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INTERVIEW WITH

WILLIAM MOONAN
(RETIRED)
SHERWIN-WILLIAMS
CLEVELAND, OHIO

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INTERVIEW CONDUCTED BY

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THE WINTHROP GROUP, INC.

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WG: We're interviewing Mr. William Moonan. Mr. Moonan, would you start out by telling us how it was--I guess you should start out by telling us the history of Spray-On, and then how it was that Spray-On came to be united with Sherwin-Williams.

WG: I would be interested in your career before that, from the time you left school to how you wound up . . .

WM: Ground zero?

WG: Well, almost ground zero. Ground 18, maybe.

WM: Well after graduating from college, I went to work that fall of 1939 at the Lincoln Electric Company, which was world famous for its incentive systems and its efficiency and low cost. Marvelous training ground for me. I started out as a sales trainee so I could get the welding class under my belt: three weeks of intensive training in using arc welding in all kinds of positions and materials. But I was headed for the factory from day one. And I had various jobs. The first one lasted for quite a bit of time during the War. I was in the electrode plant along with some others. In fact a fellow was a contemporary of mine--got out of Shaker High School the same time I got out of Heights High School--we had the jobs of running at first an experimental line for taking things called green rod without any batch processing, and on a continuous basis run that green rod through preparation stages, through dyes, drawing it down to size, straightening it, and cutting it off into the core steel, and make welding electrodes. After that I went over to the plant that made the arc building equipment itself the welders, as assistant chief inspector. And I enjoyed that very much. It was quite an education in mechanical engineering, which I'd had in school.

WG: So your undergraduate . . .

WM: Undergraduate was a bachelor of science.

WG: Bachelor of science.

WM: And an aside, it was a course designed for the sons of guys who owned manufacturing companies. So that any graduate who owned a ~~of~~ a manufacturing company that wanted his son trained to take over, this was a combination of economics and engineering. Sometimes we refer to it as half engineering, half economics, and half baked. But as another aside--because you've got a lot of tape.

WG: Yes, we do.

WM: Another aside to this: My son went through Yale several years after I did and then went on to Harvard Business School, and he said the first year at Harvard Business School was simply a rehash of what he had done in this industrial administration course that we both had, with the exception of the engineering facet. Well anyway, as the War waxed, the company decided that I was a little exposed being in the assistant chief inspector job in the welder plant, so they sent me back to the electrode plant where I became superintendent of the coatings department. Now this is not paint coatings. This is coating on a wire that might be--say a three sixteenths wire, the coating is about a sixteenth of an inch thick. We had to make these coatings and send them down to a room where they were extruded over the wire and then baked dry. And that is where I remained until August of 1948, at which time I left Lincoln to go into business for myself as the Airwick commercial products distributor for Northern Ohio, which I spent 100% of my time on until the middle of July '51, at which time I bought an interest in Spray-On Products and went to work as vice president, president of sales. Now I can get you onto Spray-On.

WG: OK. Just a question in here: You mentioned that the program you went through at Yale was for sons of people who owned manufacturing companies. What was your . . .

WM: Well anybody could take the course. But the original impetus for designing this major, for which you got a bachelor of science, was from well-to-do manufacturing, mostly from the Midwest, ~~manufacturing ??~~ They were fine on

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engineering in specific areas, they've got a fine economics course, they're great on bachelors of art for engineers, but we want people that are more rounded. So it had engineering, usual assortment of economics courses. In those days you had to take a language and of course English and history. But it was the combination of economics and engineering.

WG: My question was your father was not a manufacturing executive?

WM: No, no.

WG: You had no family business to go into.

WM: No, Dad was a CPA.

WG: All right. I interrupted you.

WM: Incidentally, accounting was one of the courses we had to take, and statistics. I can't remember it all of it.

WG: It sounds like a pretty good . . .

WM: It was.

WG: . . . training for business.

WM: It was a hell of an education for what I ended up doing.

WG: Well we interrupted you when you bought an interest and became a vice president of sales at Spray-On. Carr~~r~~y on.

WM: Yes. Let me tell you about Spray-On. Spray-On Inc.--not Spray-On Products, but Spray-On Inc. was formed in the middle of 1949 by a fellow named Don van (Hennat) his brother-in-law. And this was for the purpose of aerosol-pressure packaging of paint.

WG: Was that a well ?? technology?

WM: Spray paint was just getting started back at that time. It was preceded by packaging of hardest fixative in spray cans. The principal manufacturing output of that product was (~~Crylon~~ Krylon). It was their only product. They did not, they didn't get in the paint packaging until the late fifties. But anyway Spray-On struggled along for a year, and at that time van Hennat sold half of his company to Tempo Products, which was a distribution organization owned by Jack Ellis and Jack Kaiser.

WG: Was this in Ohio?

WM: Yes. Cleveland, Ohio. On East 65th Street. And van Hannet became disenchanted as the year wore on, and he sold half of his remaining interest to a fellow named Phil Geier--Philip H. Geier.

That was the Royal Vacuum Cleaner family. And by the middle of 1951 van Hannet wanted out completely, so I bought the other quarter? of it. I went on the payroll on July 14th, and on July 15th I was on a train going to Harrisburg, Pennsylvania to call on the New Holland Machine Company that received samples of their paint in cans, and took my first order. They're located in--anyway it's near Harrisburg, in Lancaster. That was the start of it. Since then, the time I joined up, Spray-On had $170,000 worth of sales. That year the net profit was $17,000.

WG: Nice return.

WM: Which incidentally wiped out--oh, I wanted to add that the, when Ellis and Kaiser bought in at the end of that first year, the appropriate name was--Spray-On, Inc. disappeared, and a new corporation with van Hannet and Tempo products being the owners, was formed. That's the Spray-On Products Inc.

WG: So $170,000 in sales . . .

WM: $170,000 in sales and $17,000 profit brought the company up to net plus or minus nothing.

WG: How many employees?

WM: At that time, let's see, three guys in the office counting yours truly, one fellow in the laboratory. His name was Virgil Ogiltree. Virgil, I'll tell you something about Virgil in a minute. And we had one man out in the plant who was a combination supervisor and maintenance, and two girls in the office--no, one girl in the office. And about 33 people in the plant. But Virgil Ogiltree worked with ~~an antenna~~ Van Hennet, and he was a pure hillbilly. ab~~solutely ??~~ ~~I~~ But he had a lot of instinct in what he was doing. And he kept all his records on little pieces of paper about that big. He'd put a number on an incoming sample of paint that he was going to try and make into an aerosol package, and that number was put on this little piece of paper, and he'd write down the various solvents and the amounts that he'd put in the package, and put it on a spike, you know the old fashioned spike in the office? And those were our records. Shortly after he got there, Ellis decided that sales and development ought to go hand in hand, and so I was in charge of the office. Virgil had quite a problem in taking a piece of 8.5x11 and dividing it into rectangles and putting the numbers and the formula (attempts) on that. But he was great. I ought to say right now that at that--when I got aboard, they were packaging some insecticide for people in ~~Att~~ Reliance (~~Lancaster~~), Ohio. I can find out what that name was. They were packaging that and they were packaging a foam hand cleaner for the Burroughs people--the people that made the dictograph--to get rid of that purple ink on your hands. And everything else was paint. And our aim, we were packaging trade sales paints for pl~~astic coaters~~ Plash Kote and for the (Sheffield Bronze?) paint. But our main thrust was to take ~~the~~ repair ~~of~~ paint, which was authorized and specified by various manufacturers of things that got scratched when shipped--appliances, office furniture, ~~?? equipment,~~ farm equipment.

WG: Touch up?

WM: Touch up. In fact we referred to our packaging as touch-up tools. Our first customer in that was Westinghouse Appliance. The second one was Frigidaire. At that time we were the only people in the world that knew how to package nitrocellulose lacquer in a spray can. And nitrocellulose lacquer is the material of choice for touch up and repair of appliances, office furniture, automobiles.

WG: Did you have patent protection?

WM: No. ~~??~~ Firm belief that patent protection wasn't worth a damn unless you could prove that the guy that's violating the patent is doing it. With something like paint it's--particularly paint under pressure. ~~(??)~~. We didn't do it. So our sales effort was, we did have a, when I got there we had this, we'd gotten New Holland machine company. We had samples all over the place but no follow-up. I started out, I would be out for three weeks, in for a week for two years. The wife wasn't very happy with it, but I was making a lot more money than I was out of the aerocan business. Our philosophy was to go after, if we had--we got a farm equipment plant, so we went after all of those. We had two appliance manufacturers, so we went after them. We soon had one office equipment plant furniture, the guy there, a young star, General ?? , that was our first office equipment manufacturer. And our attitude all ~~three~~ through was you use a repair paint in a spray can. You then get a ?? appraisal. And with our ability to put the proper amount of paint and the proper solvents in the can, we were able to generate a package that was demonstrably easier to use than our competitors.

WG: Was the technical problem the formulation, or was it the use of the nozzle?

WM: Oh, OK. By the time I go there, we were using a valve made by the Precision Valve Company which was good at atomizing the product, but it would clog up in such a fashion that you couldn't clean it. In fact we even made special tools for reaching down the valve stem and pulling out the pole. So I designed a valve that could be cleaned. In other words--let me take an aside. In an aerosol paint valve, the paint and the propellant are a complete homogenous mix. They come out of the valve and to get good atomization, you have to let that liquid expand in very, very small expansion (tree). You've got the area, let's say, of a match head--the volume of a match head. It then goes through the final orifice. The trouble with the precision valve is that the stuff would remain in the expansion chamber and run down and block the first hole which was only 14, 15 thousands of an inch. And so I designed a valve that had a plug at the bottom and then the primary orifice and expansion chamber were above that so you could get at it and clean it out. And also the first one I came up with would not have a lever action, but it did the job. The son of a gun made it a tough thing to put on the can, there were a lot of things wrong, but it did the job. It didn't plug. He hired a fellow, Dan Crowley, whose son, Vern Groeth, to redesign the valve and set up automated manufacturing of the valve. Crowley came from the (Dill ~~Vest)~~ Valve Company,) very big in making tire ~~belts.~~ valves. And Vern Groeth was a good machinist. And the redesign would incorporate a lever action on the actuator. At that point ~~they~~ we had the only valve in the world that would ripple paint, seldom if ever plug, and required less finger pressure to operate than any others.

WG: The lever, it's kind of like a Spray and Wash bottle now that has . . .

WM: No. I'll just draw it to size, the can is down here. It came up straight. There's a little place sticking out here where the final orifice was, coming up here across and down. Then the actuating pin was right in here. This was the leverage.

WG: I guess I have a question about this technology. You mentioned you didn't get a patent on it. Was it a complicated idea to decide to put nitrocellulose lacquer or other kinds of paints in a spray can?

WM: Other people were using (~~alpic?~~ alkyd) paints. But what they were doing, and not many understood, was putting too much paint in the can. And didn't have enough propellant solvents to make it thin enough and under enough pressure to have it spray properly. And when you started packaging lacquers, they tried to put in as much lacquer solids on that--undiluted lacquer--as they had with the paint. And that was even worse. To give you an idea of what we're talking about here. You get about 30--used to get around 33 cans per gallon of (~~alpic?~~ alkyd) paint. ~~??~~ If you bought the package, you got a thirty-third of a gallon. And the lacquer, it was 80--no, 40 cans per gallon. Had to use less lacquer. Get it down to viscosity, it was great. And then the blended solvents affected it, too. For instance, one of the tricks we learned was to put certain--I think this might still be a trade secret--put a slow evaporator in, just a touch of it, one two hundredth of a can would be ?? the solvent would evaporate slowly so that when you sprayed the lacquer on a very humid day, a hot humid day, you wouldn't get (~~mushy~~ blushing). Just use the ordinary solvents you could use all winter, spring, and fall in the summer time. Spray it, you get a white haze on the finished paint.

WG: So this little company started to grow pretty fast on the basis of your technology?

WM: Yes, we grew it, but at the same time people were coming to us. Our friends at DuPont who sold us the propellant. People got word that we were willing to try and package anything. And we had products coming in from all over the place all the time. Many of them ended up being ?? but we'd fool around with it and fool around with it, and finally worked out a package that would spray using the product.

WG: So essentially Spray-On was a packaging company.

WM: Yes. With the emphasis on paint. We grew about 15% a year compounded. In the last full year and June 30th of 1966, sales were almost exactly $10 million, and our after-tax profit was $200,000.

WG: You were investing a lot?

WM: Yes.

WG: Was it a smooth growth curve?

WM: There was one year, let's see, we built a new plant out in Bedford Heights in 1961. Moved in the fall of '61 after it was completed. '63 we had a slight blip. It was a little drop, but you know, it doesn't matter. We didn't pay a bonus in July of that year.

WG: ~~??~~ Well You mentioned that people were coming to you with all kinds of products, to be packaged. Like what?

WM: Well I'd say cleaners, coatings other than ~~the~~ paint, lubricants. I think the best way I can say it is we were not interested in food products or in personal products or insecticides. We tried to avoid the common products that were confined to the high volume price competition. We always got the fattest ??

WG: Did you have a lot of competitors?

WM: Not a lot.

WG: Was it pretty much a . . .

WM: We didn't have any monopoly. As a matter of fact, our percentage of the paint market in '66 was down quite a ways from what it was in '51-52.

WG: The spray paint market?

WM: The spray paint market. Trade sales paint market was growing by leaps and bounds, and in that respect, I started calling on paint companies to have them come out with their own shelf paint in a spray can. And the first one that--the first big name was Pittsburgh Plate Glass. By that time I had a sales manager and another guy and we gradually built up our sales force, but I took it upon myself to work with the trade sales paint companies.

WG: It's interesting. I mean being a concern, did you talk to Sherwin-Williams, Glidden, and . . .

WM: Yes. Glidden came along quite early in the act. Sherwin-Williams was the toughest one to grab. As a matter of fact, the first thing we ever packaged at Sherwin-Williams was a paint remover. And that had a funny twist to it. We did all of our testing and development with samples that had been given us by the laboratory in Cleveland, and a fellow named Bob Blank who was still a friend of mine was in charge of the development ?? and we ran through our usual routine of getting a sampling--we thought we were getting a sample from the production batch, put it in the package, put it in the hot box for two weeks, and see what happens. Put it in the hot box at 130 degrees for two weeks. The lack of compatibility between the propellants and solvents in the product curdled, changed color, anything could happen. Went through the usual routine with Sherwin-Williams, but at the last minute, Bob decided he would add some micro crystalline wax to the production batch, and that micro crystalline wax did not become a part of the solution, and it plugged the valve of almost every one of the 50,000 cans ~~of~~ we packaged.

WG: Was this the slight blip in 1963?

WM: No, this was before '63. This is ~~why~~ while we're still down on 65th Street. But that was the first one. That was impossible to ~~demonstrate~~ deal w/ Sherwin-Williams. They had so many different people on different levels, and they had Lowe Brothers and Acme, they had Lucas in Philadelphia, Lowe Brothers in Dayton, Acme in Detroit and so on and so on.

WG: And they were all kind of independent subsidiaries or something?

WM: No, they acted quite independently. Well anyway, we ended up with being the sole source for PPG, Glidden, Sherwin-Williams. Sherwin-Williams was the last one we (got in). Pratt and Lambert, Louisville Varnish, a whole host of them. The only ones we didn't get were Benjamin Moore and Martin-Senour. Lowe Brothers came into the--oh, we packaged stuff for Acme, too.

WG: And you were the sole source. This must have been a pretty narrow niche in the overall paint ~~load~~ market.

WM: Yes.

WG: Was it a fat bucket of paint companies too?

WM: Yes. They had their normal mark-ups.

WG: As a premium product.

WM: Oh, DuPont, yes.

WG: But you were essentially the sole source for all of this?

WM: Yes.

WG: You had no competition.

WM: No, we had no competition. Anybody that tried it laid an egg because they didn't have the know-how which we ?? . Along the way we did, speaking of patents, I devised an agitator for all systems. It was a 3/8ths hammered steel ball which was put in every ?? pigmented can of paint. But by putting four beebees in with the can, we were able to scour out the--let me show you. The bottom of an aerosol can is concave. And the 3/8ths diameter ball would get there, but it wouldn't get this stuff down in the corner. The beebees would. And it was necessary to do that to take care of the stratified settling of the pigment and the fussiness of the color match and automotive products.

WG: So you literally used beebees.

WM: I forget--it was whatever, I think we probably started out with lead and switched to steel, because we could get lead. When we redesigned the valve back in the late fifties we did get patents on that.

WG: You got patents on the new valve, or on the beebees?

WM: We got patents on the beebees right away. We got patents on the valve--the beebee thing came up in '61. I was trying to get Ford Motor into having a can in every dash compartment. The name of the color was sungate ivory, and the formula called for 890 parts of white, six parts of yellow pigment, and four parts black. And the damn yellow pigment wouldn't come ~~out~~ up without the beebees. ~~Another thing that~~ . . .

WG: So essentially the principle of the agitating ball was just to . . .

WM: Stir up the pigment, yes. Because pigment would settle. You stir a can of paint again--in the old days--before you were talking about water-based paints, In oil-based paint the pigment would never ?? inevitably settle. S stir it up. Just swishing the liquid

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wouldn't stir it,?? → We got a lot of cans back from people who'd say they couldn't get everything out of the can, and all that was left in it was the ball. They could shake it, they knew there was something left. Another thing I came up with was the omnipack system. And with this we or anyone out in the field would take a can we would pack in the factory under pressure without the valve actuator--under pressure with the solvents, with the propellant, And one can for lacquers and one can for enamels. We could use a pump device and pump the product into the can backwards through the valve and make yourself your own aerosol can. And as we got going and ?? the can--when I started out--I'm jumping all over the place here.

WG: That's all right.

WM: But I'm not rehearsed.

WG: That's fine.

WM: We started out--we sold a 12-oz. can of lacquer for $.92 & a half cents in quantities of 2000 or more and we were able without too much problem make changeovers and flip around, and we could handle orders for as few as 200 cans with a premium. By the time we got out to Bedford Heights in '61, a larger organization and higher speed lines and more people down here, it just didn't make sense to make these very short runs. So this was my answer to that. We devised one of these pumps were air-driven ?? (enamel) and we were making small batches on that basis, and let's sell these guys a pump or a machine and the empty cans and see what happens and that became quite a business. I don't know what the production and sales figures are. I remember once, just after the acquisition, I had a tremendous problem with the valves ?? substituted material. And their credits on everything except the Omnifill and Omnipack cans was washed out. We made $300,000 on the Omnipack/Omnifill portion of the business. A big change in accounting after that. They didn't know what was happening. The accountant out there, the bookkeeper, was taking all these returns and putting them back in the inventory, Phil Gallagher, and they were all scrap, spraying. They didn't realize it until they took inventory. Let's see. Oh. In the late fifties we had a bunch of products that the marketers were not--back in the middle fifties we saw a very crude mechanism on the market that was usually the vapor phase of the can at a straight freon 12 with a little glass jar, and it was aspirating spray of reduced thin products or reduced products, put them in a glass jar, throw a blast of air, freon gas, anything, propane, whatever you want to use, across a little orifice, and the air will suck the product up through the tube and down into the liquid and atomize it. So there were no patents on this product, so we made a one-piece plastic copy of the concept that, I forget what this (was called): Omnispray. We liked the word "omni." I'll tell you a great story about that after we're through. Remind me about omni. So we made this and we sold a fair amount. It really didn't take off the way we hoped it would. And the nice thing about it is the products that couldn't be put in a true aerosol can could be sprayed using this device. We had, I guess it was about '58, we had the Omnipack, it wasn't going anywhere. We had a whole flock of lubricants . . .

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WM: . . . a bunch of products, and we said, "All these products are certainly good for industry. What are we going to do?" So we decided to set up what we call our industrial supply division and one of the custom salesmen, a fellow named Don Powers, was put in charge of it. And this little business started out as just a blip in sales, and by '66 it amounted to 10% of our sales. And a side benefit emerged from that, in that people like Granger in Chicago--you know them?

WG: Electric motors and . . .

WM: Yes, electric motors and industrial supplies. Granger and
Premiere?
in town here (Veneer?) Products. Hey, we're in the industrial supply business, maybe we ought to do it. And they became private label customers for these, and they generally had a line of standard colored paints: aluminum, gold, bronze, white, black, red, green, yellow. Normal ~~??~~ range of colors. So that beefed

up our customer base. . Those were our two sales divisions: Industrial supply and customers. I know that both of those approaches are still going on. Point in time now, let's get back to nineteen--middle fifties. And Tempo Products in which Ellis still had an interest, which Kaiser was running, were running out of their main product line issues: gun powder actuated tools. These wr rings were you put a nail or ?? screw in to a gun and a 22 cartridge and hold it up against the wall and drive it right into the concrete or steel that isn't too strong. And they were sort of, "What do we do next?" Now at that time we had packaging paint for Outboard Marine. And Outboard Marine did not want to market it themselves. They said, "All we want to do is have this available for dealers." And the timing was very propitious. We got a hold of Tempo and said, "Why don't you guys at Tempo take over these outboard colors and we can add in the Mercury colors, and get the other ones up. There's one up in Minneapolis, about three or four outboard manufacturers at that time. So we can package those colors for you." And also while you're at it, we aren't getting anyplace with the automobile companies or with Duplicolor or any of the people that are marketing automobile touch-up in small packages at this time. Why don't we package our colors for you?" So that became a new business for Tempo Products. And that's been a very successful business. So we started packaging Ford, Chrysler, and General Motors colors under Tempo label. And also the outboard ?? marine colors. They branched out, this fellow Jack Kaiser was one of these guys who said, "Well, if I'm selling ~~and giving~~ that accessory market, I might as well sell them whatever I possibly can that will go ~~(to get~~ into) that accessory market." They didn't want to fight the automobile market, but the marine market they--Ellis put them in touch with a company owned by a friend of his that could make gas tanks--five-gallon gas tanks for outboards. We'd get all kinds of leads ~~??~~ feed them to them about marketing. We knew they couldn't market for the industrial market, ~~so ??~~.

WG: Yes, because Tempo products, or these two Tempo products people owned 50% of Spray-On. Was it kind of like a division? Was Spray-On a division of . . .

WM: No.

WG: Or a sub or anything?

WM: No, they just . . .

WG: But it was a close family.

WM: Kaiser and Ellis--there was another fellow who had a few shares of--a Tempo Products guy. Tempo owned 50% of Spray-On. Ellis and Kaiser had a falling out because Kaiser wanted to move into Spray-On and there was no room for it. He took, I guess using book value, split the stock so that Kaiser ended up with a small batch of stock in Spray-On. Ellis was completely out of

Tempo, but his set of--Ellis and I being equal partners, we ended up with 35% of the company. ??

WG: That's OK. We're kind of leading up to the acquisition here.

WM: Well, OK. We were supplying Sherwin-Williams with their paints--those packaged ~~by~~ us under their label. And we--a fellow named Sol Coolidge, Vice President of Sherwin-Williams, who was in charge of nonpaint manufacturing and sales--I'm referring to things like paint brushes and drop cloths and all that sort of thing. Sherwin-Williams made a lot of chemicals, they made containers, what else did they do? Sol Coolidge was the--Solace B. Coolidge used to go to the paint conventions and when Baldwin became president, he showed up at a couple of these, and wandering back and forth between one hospitality suite and another, a fellow named Ned Kelly, who was--who I hired when we were still down at 65th Street to help me in sales. Ned must have come aboard in '52, '53, probably. But we were chewing the fat with Sol and he knew what we were doing for Sherwin-Williams Paint, he said, "Why don't we acquire you?" I said, "You couldn't afford it." And but at that time--that was in November of either '64 or '65. By this time--a couple of years before that, I think about 1961 or '62, people started approaching Jack with a view to acquiring Spray-On. And he wanted to end up with let's say a stock ~~of~~ in a big company, rather than having all his eggs in the small basket of Spray-

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with Spray-On. And I suspect that the reason he was so anxious to sell out was because at that time Jack was 50 years old, he was the spitting image of his father who had died when he was 40 or 45, and I think Jack figured he wasn't going to last too long, and "I don't want to leave my widow minority interest in Spray-On." But anyway, we had all kinds of people talking to us. ~~while he was ??~~

One guy was a fellow ~~??~~ who came in and he presented himself to me as a friend of my father's, who had died years before that. He did mention the company which I knew my father had as a client ~~in~~ the auditing business. So I fielded him off to Jack. ~~and ?? this guy, and I think he ??~~ Anyway as a courtesy to ~~?~~ me, will you talk to him? When we talked with him. Jack thought that somehow or other this--Jack said to him, this was just verbally, he said, "OK, you go out and see"--I think he figured the guy was just full of hot air--he said, "You go out and see if you can find somebody to buy us, but stay away from Sherwin-Williams and stay away from Glidden. Stay away from any of our--anybody that makes paint. So sure enough, Manny was his name, Manny came trotting down here, representing himself as being able to speak for Spray-On products. ~~?? for sale.~~ And Sol heard about it and called me up and said, "What's going on here? I thought you would be in touch with me if you were interested in anything like that." Holy smokes. Well anyway we finally--Manny had absolutely no legal claim. We ended up on the courthouse steps settling with Manny who saved the cost of litigation. But anyway, that led to full board discussions with Sherwin about becoming part of the organization. And I got down to Short "Shark ~~S~~trokes" in I guess it was March of '66, a lot of negotiating back and forth. We finally, if you're interested in the commercial--quasi-banking, quasi-commercial side of this, it's, I think it's sort of interesting. We had, Jack and I had set a value in the company of $7.5 million. They figured 15 times $300,000 after tax which, you know, in those days 15 times was a reasonable price. The Sherwin-Williams stock was selling at 45 and (they) said our stock's worth 60, not acknowledging the fact that the stock is worth what the market says it is, not what you decide it's worth. And we got up against a stone wall because they wanted to give us common stock at $60 a share, and we wanted $7.5 million at $45 a share. Along came Bob Parnell, who was on our board. Robert W. Parnell. At that time he was President of Parker-Hanifan company in town. And Bob came up with the idea of a preferred convertible stock. So we ended up with $7.5 million face value of convertible preferred series A with a dividend of 4%, which equals the $300,000 and the conversion ratio was based upon a $60 value of the Sherwin stock, so it was one and two thirds shares of convertible preferred per share of common. No, no. One and two thirds shares of common per share of preferred would be the exchange rate. We were under water on that $45 very soon after. And it was so horribly mismanaged.

WG: Sherwin ~~was~~ Williams

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WG: Why did they want to buy you in the first instance? Why did he say he should acquire you?

WM: Well, I'm going to sound like the most egotistical guy you ever interviewed. Sol Coolidge wanted me to come down and run the Container Division, which he had about a year before that converted into a complete stand-alone organization with its own sales force. Prior to his doing that, he was in charge of the manufacturing and he was in charge of the sales organization which was handling chemicals and containers. And he also wanted to do a little acquiring because Colin Baldwin was hell-bent on making acquisitions. ~~that we had~~ A OK year or so before the Spray-On acquisition, merger, whatever you want to call it, they had acquired Mahmee Chemicals, George Shlaudecker's outfit. Mahmee Chemical, the biggest product was saccharine, and their second biggest product was benzetrizol, which was used in, well, a big user in those days was Procter & Gamble, who put it in their detergent so that your brass buttons on your jeans wouldn't turn black in the wash. And is now used--principally used nowadays, it's in the de-icing fluids that's used on airplane wings, and it's used there to inhibit corrosion of the metal in the airplane from use of the de-icer. And Mahmee's principal raw material came from Sol Coolidge's chemical operation at the Chicago site. I can't remember the name of it, but that was the principal raw material, the stuff that Mahmee was making. I came down and Sol had the fellow who ~~was~~ he had figured on for the general manager of the Container Division could not for personal reasons leave the West Coast--San Francisco. So Sol had to have somebody else. And he knew me through these contacts at paint association meetings, and decided I was the guy that ought to do it. I did and I'm not sorry I did it. That was fun.

WG: Before we get to that, I'd like to hear more about your perception of Sherwin-Williams at the time of this acquisition and what Sherwin-Williams was up to. Because he said, for example, that Colin Baldwin was hell bent on acquisitions. Why was that?

WM: Well I think that was the corporate ethic in those days. Be a conglomerate. Don't just be one thing. Acquired a chemical company, acquired an aerosol company. Within two years. Let's see, we were acquired in '66/'67. In '68 he acquired Osborn Manufacturing.

WG: And they made . . .

WM: They made power-driven wire brushes, maintenance brushes, and foundry equipment. And there was absolutely no reason in the world to acquire Osborn except for a yen to diversify and the fact that John Sherwin Prescott was on the Osborn board, a position he inherited from his father, and he had a pretty good slice of Osborn stock and was very happy to sort of gather things together in this ?? state. Incidentally, when John Sherwin died, John Sherwin Prescott, when Prescott died--oh, no, I'm sorry. When he retired, ~~a~~ the percentage of Sherwin-Williams stock owned by Sherwin-Williams employees (people on the payroll) dropped from 21 to 20 percent. The Spray-On acquisition made some sense because there was some synergism ~~ddd~~ there. It wasn't ~~If you want~~ a case of two and two making four, or even 101 making 102, they were just acquisition minded.

WG: Yes. Were they acquisition minded because was growth slowing down in the paint business? Were they looking to diversify for that reason.

WM: That I don't know. But I say about a yen to diversify, it was only mentioned once or twice, I think, by ~~??~~ Colin. d~~iversify.~~

WG: One of the things I don't really understand is why would they have gone on a buying binge when they were so notorious for being fiscally conservative? Was there some . . .

WM: They did it all--except for Mahmee, which was cash, the others were issuing preferred stock, convertible stock. Osborn was on the big board and they got series B convertible preferred with a different exchange ratio, with a different--you know.

WG: Was Sol Coolidge part of the Coolidge family in town, the McDonald Coolidge and Company who were the brokers, and Jim Coolidge was a high-up at Thompson Products.

WM: No, not that Coolidge. His father was with one of the ore (~~Ford?~~) management companies. Good man. He went to Yale, too.

WG: So when you came on board, I mean you didn't get rich beyond your wildest dreams, but you still had an incentive to work rather than do something else.

WM: Right. Well, hell, I was, in '66 I was 50 years old, a lot of fire in my tail, and when I got down here and looked at what they had available, I thought, Gee, Bill, you ought to become ~~I really had~~ President. I really did. A paucity of management.

WG: Tell us about that, because one of the things that's kind of a mystery is ... . There are very few survivors.

WM: Yes, that's true.

WG: My impression is the company for many years had a gray management, people ~~who~~ were here forever, and there was very little turnover.

WM: Very little turnover, and Art Steudel held on too long. I think he retired when he was 70. Let me tell you a little bit about Art.

WG: Yes, please.

WM: He started as an office boy and he came via the treasurer's office, and all through the history of the company the treasurer's office has always been very powerful. Very powerful. I'm not sure whether he was president or chairman when World War II came along . . .

WG: He was president.

WM: But I recall that getting raw materials to make ~~??~~ civilian paint was just about impossible. And he told me that he remembered his days as a kid when he used to use whitewash to paint things. He got a hold of his chemist and said, "You've got to make a paint that uses water instead of solvents. We can't get oil, we can't get solvents, so what are we going to do." They came up with the original Kem-Tone, which was, the classification I think would be a calcinite paint. And incidentally, Sherwin did have a container division at that time and during the War they converted to combination cans with fiber for the body, metal ends. And during the War Sherwin-Williams and the American Can Company were the only producers in the country of gallon paint cans--gallon and quart paint cans. So that's where Sherwin-Williams got into let's say the merchant aspects of can manufacture. Well anyway that was a stroke of genius on Steudel's part, and when the War was winding down, Lowe Brothers and Acme and Lucas were all, they were all manufacturing Kem-Glo and Super Kem-Tone. Right after the War they got into latex when it was available after the War. The got into latex paints instead of calcinite. But all these subsidiaries with their own name and manufacturing facilities, they all made Kem-Glo, sold it, Super Kem-Tone and sold it.

WG: Literally the same paints, same packages?

WM: Right. Same paint. No, but in the . . .

WG: Different labels?

WM: Kem-Glo was a brand and label, and on the can it would say, "Distributed by . . ." the name Sherwin-Williams, Lucas, Lowe Brothers. The only, let's see, the only family product that they had that they all sold. Well anyway, the companies that sold through distributors started to get whipped because competition all started selling direct to dealers. More and more they were selling direct to dealers. Cut out the middle man. And Steudel said, "We aren't going to go that way. We're going to set up our own stores." They had some. Then they started getting more. That is also a stroke of business genius.

WG: He's a pretty key figure.

WM: But he was there too long. He used to sit in his office, a stack of books about that wide and that high of computer printouts here and here, and Jack and I--in fact Ellis and I went in to see him one time. We knew we were going to do it, but we're still getting the lawyers; Straighten out the details. He said, "You know some of these store managers make $100,000." He looks over at me, says, "Look at this guy." And the store managers were set up somewhat like the Ernst & Ernst approach of (hiring) for accounting ~~purposes:~~ firms. We'll split the profits with you. And they were splitting the profits, but not the costs. And the stores were there to get rid of the paint. When I got here, they had what I referred to as ~~(block)~~ wop accounting. It was nothing to do with the ~~accounting~~ Italians. They took all the numbers and they ~~blocked~~ wopped them together, and you could never tell what any of the stores were doing or the profit centers. There were no profit centers. The Container Division was the first profit center they had. And of course Spray-On was acquired. And it took--I didn't--not able to find out from our accounting people the value of the assets that I was managing. It took two years before they could even tell me what the cost of depreciation was on my buildings or my equipment. We could get inventory figures but once a year.

WG: You mean--describe this kind of a situation. Why wasn't this company losing money? ~~rather than ??~~ ?

WM: Well, it was generating modest profits but ~~it was~~ by 1970, it was bleeding ~~in~~ cash. ~~And they were doing~~ . . .

~~WG: It didn't ?? ?~~

WM: ~~Well, they should have.~~ They would do things to enhance the profits and keep the profits up instead of doing what a prudent person would do to improve cash flow. Keep the cash as long as you can. Well when they went from shipping to distributors who paid for the paint, into shipping it to the stores, they would ship it to the stores at the price the distributor sent them. So that increased their profit per gallon by a distributor's margin. And they were reporting paper profits, and they just, they started talking about biting that bullet and making a deal with the IRS so that they could gradually get all that paper product out of their cycle. Started that talk about 1970, '75. They never did it. And they, I remember one time there was a hell of a big argument at the director's meeting between Bill Delancy, who was then Chairman of Republic Steel and had been on the board for quite a while, and Spencer about going to ~~lightbulb?~~ LIFO. And after about a half an hour of ~~drawing~~ jawing back and forth, Spencer finally admitted that it would probably improve the cash flow the year that it's done but you can't tell, he said, ~~the~~ if raw material prices are going to go down.

WG: When you first came into the company, then Steudel was still chairman.

WM: Steudel was still chairman.

WG: And Baldwin was president.

WM: Right.

WG: Tell me about the--Steudel must have been at really the tail end of his time.

WM: Steudel.

WG: Steudel, yes.

WM: Yes. Baldwin became chairman at least by '68, because he was chairman when we acquired Osborn.

WG: How did those two work together? I mean was Steudel still running the company, or was it Baldwin?

WM: Well when Baldwin became chairman, Steudel was moved over to an office next to mine and we went out to lunch together.

WG: But when, in that period in the mid sixties, were decisions to acquire being made by Baldwin or by Steudel? Who was in charge?

WM: Well Steudel obviously had ~~improved~~ approved the Mahmee Spray-On packages.

WG: But it was Baldwin's initiative, maybe?

WM: Well I think it was Coolidge's initiative in Spray-On and Mahmee, and it's probably Prescott's initiative (~~improved~~ approved by) Baldwin for Osborn.

WG: So what was Baldwin doing that made him chairman, that got him to be chairman?

WM: Do you want the real dirt? The real true dirt?

WG: Yes.

WM: OK. Baldwin came into the company out of Harvard Business School. He was hired by Steudel on the basis of a business school ~~product~~ project that Baldwin had run in the Boston area going around interviewing consumers about their preferences in paint, in particular the Sherwin-Williams paint. That was his, what do you call it, thesis or whatever. Steudel got a copy of it and read it and thought ~~it was~~ here's a great ~~and~~ young man & hired him. So Baldwin came in as assistant to the president. Now at one point, Prescott's ~~letter~~ brother or cousin, I'm not sure, but anyway, Prescott organized an attempt to wrest control of the company from Steudel. But failed. Prescott sent to Canada to run the Canadian company. After a while all was forgiven, "Come ~~went~~ on back to Cleveland John ~~town~~, and you will be ~~? with the~~ vice president of manufacturing." Baldwin was sent up to Canada to oversee the operation. Baldwin at that time had no experience in manufacturing except that ~~at~~ the printing plant in N. Olmste and no direct experience in sales. He got up there in Canada and was floundering. He called for help to Prescott. John would trot up and straighten things up, and John made a deal with Baldwin that, "I'm going to save your bucket, I want you to make my protege your ~~a~~ successor as president of the company, Walter Spencer." The deal was made, Baldwin came back to be president of the U.S. company repot to him

WG: So it was clear from early on that Baldwin was going to be president, he was kind of groomed for it?

WM: Yes, right. Groomed by being assistant to the president, and then assistant to the chairman, because Strudel was starting to be chairman. That's what he was. He was a pretty good assistant, but not much of a businessman. And that's how Spencer got to be president.

WG: Spencer was Prescott's protege. And meaning in manufacturing?

WM: The job was--Prescott was vice president of manufacturing, Spencer was manufacturing manager, I guess his title was. But I can say this for Spencer. One reason he was Prescott's protege is that he did take some initiative and write a critique of what was going on in the company and had gone up to this Vancouver ~~man Hoover~~ and starting with a piece of ground built and started running a paint plant there and did the same thing in ?? , so he was pretty savvy in that respect. That's how we ended up with Spencer as President and that, incidentally that came out in a few conversations I had with Sol Coolidge.

WG: I'm going to pursue that a little bit, but before we do that, you said that Prescott had organized an attempt to wrest control of the company from Steudel.

WM: Yes.

WG: Can you tell me about that?

WM: I can't--I don't know anything more than that. I presume it was going to be a proxy fight.

WG: Prescott representing the Sherwin heirs, basically?

WM: Prescott representing the Sherwin heirs, and probably Prescott and company figuring, "Hey, boy, this is going to be a big piece of action for us."

WG: But it wasn't any dissatisfaction of what Steudel was doing so much, or I mean was it the company on the ropes or something?

WM: I can't answer that.

WG: Do you know about when that would have been?

WM: I can't think . . .

WG: Was it after the War?

WM: Oh, yes. ~~??~~ I could hypothesize some event or other that might recall . . .

WG: I mean such an event would have been personal in nature, rather than business in nature?

WM: I think it was, might have been a case of egos.

WG: So Colin Baldwin's training to be president of the company was he was Steudel's assistant, did a tour of duty in Canada.

WM: Right.

WG: But that was his, really his only operating experience?

WM: Yes.

WG: Before he became president and chairman.

WG: That's kind of unusual for Sherwin-Williams, isn't it? I mean people more often have a long history with the company.

WM: Colin spent a long time at the company.

WG: As assistant president for a long time?

WM: Yes. Came out of business school.

WG: But he was essentially a staff person most of his career.

WM: Yes.

WG: That's kind of unusual.

WM: Yes. Sure.

WG: What was he like as a manager?

WM: Colin?

WG: Yes.

WM: He had a magnificent air about him. He was a gentleman through and through. Not very--not aggressive or decisive. And then we--after I'd been here a while, Colin set up--I guess he did this as soon as he became president--he set up monthly management meetings. About ten or twelve of us would sit in on these. And every year Dick Bull, vice president of paint sales, would start complaining, "We don't want to run out of paint in August this year." And Spencer over here would say, "We aren't going to run out of paint. We've got it all planned." And every year the stores would run out of paint in August, and there'd be a lot of tension between these two guys. There'd be words at the September management meeting, and Colin would say, "Well, I don't think there's any reason to discuss this. Walter, it won't happen next year, will it?" He'd say, "No, sir." "Dick, you satisfied with that?" Dick would say, "Yes, sir!" "Well, that's fine." Incidentally this brings you back into a little history. Why August 31st year end? To make the balance sheet look good. Every year, in the early days linseed oil was the ingredient they made the resin with.

END OF SIDE B, TAPE 1. BEGIN SIDE A, TAPE 2.

WM: I think in the early days it was about five craters full of flac~~k~~x seed, they'd bring them down here, and on September 1st Sherwin would have to pay for the flax (~~flack~~) seed, and they'd crank up the oil mill and they'd start making paint again. But they didn't want that on their balance sheet, and they also--it was a natural thing with linseed in being principally oriented towards paint sales in the northern part of the country, people didn't do a hell of a lot of painting in September, much less in October. You know, all outside painting stopped during September, really. It would start raining in September. So they whittled the inventories down. So they just got in the habit of having inventories down for the end of August. That of course became complete folly when we started expanding sales, penetration in the South and on the West Coast. And we're going to latex products. But basically your outdoor painting went to latex, so you didn't have this big problem with flax ~~flack~~ seed paints, and the demand for paint was becoming a little more level year round. Demand for paint in September and October was still great, but every damn year we'd be still squeezing everything out of the inventory to have a big nice fat cash balance on the balance sheet. I remember after Spencer became president, he called me into his office one time. He said, "You know, there's a lot of talk about changing the fiscal year because of this year-end fall-off in sales in September. I've run a regression analysis on this and I can show you that every year our sales in September fall off, and they also fall off in the last half of August." And I said, "Well, could that be because we don't have any inventory in the stores?" He looked at me, "No." He was a technician. Frankly I didn't know what the hell a regression analysis was. I must be getting way off the track here.

WG: No, no. This is fascinating. Because we want to understand how ?? the company came to trouble in the seventies. And we want to get to the roots of that. Part of it appears to be this

WM: Well the roots of it I think were with the--everything was controlled, managed ~~that is~~ from the top down, very, very few flexes to suit regional markets, weather conditions. Our manufacturing facilities were high cost. We were not--we were way the hell away from being the low cost producer. A good part of that blame goes to John Prescott. He'd kill himself before he'd build a new plant. He'd take ~~all the~~ old plants and put new equipment in them. As I told you, the accounting was wop acctng.. No cost centers. They would, they used what is called, it's an age-old thing, I don't think you hear about it much anymore. Their pricing costing was based upon burden absorption. What had happened was the overhead would go up every year because of natural causes--uncontrollable things like taxes, whatever. But costs would come on, union contractors costing higher wages. There was no serious cost cutting. The costs would go up. The multiplier would go on, that's our price. And they were just getting at the--oh, the other thing they did was he--the burden absorption was (paint (from) treasury.) ? John Prescott, I started to tell you, wanted to have his ideal thing was to avoid freight at all costs. He wanted every plant to manufacture the complete line of products as needed in the vicinity of that plant. Well this is the average batch size at Sherwin-Williams was way out of proportion to volume in paint. The cost, in the way of labor, it would cost you about as much to make a 500 gallon batch of paint as it does a 10,000 gallon batch of paint. When you take products that are sold in low volume and avoid paying freight on a finished product, start making it up at seven different plants, your burden goes up. Your direct costs go up. They have no way of analyzing it, if they wanted to. John came out of the age when Sherwin-Williams in its early days was gung-ho for vertical integration. They tried to manufacture their own pigments and when it came to a buy-make decision, the decision was always make. And I don't think they really--of course with burden absorption accounting, the more you make, the less burden per gallon. They end up with, they then put small batches of specific resins for the industrial coatings. Lincoln Electric, totally different. The time study manufacturing group was supposed to reduce manufacturing costs by 10% every year, and the engineers were supposed to take 10% of the cost of the product material out of the product every year, they worked like hell, but it paid off. And they didn't have that. And that's one reason, well, the--go ahead.

WG: I was going to say my impression of the whole thing was that it was a kind of a sleepy ~~(sneaky)~~ business for a very long time.

WM: Yes. Sleeping giant. With costs going up.

WG: Costs going up, but there's no real competition. I mean the competition wasn't vicious any way or fierce in a way that exposed the cost problems. I mean the company was making money, the shareholders were happy.

WM: The company was making money, but we were losing market share. We were losing market share to people who were more aggressive, going with dealers, to people who were not averse to selling to mass marketers. We weren't able to do very much in the chemical coatings business, in a short time that would hit us. And there were a lot of stores that, when they really got into it, started looking at the stores of the profit center, they found out that they had a lot of losers. So it was just these hidden things that they . . .

WG: Yes, information system was ~~?~~ disguising the . . .

WM: The whole attitude at Sherwin-Williams for years was, "We're the biggest. Therefore we're the best. Therefore we're the lowest cost." Now when we have a big scare of somebody taking a run at us, we stock way down and call in Morgan Stanley and I remember sitting in some of those meetings, and the manufacturing guys telling the Morgan Stanley guys that we're the low cost producer. "Don't say anything, Bill, you're not supposed to."

WG: So you're suggesting that this would have taken place over a long time, but ~~??~~ through the Baldwin period, the Spencer period.

WG: The late years of the Steudel period.

WM: Well the late years of the Steudel period when--yes. Prescott sure as hell didn't help it as we're going to manufacture every product in every plant. Oh, the other thing is, they left and came into my office with a box full of different grades of sandpaper. "Bill, we ought to be making our own sandpaper. We're buying $10 million worth a year. Must be a lot of profit to be made in sandpaper." Well, the profit made in sandpaper really goes to the guys that make the grit, not anyone else.

WG: Morton and 3M.

WM: Yes. And I checked and he gave me a printout of the purchases ~~??~~ by stock number. And there were $7 million ~~and~~ in about 600 varieties of sizes and grits and type of grit. If you try to make that sandpaper, it would be like running a job printing shop. But they--I know what else I forgot to mention. They bought the Rubberset paintbrush company from Bristol Myers when aerosol foam kicked the heck out of the rubber brush business and Rubberset was Sherwin's principal supplier of private label paintbrushes, and that acquisition had to be probably 1963.

WG: So when you came along, the company had in it primarily a can company, it had some of these recent acquisitions, and its major market was beginning to . . .

WM: Lose market share.

WG; To lose market share and not--without really being aware of it. Or not being disturbed by it.

WM: Well I don't know what the guys in the paint end of the business were saying to each other. I could tell from the can business, though, we were supplying them with almost all of their paint cans, and by looking at our sales figures, I knew about the trade sales, at least pretty much. And very flat. And look at the industry numbers, they were going up, and we were flat.

WG: Did you sell containers exclusively to Sherwin-Williams, or did you sell them to outside customers?

WM: When I got in the act we had some outside customers. This just covers '71 to '75 but--I thought there was (looking at papers). Oh, I know. This was a divisional thing. It doesn't show the Container break-out. But the number I remember is I had gotten--this was in '75, the Container Division was roughly $68.3 million. Those were really "the auxiliaries group." I got here to run the Container Division at the end of that year, end of

'67, April of '67, January 1st of '68 they ~~got~~ gave me the Rubberset Division. A year later ~~they~~ I got ~~the ??~~ Graphic Arts printing plant, and a year after that, ~~they~~ I got Osborn. We were doing about 10% of corporate sales and 40% of corporate profit. That was fun.

WG: We were talking about the way the--to folks in general about how the company was managed in the sixties and seventies, and I think it's appropriate to pick up with your . . .

WM: Really I can best talk about what it was like when I got here. First of all there was a management meeting which met every other month, first thing in the ~~month~~ morning. They'd start extra early to get to this, And before I got there it was Coolidge, Prescott, and the guy from paint sales, a guy from the controller's office, a couple of men, I guess.

WG: Was Baldwin there?

WM: No.

WG: Steudel?

WM: ~~??~~ But Prescott and Coolidge, ~~were~~ the two sort of antagonists were there, and in this meeting he would approve or disapprove requests--capital equipment requests of $100 or more. I'm not kidding. And the other thing that was beautiful about it, when a leased car for a salesman ~~became~~--came up for renewal, getting into another car, the line was drawn through Columbus east and west. If you were working above Columbus you couldn't have air conditioning. If you were working below Columbus you could have air conditioning. And I was told at the time that the line had been gradually moving north. But John Prescott, who was a tall, skinny guy, one of these characters you refer to as a "never ~~slept??~~ sweat," couldn't understand why salesmen in Chicago or Minnesota needed to have air conditioning in the summer. Those of us who had traveled extensively finally got that brushed aside. I guess about two years later we got air conditioning anyplace in the country. But the $100 for capital equipment gradually moved up. And when Spencer came in as vice president of paint manufacturing, he replaced Prescott, as I had replaced Coolidge. And we had--oh, one of the other things we did was to every year they would decide on a scale of salary increases: 5%, whatever it was going to be. After the company became more "divisional," Container was freestanding, Spray-On was freestanding, and they took the paint sales and, ~~came up~~ they had automotive stores which were purely automotive, and they had stores that were a mixture of wholesale and it would be painters, mostly, and consumers. And they split--this was Spencer's reorganization, now. ~~the sale of paint ??~~ They classified them as commercial branches and retail branches. Retail branches--the idea was be able to control from the top the pricing. By doing this, you could come up with whatever prices are needed to get the business with the large painting contractors. And the point was that you had a guy who was supposed to be selling them retail, he'd sell everything wholesale to get his volume up. And they were becoming, let's say, profit conscious, as well as sales conscious. Sales gallon volume. gallon conscious. So they separated that. And they set up a Chemical Coatings Division and assigned one or two factories to chemical coatings. But chemical coatings still had to draw on other plants for some of the bulk things -- like automotive primer. The Automotive Division always had been a separate sales organization and during Walt's tenure the automotive plant down in Richmond KY was built. That was great. The accounting was still mishy-mashy. People didn't, they were working with, never knew whether they were working with real or phony numbers.

WG: Tell us about the divisionalization of the company. From some of the external publicity, the company said it did a very serious look at its management structure in the early seventies.

WM: Well that's when Green came in.

WG: That was early eighties.

WM: Oh, that was this hokey-pokey. The manufacturing was still centrally ~~held.~~ controlled. The Automotive, Chemical Coatings, Trade Sales had their own technical directors and their own laboratories. We still have a central research facility in Chicago that's supposed to be doing basic research with resins and curing and all that sort of thing. And the divisions had controllers. And personnel managers. And that was done under Walt's acqs. It was helpful, very helpful at sorting things out. Anyhow the manufacturing has still a hell of a lot of control here. The plant managers, another thing they did--they did create a consumer division and that sort of came along as a result of taking Automotive over here and Chemical Coatings over here, and Commercial, Consumer (INTERRUPTION). It was sort of muddled.

WG: There was not a big reorganization.

WM: Not to--it was just, it was more to straighten out the, separate commercial architecture and sales from retail architecture and sales. And to have, well the consumer division ended up running the trade sale plants, and they took over the sales to mass marketers: HWI, etc. But it was just sort of a reorganization of the--the divisions did not have financial controls. Yes, they had their own controller and they have their own purchasing guy and presumably reporting the controller, somebody in charge of collections, credit. It is sort of a hodgepodge, and no clear-cut goals, financial goals. And there was still control from the top in the personnel. It was a half measure. When Breen came along, he did it. It didn't take him too long before he came up with a charge for the working capital.

WG: How would you characterize what was Spencer's philosophy? What were his aims? What was he trying--was he trying to do something different than, say, Baldwin? Was he trying to carve out a space for himself?

WM: Yes. He was trying to straighten out this messy . . .

WG: He was trying to.

WM: Yes. Oh, yes. Yes. And he did, to a degree. And but the guy had an ego that knew no bounds.

WG: Spencer.

WM: Yes. This business of being--he hired a consultant to come up with a new look at the stores and a new signage, that sort of thing. He had the company bleeding money, pouring money down the drain. A new signage. Getting rid of the cover the earth trademark. Things were going to hell in a handbucket. Spencer was let go, I found out several things that happened as a result of this ?? . Venezuelan, Spanish, other licensees, particularly the Spanish, the only reason they were paying us royalty was for the use of the trademark. And he said they can't use it anymore. And down about half a million bucks a year. And putting this new signage on all the factories. Well a hell of a lot of our factories were in places where the only people that saw them were the employees. And this is a ?? . He had his newest container plant out in Elgin, Illinois, out in this rural area surrounded by farms. And practically the only traffic on that road ever is trucks delivering stuff and taking stuff from the plant, and a couple of other manufacturers out there. And this was the newest client--this was in 1975 we had this sign that was 20 feet wide, illuminated inside with fluorescent tubes, "Sherwin-Williams." Sherwin-Williams, ~~s~~ underneath, containers. Right after we had this big, fat meeting in Chicago on August 21st, a truck came along and knocked the sign down. And the plant manager told him, he said, "What do I do?" And he says, "Collect the $20,000 and put it in your employee benefit fund, and don't tell anybody what happened." They spent--the company was bleeding money, cash was going down the . . . They got into ~~machine~~ missing (debentures), and we got into working capital loan, strangled us at the end of '78. Hell, the signage thing was about $17 million. ~~We~~ they wanted to put the Sherwin-Williams name and logo on Spray-On's advertising. Here's Spray-On doing business with all the competitors except Ben Moore. Jack Ellis called me, he said, "When you do something like that, it's crazy." I told Walt, "this will murder Spray-On, which does business w/ 30% of ~~the business ??~~ our competitors. They don't like to see that." OK. They got out of that one. My container guys knew what was going to happen. Well it's typical of Walt: He hires the consultant, has meetings, and we yack about the same--trying to figure out--he'd decided what was going to go, without consultation.

Maybe he consulted with someone but I ~~do~~ didn't hear a word about it. Final meeting, the decision was that they would go with the new logo, stores and so forth, automotive stores, commercial branches, retail branches, and the Spray-On, Mahmee Chemical, Osborn would not have to-- ~~their~~ and Container would not have to adopt it. So ~~we~~ left don't have to throw out all of our ~~?~~ "CD" container stuff. So when the official announcement came out that the Blue Book on what was to be done, so I grabbed and looked through it. Here's Containers, supposed to change all the market~~s~~ing and everything on the ~~And~~ the bags of cans going into competitors' plants and on our stationery. And we got a call from the guy running the factory: "What do I do?" I said, "Make sure you got enough bags + cartons to last a year." And told the sales manager--had to figure out by then the proper answer, "I don't know why you're calling me. You probably aren't going to run out of the present letterheads and cards for another couple years, are you?" "Yeah. Yeah, you're right." Because they'd all received the blue book, they looked at it and sort of regurgitated.

Feeling proud, thank God we

WG: It sounds like, looking back on it, Baldwin is a bad guy in this story.

WM: Well, he's a bad guy for putting Spencer in charge. All right, here's another one for you. When Baldwin put Allen Holmes on the board, Cyrus Eaton quit because Holmes and he had been on the opposite side of a big legal hassle some years before that.

When Baldwin told Dave Wright, who was the chairman of TRW, he wanted to put Spencer as president, Dave Wright quit. Resigned from the Board. At the time Baldwin did this, I knew all the board members very well, and Bob Ramsey, Bill Dwyer, about six of the guys were personal friends. And they were the first ones to tell me that they had urged Baldwin not to make Spencer the president.

WG: How did they know that he was not going to be appropriate.

WM: Just from seeing him in action, I guess.

WG: Did he have a bad relationship with his board once he became president?

WM: Yes, to a degree. After fellows who hadn't known him began wondering what he was doing there. This was '78, I think, Spencer was dumped.

WG: Was he dumped or did he quit?

WM: No, he was dumped.

WG: He resigned but he didn't have a choice.

WM: Isn't that resigning for personal reasons?

WG: Yes.

WM: That was a funny one, too. Allen Holmes was a guy who kept Spencer in place after Baldwin was off the board. I'll give him credit: Allen Holmes was the guy who thought of Green. He had known him when Green was at (Cluett-Peabody) and he started talking to him about coming back. But Holmes was the only director in Cleveland, except for Spencer & Bill Fine. The other six guys were scattered around the country. Allen had a
"we've gotta get rid of this guy."
telephone conference call, ~~with the guys,~~ a telephone conference, rump
Sess session with the board. That's when Holmes called Spencer and said . . . .

WG: And that's when he said "You have to quit when it's not any fun anymore"?

WM: Yes.

WG: One of the board members was a Harvard Business School professor.

WM: Bob Buzzell.

WG: Buzzell.

WM: He was a Harvard Business School professor of marketing.

WG: That was the connection with Baldwin. When Baldwin had been a marketing student, he had worked with Buzzell or something, and ended up . . .

WM: Well I don't know. Spencer's the guy that put Buzzell on the board, I think.

WG: Spencer put Buzzell on the board?

WM: Yes. ~~By~~ guy walk~~ing~~ed around about six inches off the floor. ~~G~~Breen got rid of him as soon as he could.

WG: I would like to--I have quite a lot more questions for you. I don't know what your time is like.

WM: I really, the ultimate last moment I can get out of here is 5:00.

WG: I'm not sure I'll have you still going at 5:00, but I do have questions about what happened at Spray-On and what you did at Container, when you came into Sherwin-Williams. We've been talking about what the losses were like. But I want to know what you did to make the businesses grow.

WM: Well actually Container is about a, about a $50 million business with 90% of the company Sherwin, 10% outside. And by the time I got out of the picture it was in '78--'77--we were up to--yes, we were $100 million, with only 20% of it being internal. We were doing a little bit of business with Spray-On, but that was just when we had idle capacity, an arrangement with the aerosol can plant manager would call Spray-On and say, "Hey, I have a scheduled ?? for the next two weeks I have ~~X~~ car load cans available. Can you take them?" And generally I'd say yes. If I couldn't take them, we wouldn't.

WG: Let's ask about ~~??~~ before Container, Spray-On. Did Spray-On prosper under Sherwin-Williams? Was Spray-On a good marriage?

WM: Well, Spray-On was OK until Jack Ellis retired. And . . .

WG: Sherwin-Williams kept its hands off?

WM: Pretty much. And when he retired, they put him in as--the term was Headquarters Manager. When he retired, Jack appointed John Linger as treasurer to succeed him, and Linger reported to ~~Randy~~ Wendy Gillon, who was a protege of Spencer's. That lasted until Gillon became manager of ~~a~~ the Consumer Division. At that time Spray-On reported to an Irishman. But anyway it was a shambles. The interference from headquarters became sort of heavy-handed. We had a vice president of human resources, a guy by the name of Crowe, Dick Crowe, who got canned by Stouffer's Foods, a personnel manager out there. A typical sort of thing you get in a big corporation. We had a gal on the switchboard which was out in the lobby.

END OF SIDE A, TAPE 2. BEGIN SIDE B, TAPE 2.

WM: . . . recognizing voices, and she established a rapport with our buyers, with all our customers. You know, most of our business was out of town. People would call in and say, "I'd like to talk to so and so, and she'd say, "Joe, how are you? I haven't heard from you in a couple of weeks. I'll get so and so right away." And it was marvelous. And every time I was out traveling or any of our guys were out traveling, they said, "Boy, I got meet that Betty some day. She's something." The customer loved her. She was very efficient, but she'd recognized their voice, and you know, people love to hear their names, and they wouldn't say who they were. Before they could say who they were, she'd tell them who they were. Well, she was pretty well paid for that. When I was there, and Jack was there. When Jack left, they said, "She's beyond--her pay is above the level that applies to the job of telephone receptionist. If she wants more money, put her on at a higher grade job, ?? corporate standing." So instead of putting up a fight about it, you know, finding some way to work around it, the "salute and go" attitude and one with Linger instead of Ellis. Ellis would have found a way around it. So they did take her off the telephone and give her a job in an office which she didn't like--a clerical job. She didn't like it. She quit. Well, it didn't sink the sales department, but what a waste of talent because ?? . Oh, I guess this was before Crowe came in. I got to tell you about my first fight with Spencer. This was in this management committee meeting I told you about. This was the time when they were talking about compensation, salary levels, and he said that he wanted, he thought that we should have a setup where everybody in the supervisor position would get at least 20% more than the highest paid person working for him. I said, "Walt, that doesn't sound right. We've got a lot of layers of management around here. That sounds like an awful build-up to use 20% all the time. You're talking about 144% when you go through two levels." "No, I want that." So I called the guy who was manufacturing manager for container, I said, "If you have to pay on that basis, what's going to happen?" He said, "I'd love to." I said, "OK, tell me why." He says, "Well, the highest paid guy we got is in the Chicago plant tool department. So we take his pay and multiply it by 120% to get to the night foreman, and then 120% to get to the superintendent of that plant, and then another 20% for plant manager, and then another 20% for me, I love it! I'll be making $120,000 a year!" Which was about twice what I was getting at that time. So I went back to the next meeting, management meeting, and said, "This is what's going to happen. You've got to alter that somewhere." "Oh, yeah, we'll alter." But they did end up figuring out, well we sat down and figured out what--he was so teed off when I said, "Walt, I like it because that will put me up about $145,000 a year. I think it's great. Let's do it." He caught the sarcasm, burned his tail. Management from running the top. I'm going to brag again. When I got here ~~when I (came to)~~ the Container Division, I was the first guy that anybody ever heard of who gave his people authority as well as responsibility. What's your job? You tell me what your job is. OK, keep on doing it, but ~~do~~ it smart or do it better, you're responsible now. Incidentally, that's why I left Lincoln Electric Company. ~~I'm afraid I'm~~ they were great on giving you responsibility without the authority. And it was sad, every damn decision that was worthwhile got kicked up to headquarters. Oh, another thing, prior to Spencer's reorganization was to cut down on the regional managers. They had a regional manager and he was in charge of his area, geographic area. He was in charge of automotive sales, chemical coatings, consumer, whatever. And they all had lavish offices: very large staffs. And it came with the divisionalization Spencer brought in. And he wiped out an awful lot of people there. But it was typical of the company in those days, they need somebody to do this or do that or the other thing. I don't know how the hell you justify it, but we were allowed to do it. And we had, well, OK, in, I got into, I must have been asked to drop my divisions and run paint operations. We were supposed to run all the paint business except the stores. All manufacturing, automotive, all the ?? divisions. That had to be in '77. You can remember the date when Spencer left.

WG: '78.

WG: '79, wasn't it?

WM: No. Green came in January of '79.

WG: So Spencer left in March of '78.

WM: March of '78. OK. And I got in the paint business in September of '78. And we had a committee, it was Jeff Ticknor (~~Thrickner~~?) who inherited the Container Division, yours truly, Bill Inman (~~Mel Enman~~), a guy who was one of the assistants to (Bill ~~Klein~~ Fine), and we had a guy from human resources. I sort of presided over the ~~??~~ thing and we, this committee, found I don't know how many people, $14 million in overhead salary--salary and fringes--that was out of the place by the first of January. In four months. That's how much fat there was at headquarters. They had little pockets of activity ~~who ran~~ here there & the other place ~~but~~ that really weren't contributing anything. In the old days when they had ?? Kem-Glo, Kem-Tone ~~has~~ as the top of the line, they had a whole department of people, color stylists. They would decide each year what colors would be dropped and what new colors would be added. They were working in cahoots with various interior design magazines, what the color trend. Six inches off the floor, make the recommendations, it would generally stick. Of course ?? drop the ones that aren't moving. They were smart enough to do that. But what do you throw in in its place to keep the line at the same number of ??

WG: Let me ask you a general question: What was the company strategy under Steudel, under Baldwin, under Spencer?

WM: Well under Steudel it was shove the paint out to the stores and tell them to sell it. And before that, of course, let's have stores instead of going through distributors. Under Baldwin it was let's de-emphasize the non-Sherwin-Williams brand names. Let's de-emphasize--that is, in the architectural finish area. And all of them were driven by this burden absorption--beating the problem of burden absorption by making more gallons.

WG: And then Spencer era?

WM: Spencer was to--he wanted to make the marketing of the paint better organized. He wanted to get rid of stores that were losing money. He wanted to change the nature of the retailing effort. I don't know whether he was doing it consciously to make up for loss of market share or whether it was we've got these stores, we're got to have more going through the stores. And his consultants came up with--I guess it was Charlotte, North Carolina boutique ~~who~~ which incidentally had paint.

WG: I said a moment ago that I had a lot of questions, but I'm actually about out, except to say that is there a way--you told us a lot of stuff here, and as we go back through the transcripts, I'd like to be able to get in touch with you to ask you additional questions.

WM: Oh, sure. Unfortunately, I expect to be in Cleveland for most of this winter. My wife had an extremely serious operation on November 20th. She was in intensive care for five weeks, other care at University Hospitals for about ten days, and now she's out at Heather Hill rehab facility recouping her body strength and ability to eat and all kinds of good things like that.

WG: Do you have a home number here?

WM: Yes, sure. 991-1606. The best time to get me is in the morning anytime after 8:00.

WG: Before you put those away . . .

WM: You can have it. I'd like to have it back.

WG: Oh, sure.

WM: I'll show you, all right, I didn't know how far along the board was on bringing in Spencer, and got wind of it at the last minute. And at the last minute I sent this letter to each of the board--each of the outside board members: Atwood, Baldwin, Benson, Buzzell, Delancy, Hill, Holmes, and Pat Parker. Pat Parker, Bill Delancy, Keith Benson are all personal friends. And what I was saying in this letter is, "Hey, I think I can handle the job," and I had to give these copies to Baldwin, who was on his way to the board meeting. I asked him to deliver them. I don't think he did and I don't think it would have made any difference. But this has some of the numbers of Spray-On, Container Division, and so forth. It's my (bragging?). I've been doing that the whole day.

WG: Do you have other . . .

WM: Well, don't show this to ?? . Read it, then you can decide whether she should see it.

WG: Actually we heard about this from another . . . Do you have--are there other things like this?

WM: I've got a collection of annual reports ?? .

WG: We don't have things like this. What we do have and what the archives has under Pat is they have, say, annual reports and kind of formal public relations announcements and some articles and things, but the records about how the company was actually managed, or would provide some insight about how--like this does--about how individual divisions were doing vis-a-vis other divisions.

WG: Particularly through the sixties and through the seventies, we don't have that.

WG: Sixties and seventies. Eighties we've kept all that stuff, but there's this kind of black hole period and I'm wondering if you had things or . . .

WM: This was only done because we were going to have a board meeting at Chicago, and one of the central parts of it was a presentation by the auxiliaries division.

WG: And you were based in Chicago.

WM: No, no. Here. But the can plant, Elgin plant was the one I'm talking about, they have the signs where--they were set up to make aerosol cans, and a new style of paint can that never took off. And the reason that this exists, because of the nature of the guy who was running the ?? Division. He said, "Oh, boy. I'm going to have some fun with this." I said, "Go ahead."

WG: So this was a one-shot deal, basically.

WM: I saw the final proof of that and they said has what's his name, "Has Clyde seen these numbers? Is he going to stand in back of those?" He says, "Yes, Clyde's checked all the numbers." "Go ahead." And of course what we were doing was, let's say, building our image so that if we wanted to get capital to do something, we could help get it. It was a sales pitch for the auxiliaries group.

WG: It's quite a beautiful thing.

WM: Well the nice thing about the auxiliaries thing was that we were all pretty much mechanical operations. Nobody in this place understood anything at all about anything mechanical.

WG: Why was Container so profitable?

WM: Well I'll have to admit that part of that was that we didn't give the can--the paint plants the lowest possible price. The other thing is that in that period of time the big guys, Continental and American were sort of ignoring the general line business, paint cans and aerosols. They were interested in aerosols. They were tough competition for aerosols on price and service and quality. But in paint cans, they sort of ignored it. They were busy fighting each other for ~~the~~ the beverage business, and spent a hell of a lot of money converting from three-piece metal cans to two-piece aluminum ~~in~~ and iron cans, and ~~I think, you know,~~ shortly after Breen came ~~bringing him~~ aboard, he sold the ~~[illegible]~~ can business) and I'm sure the reason he did it--well, there are two reasons: One is being in the paint business for awhile, which is not capital intensive, he realized the joys of being in a business that was not capital intensive. ~~which~~ This is. And the big guys, American and Continental and National, were big can guys, started getting interested in the general line business. I mean costs were coming up ~~with~~ and the prices going up a little bit, because of cost of tin or something like that. But the prices--the price was barely going up and the costs were climbing. But the handwriting was on the wall. Sherwin had no business being in the can business.

WG: Good. Well, how can we get these back to you?

WM: 13700 Shaker Boulevard, Cleveland, OH 44120.

WG: And I wanted to ask you about Omni.

WM: Oh, yes. When I was trying to get Ford Motor Company to get into the--putting a 6 oz. can of ?? the intrigue at the Ford Motor Company was fantastic. First of all, I found out through people in the paint business that you had no chance of selling nitrocellulose lacquer to Ford unless Irving M. Hoverstad, who was a nephew of Henry the first, who was a manufacturer's agent for lacquer. Ford had these little 4-oz., 3-oz. cans with a brush in them, and all of that lacquer was made by Arco over here in Cleveland, and Irving M. Hoverstad was the manufacturer's rep. So I had some conversations with Irving and he said, "Well now, you want to sell that idea, I assume you'll get the lacquer through me." I said, "Absolutely. We package Ford's materials. We don't ?? I'll send you a sample." He said, "Well, you're going to have to get that in a different way. I think you ought to talk to Harley Earl." "Who is Harley Earl?" "Harley Earl you want to talk to is president and owner of the Omni Corporation." He had the address and phone number. And he said, "The one you (aren't) going to talk to is the guy who is vice president of design for the Ford Motor Company. Harley Earl is the guy who came up with a cheese box on a raft. So I called Harley Earl and made a deal, went up to Detroit, ?? . Everything was white: the desk, the phone, the carpeting, the furniture, the blond ?? , everything was white. And I sat down and talked to Harley. We got to be pretty good friends over a bunch of drinks at one of the Detroit clubs and so forth. He sketched the, showed me a crown Victoria design where they put the band over the ?? , that will be on next year's car. Then he said--I said, "What does Omni do?" He said, "Oh. Omni represents people who supply the company with radiator drills." "Oh?" He says, "Yeah. When we're designing a car, the last thing we're able to design is the radiator drill, and I always make sure that the company that I represent has drawings before anybody else gets it, and we always delay the decision for so long that nobody can tool up and supply the first five months production." The bastard was shafting the company that paid him a nice salary. He was pretty drunk when he admitted that. I kept the secret.

WG: He's a very famous guy.

WM: Oh, yes. He is. And actually his designs were good. And his number one guy was Exner, who went over the Chrysler, and you notice when he got over there that Chrysler tires started looking more and more like Ford's. Anyway.

WG: OK. Well thanks very much.

WM: Hope I didn't bore you too much.

WG: Not at all! It was good. Fascinating.

WG: Nice to meet you.

END OF INTERVIEW.