and, possibly, to succeed Whitacre, 68, who has started a search for a permanent CEO.

Microsoft didn’t disclose Liddell’s plans when saying last month that he would leave on Dec. 31. The week before that announcement, people familiar with GM’s CFO recruiting said the field had been narrowed to two finalists.

Henderson’s exit meant that the hiring was completed by Whitacre, who has been reshaping the team put in place by his predecessor when GM left Chapter 11 in July.

On Dec. 4, Whitacre picked new North American and European presidents and moved Vice Chairman Bob Lutz to be an adviser for design and product development. Whitacre gave some of Lutz’s marketing duties to Susan Docherty, who was promoted to vice president of sales, service and marketing from U.S. sales chief.

Two of Docherty’s three general managers for GM brands also were replaced this month. The new assignment for Young, 47, was announced Dec. 14.

Financial Controls

Stronger financial controls will be pivotal as GM works to end losses of at least \$88 billion from 2004 until its June 1 bankruptcy filing. GM said Nov. 16 that it generated \$3.3 billion in cash in the third quarter while losing \$1.15 billion.

The automaker may have had the “weakest finance operation any of us had ever seen in a major company,” Steven Rattner, the former chief adviser to the task force that reorganized GM in a 40-day bankruptcy, said in an article in Fortune magazine in October.

GM reorganized its accounting department in 2006 by consolidating the controller and chief accounting officer jobs under Nicholas Cyprus. The changes came after GM that year restated results back to 2000 and earlier said it found flaws in annual regulatory reports for 2006, 2005 and a revised 2004 filing.

“This is not the company that Alfred Sloan and Donaldson Brown invented,” said consultant Keller, referring to the former GM chairman and vice chairman who established modern financial practices for large corporations.

Financial History

GM’s missteps in recent decades included “decisions like getting into the mortgage business or buying into Fiat or buying Saab,” Keller said. “They stifled investment in North America. They borrowed money to pay a dividend. The pure financial management of this company has been stumbling and incompetent.”

Young became CFO in March 2008, succeeding Henderson, after four months as group vice president for finance. People familiar with the matter said in September that Young was likely to leave his post, and a month later he was said to probably be bound for international operations. He joined GM in 1986.

Early repayments of \$7.84 billion in U.S. and Canadian government loans and preparing for an initial public offering add to Liddell's challenges as CFO.

GM said Dec. 18 that it returned \$1 billion to the U.S. Treasury, the first installment on \$6.7 billion in federal borrowing due in July 2015, and \$192 million to Export Development Canada. Those moves came three days after Whitacre set a target of completing the payments by the end of June.

An IPO may be held in next year's second half, according to GM, which is 61 percent owned by the U.S. government. The other stakes are held by a United Auto Workers retiree trust; the governments of Canada and Ontario; and the remnants of GM's bankrupt predecessor, now known as Motors Liquidation Co.