INTERVIEW WITH

WALTER SPENCER
RETIRED CHAIRMAN, CEO
SHERWIN-WILLIAMS
ST. PETERSBURG, FLORIDA

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INTERVIEW CONDUCTED BY

DAVIS DYER
KATHLEEN MCDERMOTT
THE WINTHROP GROUP, INC.

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WG: First question which is, could you kind of give us a summary of your career at Sherwin-Williams and when you started, what you did?

WS: Sure. Well let's see, I started with Sherwin-Williams in the spring of 1949. Prior to that, I had worked for a small family owned company in Cleveland. That was right after World War II. I decided that I wasn't going to get any place in this family owned company because as people kept getting discharged from the Army or Navy, they got promoted very quickly to front office and I wasn't a member of the family.

WG: What was the company?

WS: Well it was a little carbon company on the east side of Cleveland. So then I decided that I didn't really want anything to do with family owned companies. If I were going to go to work for a company, I wanted it to be a company where my background as a chemist -- I was educated as a chemist -- could get me in as a job. I also wanted it to be a large publicly owned company where family favoritism was not much of a problem.

Secondly, if I were going to work in an industry at that point in time, I wanted to work for the largest company in that industry on the assumption that they weren't the largest just by accident, that they knew something, they had a good operation and that I would learn a lot by working for such a large company. Also on the assumption that I would do that for a relatively short period of time, maybe five years and learn all that I could and then go to -- probably leave such a large company to work for a smaller company where I could get ahead further or faster. That was my plan.

Sherwin-Williams was headquartered in Cleveland and my wife and I both graduated from Reserve University. She was born and raised in Elyria /sp/ so we wanted to stay in that area if we could. Sherwin-Williams was the largest in its field and they employed a lot of chemists. So my beginning with Sherwin-Williams was in effect, walk in off the street into the Personnel Office and say, "Well, do you have any jobs?" and filling out an application form.

I was employed as a Development Chemist in the ~~laboratory~~, Development Laboratory in the Cleveland factory. So I started there as a junior chemist working on the bench ~~board, on the table~~. I was a pretty good theoretical organic chemist -- at least I thought I was. I was going to night school to do graduate work at night in that period of time, in chemistry.

I found early on that many things they did in the laboratory didn't turn out quite the way ~~they should~~ -- I thought they should -- in the factory. So I got interested in what they were doing out in the factory. As I got more interested in that, the man who was superintendent of the factory at the time, a man named George Menz /sp/ who was an old timer at that time and had -- ~~he was~~ actually been the first employer of many of the executives of Sherwin-Williams. He asked me to go into Manufacturing. So I started out as a foreman in the factory at the Sherwin-Williams plant in Canal Road. That was the original Factory ~~Sherwin-Williams~~, started in 1866 -- or the company started in 1866 and the plant shortly after that, ~~original location~~. I enjoyed that very much. About a year or so after starting that, I was sent to our operation in Havana, Cuba. I went there to install the first in emulsion ~~motion~~ production operation outside of the United States and revamped some of their plant activity. So we went there and were there for two years. Then left and went to Venezuela. Venezuela was a very big export market for us, but it was necessary to build a plant there because they had so many -- ~~very~~ high tariff ~~terrace institute~~. We set up the Sherwin-Williams Company of Venezuela with 100% local capital ~~capitol~~ so it was ~~just~~ a Licensee -- we were providing the know how and the expertise. The know how and the expertise was me. I was the only representative of the Sherwin-Williams Company and as a matter of fact, the only English speaking person in the entire company. I designed and built the plant. I started it up, designed and put into operation their Marketing Department, their Financial and then turned it over to local Venezuelans to run and left there in about two years. It was very successful and became -- and still is -- the largest installation of its kind in Latin America. Now it is a chemical complex.

WG: Did that operation serve just Venezuela or did it...

WS: It served just Venezuela at that time, they do some exporting into Central America now. But that is not a Sherwin-Williams owned operation ~~you see~~, it's local. It's a very successful operation.

WG: It's kind of a licensee of Sherwin-Williams?

WS: Licensee, yes. And I came back to the States and continued in Production Administration in Chicago for a couple of years. Then the Sherwin-Williams Company of Canada wanted to revamp their operations in western Canada. I went up to the Sherwin-Williams Company in Canada on leave from the Sherwin-Williams of the States and spent two years in Vancouver, British Columbia. Built a new plant there, reorganized all of the business west of the Rocky Mountains in Canada. Consolidated three Sherwin-Williams companies into one and then came back to the States.

I came back to the Cleveland plant, the one I originally started in, but this time as Plant Manager.

WG: Do you remember the year?

WS: Oh, that would have been about 1959 I believe, right? About 1959.

PS: Oh, I guess, Mary was just an infant so it must have been '59.

WS: When we were in South America we had no children and by that time, let's see, we had one daughter that was as she said, just an infant and a boy about three. So I had gone back to my starting point as Plant Manager at the Cleveland plant.

Both felt that this was great, both were from Cleveland, thought we were going to be there a long period of time. As always, we were there for about two years. They transferred me up to Chicago, it was my second time back in Chicago. That's the largest -- was at that time -- the largest installation of its type ~~plant~~ in the world.

WG: So you were Plant Manager -- did you go as Plant Manager there?

WS: I went there as General Manger. I did a lot of reworking of that operation. Came back to Cleveland again in 1965 as the Manager of Production for the entire paint operation. Moved there, stayed in Cleveland and became Vice President of Manufacturing, Vice President of Operations, became Executive Vice President of the company and was elected President in 1969, age 42. You have to compare that to ~~a~~ the company as it was when I started.

WG: Yes, you must have been the youngest president since Sherwin.

WS: Well as a matter of fact, when I started in 1949, it was a company that was founded in 1866 and it still had -- its second Chief Financial Officer was still active.

WG: Mr. Schroeder?

WS: Mr. Schroeder. I knew him very well. And the president at that time was Art Steudel and he was the fourth Chief Executive Officer. Art Steudel and I became very good friends...eventually. So yes, it was quite an unusual situation. Mr. Baldwin had been president prior to myself for a short period of time. Art Steudel was president in 1966 when they celebrated their 100th anniversary -- ~~he was CEO~~, he was Chief Executive Officer. I became president in 1969. Let's see, two years later was elected Chief Executive Officer and then roughly two years after that I became Chairman of the Board, stayed with the company until the spring of 1978.

I had always figured at leaving at age 55. I was a great believer that nobody should head a public company for more than ten years. I still think that's a good idea. I think one of the problems that you get into heading a large company is the kind of atmosphere that you work in and everybody defers ~~through~~ to you and you get all kinds of perks and staff and this sort of thing. THere is a real danger I think, ~~in terms of~~ -- particularly ~~in terms of~~ the stock ~~holding~~ holders. You begin too much to believe yourself, ~~I think~~. I hadn't figured on staying beyond age 55. If you haven't really accomplished most of what you want to accomplish in ten years, you ought to turn the job over to someone else any way. But I left a little earlier than that.

I had been -- prior to that time -- in addition to the work I've done with the company, been involved with quite a few activities outside the company. As a matter of fact over a period of a few years there, I served on about thirteen non-profit Boards. I've done a lot of things around Cleveland. My main interest was in the area of higher education. I was a member of the Cleveland Foundation, Chairman of the Education Sub Committee. I was on a special committee for the Chancellor of the State, ? Higher Education. I did a fair amount of lecturing at graduate schools of business and so forth. I was on the Board at what ~~was~~ is now Case Western Reserve University. So I was heavily involved in higher education.

When I left Sherwin-Williams, I went down to Tulane University in New Orleans as the Dean of the Graduate School of Business Administration. Stayed there the inevitable two years and...

WG: That's a long time!

WS: Decided that I couldn't really stand the New Orleans weather, too hot and humid. At that point in time we didn't really need to live any particular place ~~where~~. Prior to that we had moved around a lot -- as you can probably guess or understand. I said to Pat, "We could -- this is kind of dumb because we've always lived in places because that's where the job was. We don't really have to do that. We can live any place we want. I need a telephone and an airport nearby and I'm in business." So we moved to the mountains of North Carolina ~~-- we moved back to North Carolina.~~ We lived there for what, nine years -- ten years, something like that.

PS: Nine.

WS: It's a great place to live. We've still got a house up there.

In the last few years I got interested in this Academy of Senior Professionals here at Eckard College and have been spending the winter -- or three or four months of the winter down here. Got so interested in what they were doing and the people, working with the students, that we decided to move down here and spend not three or four months down here but probably eight or nine months of the year down here. So, that brings you up to date.

WG: Okay. Let's go back to when you hired on in various manufacturing capacities. What were the plants like in 1949, 1950?

WS: Pretty bad!

WG: Had there been much investment? Had they changed much?

WS: No, they had invested practically nothing in the plants, the plants had gone through -- oh, from the 1930s with relatively little change, ~~excess manufacturing capacity~~. Most of the money had been spent in setting up Sherwin-Williams owned branch stores, expanding the marketing end of the business, ~~the sales end~~ which was a very shrewd strategy. Certainly during the '30s you didn't need more production capacity. Of course, didn't need a lot of production capacity during the War years. So as I came on board shortly after the War. But the plants were old, ~~all in the~~ -- mostly in the major northern industrial centers. In other words, at that time we had plants in places like Cleveland, Detroit, two in Chicago, Newark, New Jersey, Pittsburgh, and one out in Oakland, California, so they were in the major industrial population centers, the old ones and were really out of date. The Cleveland plant dated back to the late 1800s and many of the others weren't that much newer.

WG: Would Henry Sherwin have been at home in the plant of 1950? Would he have recognized what was going on?

WS: Oh he certainly would have, yes. They were still at that time, spending most of their resources in expanding the marketing end of the business.

WG: Was that Steudel's strategy or Martin's?

WS: Really Steudel's. The paint industry -- the economics of the paint industry were quite fascinating if you looked at it. During the late '20s, 1930s, beginning of 1940s, the raw materials of the paint industry were changing from naturally occurring products to synthetic products, ~~products of the synthetic~~ -- mostly organic chemistry. Paint ~~is~~ -, from a cost stand point, is raw material intensive, with a very high part of the cost ~~is~~ raw materials. The cost of raw materials was going down all those years because the raw materials produced by the synthetic/organic chemistry industry were not only better, but traditional in the chemical industry, ~~but~~ as technology improved, Your ~~you're~~ actual costs go down. Obsoleteness and obsolescence, in the

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Normal
chemical industry is quite ~~hard~~ so you have to keep putting yourself out of business all the time. So, the raw material costs kept going down. That meant that the cost to manufacture paint -- the final cost was also lower almost every year whether we did anything or not. So ~~there was not much~~ -- there wasn't a lot of pressure on improving manufacturing costs, you see? In other words, each year if you could hold your prices level or only go up two or three percent, you made more money because your material costs were going down. It's kind of a money making machine. And not a reason to improve factories.

As a matter of fact, what you really wanted to do is to increase the volume going through those factories. To do that you need marketing. ~~So your emphasis goes into -- or sales any way.~~ So your emphasis goes into sales to move volume through those plants. That kind of a situation kind of covered up the fact that the plants really were not efficient. That and some rather primitive accounting practices.

So, it was Mr. Steudel's idea back in the '30s that what we needed to do was to move much more volume. It would be better if we could control that ourselves, the distribution and the sales. So he instituted the idea of Sherwin-Williams owned stores. Yes, that was his concept. Mr. Steudel had gone through the Sales Department, but not in the paint business, he came up through our Chemical Operations. But ~~he was a~~ -- he had been in sales. So yes, that was his idea and it was very successful. One of the key decisions made in the history of the Sherwin-Williams Company in terms of its continuing growth and profitability and as that moved forward, the more material they sold, the more money they made up till after World War II.

After World War II things were changing fairly rapidly. What was happening is the cost of raw materials had leveled out, they were no longer going down so you couldn't count on that extra every year because your raw material~~s~~ costs were going down. Secondly, we had increased the volume through the plant so much that the plants were now reaching their capacity. So you have old out-moded plants running at capacity with considerably less efficiency than new plants which meant you had a competitive disadvantage now. But it was also somewhat easier to raise prices which tended to offset that to some extent. That was about the situation in the 1960's ~~around 1966 - not 1966~~. The beginning of this was the postwar years ~~around the late 40s~~ when I went into the company.

About 1966 near just about the 100th anniversary of the company, we had gone about as far as you could possibly go with these old plants. In 1966, it was a year of great celebration, the last year of Art Steudels reign. ~~and~~ He and Luther Schroeder over the years ~~-~~ both were ~~very~~ conservative men financially, and had run the company very conservatively and had put away about as much money in company reserves as you could, all of which they pulled out of the reserves in the year 1966 and moved ~~it~~ into profits. So the Sherwin-Williams Company also reported record profits in 1966. ~~Some of that was /unclear/.~~

WG: Did they both retire at the same time?

WS: No, no. Luther Schroeder actually died in office. He died -- I was in the Cleveland plant then, that would have been about 1960. Art actually retired in '66 I think -- from active duty. Stayed on the Board of Directors.

WG: So it was a very conservatively run company, not putting much investment into operations?

WS: Very little in operations and very centrally controlled.

WG: You were a plant manager, what was it like to try to get capital?

WS: Almost impossible really. As a matter of fact, they had a system there which said that to spend more than $100 in capital, you had to have a requisition in to the Board of Operators. In other words, $100 is the limit that anybody who is not on the Board of Operators could spend.

WG: Board of Operators?

WS: Which is a group of top management officials that met every other week. It's principle purpose was to Approve ~~prove~~ capital expenditure.

WG: How long had that rule been in place?

WS: Ever since I've been with the company as far as I knew.

WG: As a plant manager say in Chicago, would you have been a member of the Board of Operators?

WS: Yes, I was. I was a general manager there and I was a member of that Board of Operators, yes.

WG: So you would have gone to Cleveland every couple of weeks?

WS: Every other week, yes. That Board of Operators made capital expenditure decisions for the entire company.

WG: It's a presumption that the capital requests, the answer to which would be no rather whether than yes?

WS: Not necessarily, no. But it was very tightly controlled and of course it considerably reduced the flexibility of the management in the field. This was true in the Sales Department, the Manufacturing Department or any other department.

WG: So this would have been true as late as 1960 or so?

WS: Yes, oh yes, yes.

WG: You mentioned that when you were a plant manager both in Cleveland and Chicago, you did some remodeling, remaking, revamping of the plants.

WS: Yes.

WG: Could you describe that?

WS: Well what was going on at that point in time as I mentioned earlier, we were pushing the limits of the capacity of the plants around the country. There was a man who was in charge of all of the physical facilities in Cleveland whose name was John Sherwin Prescott. He was the last of the Sherwins, he was a grandson of the founder of the company. The family had no control in the company, it was a publicly owned company. He wasn't in that position because he was a Sherwin.

WG: It didn't hurt though, did it?

WS: Well it didn't hurt initially to get a job, obviously. Of course, he was of the same vintage -- well a little bit younger then Steudel but he had been around. But John was in charge of plant equipment at that time and he was very aware of necessity for modernizing the plant. So between 1966 and about the early 1970s, mainly in the regime of Colin Baldwin, we spent a lot of money on plant modernization and plant expansion. But it was trying to modernize old plants, expand old plants basically. We did build some new plants because paint is so heavy that freight costs moving it around get to be very high so you don't ship paint long distances normally. The average gallon of paint in the United States is sold within one hundred miles of where it is produced. That's why you have a lot of small paint companies.

So as the population shifts, now you've got to do something about your production and your warehousing and distribution. And population was shifting of course after the War to the south, south east and south west. So we did build new plants in Dallas, Texas, a new plant in Atlanta, Georgia in addition to expanding and trying to modernize these older plants in the north and the city.

To a very large extent, there was a bit if sentiment involved with this -- sentimentality I guess, not sentiment. The people in charge of growing up with these old plants ~~felt kind of a -- in other words~~ they had an emotional attachment to it. In my opinion, we spent a lot of money foolishly. You take a plant that is four or five stories high with an old creaky elevators, wooden construction, it's very difficult to modernize, very difficult to make competitive and very, very expensive in the heart of cities like Cleveland and Detroit, Newark, Chicago but this is what they decided to do.

WG: This would have been Prescott's decision then?

WS: Well, Prescott and the Board of Operators essentially, Colin Baldwin was the guy who was Chief Executive Officer. Unfortunately Colin never had an operating job. Colin had always been staff consistent to Art Steudel. So some large extent, ~~it~~ He was at the mercy of people who he ~~put~~ had confidence in that area. It wasn't just John Prescott in Paint because it was Sal Coolidge in the Chemicals and Auxiliary doing the same sort of thing, trying to modernize -- pouring money in obsolete chemical plants, which was even worse.

So we spent a lot of money over a period of ~~three~~ Five or ~~four~~ Six years while our competitors were building new plants. So in my opinion, we had gone from one of the low cost producers to one of the high cost producers in spite of spending a lot of money. This was the situation when I took over.

WG: Was the productivity change between the refurbishing an old plant versus designing a new one has to do with a layout and logistics of you do it all on one floor rather than six and with labor cost if you do it in some place in South Carolina rather than in Cleveland?

WS: Sure.

WG: Where there other things that were going on? Where the process equipment as good in a Sherwin-Williams plant as it was in a...

WS: Probably was, yes, yes. We had always been on kind of the leading edge in terms of process equipment in paint manufacturing. Actually designed and built much of the equipment ourselves.

WG: Did it matter that the plants were situated near sources of raw materials?

WS: Essentially not, you couldn't get too far away. ~~but you want your materials~~ if it was a very large plant so you get your large materials in ~~very~~ large bulk anyway.

WG: Shipped in by rail or something?

WS: By rail or by barge or truck or whatever. The freight cost of raw materials was not nearly the factor that freight cost of the finished product was. It was much more important to be near your market than to be near your raw materials.

WG: About Prescott, I had some questions. In doing some of these interviews, people have told us very sketchily that he briefly tried to challenge Steudel for control of the company and I wondered if you knew that story?

WS: Well I think it's probably an apocryphal story.

WG: Oh, is it?

WS: I knew John probably as well as most people, I think. There was a story kicking around but I was never able to get the facts on it pinned down but it probably happened in the late 1920s, at least presumably. But I was never able to verify it.

WG: If the attempt was made then and the two continued to work together for another thirty or forty years...

WS: Oh yes, and with a great deal of liking and confidence so I suspect that -- well, it's like most things, where's there's smoke there was probably fire at one time but I don't know any of the details of that and never saw any evidence of that. John did end up as Executive Vice President of the company.

WG: And he himself produced no heirs.

PS: That's not true.

WS: No, that's not true, not as far as the Sherwin-Williams Company is concerned. John had a son by his first marriage who became a very successful newspaper executive ~~with /Unclear~~/ and twin daughters by a second marriage but none of them had any interest in the company. That was a fairly prominent family. He His name was Sherwin Prescott and Sherwin was of the Sherwin-Williams Sherwin and the Prescott was of the Prescott...

PS: Prescott-Ball-Turbine. Turbin

WS: ...of the brokerage firm. In other words, his father was a very prominent man and then he had a brother who was the best known literary critic in the country, he was the book critic for The New York Times so that was a pretty prominent family.

WG: Yes. I'm just wondering what would have happened to the Sherwin papers and the family documents.

WS: I just don't know. There was a -- you realize that the old Sherwin home is out east of Cleveland and as a matter of fact, John lived in Shaker but in the summer he lived out in the barn on the old Sherwin-Williams estate which he had ~~obviously~~

revamped ~~and everything~~ and it was a very comfortable house. But the old Sherwin estate was quite a piece of property. That's out -- I think it's Willowby Hills.

WG: Is it still in tact do you know?

WS: Well, in a way because it had gone to sold ~~ruin~~. It had been a very elaborate place, he had imported gardeners from Europe to put in the gardens. It was brick, had fourteen garages and it just sprawled all over the place, much too large for a reasonable human being to live in or any man in todays environment anyway. It was sold to...

PS: Well Harry Figgie ~~Figgy~~ but I don't know what the name of his company was.

WS: Harry Figgy, yes. Well it's Figgy Enterprises now, it was ATO at that time I think. He ~~redid the entire~~ -- he renovated, ~~restored~~ the old Sherwin estate and made that his company headquarters, that was the headquarters of the Figgy company.

WG: Before he moved to Virginia.

WS: And then he moved to Virginia to Richmond, Figgy did and he did the same kind of development bit down here and now he's moving back to Cleveland again.

WG: Do you know what happened to it after Figgy left it?

WS: No I don't, no I don't. I think -- at least for a while -- Figgy still had operations there although it wasn't headquarters any more. It was sort of like a camp, it had very large computer operations there. ~~But~~ I've been out there a number of times, used to go to John's house.

WG: Back on the period when you were still in manufacturing before general management, what were the relations like between manufacturing and the retail or the store side of the company? Was there good cooperation?

WS: Oh I think that sure, there was good cooperation but everybody understood that it was ~~the Sales that~~ -- sales driven. Now in fact, the profits came from the manufacturing operation, Manufacturing/Distribution. As I mentioned to you, they had kind of a primitive accounting system but some of this was deliberate.

A.W. Steudel, while he wanted to push everything in the Sales end of it, never wanted his Sales people to have a lot of profit margin. He said, "If you give a salesman a big profit margin to work with, all he does is cut prices. Any damn fool can sell by cutting prices. All that does is cut back on your profits. Instead of pushing quality and service, he's out there trying to compete on a price basis all the time. If he's got a lot of margin to work with, he'll cut prices." So what happened then is that the price at which the product was transferred to the Sales Department from the Manufacturing was controlled in such a way that profit margin wasn't ~~too~~ so high that he could get such a margin that they would start cutting prices. So he wasn't getting a true cost picture.

The real profits were being made in the Manufacturing and movement through these plants.

WG: Even these antiquated old plants?

WS: Yes, up until the '60s. This is what was happening and that's why I said in the late '60s profits started to drop off very sharply as far as the company was concerned. I can give you some figures on that, I've got some speeches I made to security analysts, you can have copies if you want.

WG: Fantastic, sure, I would love that, yes.

WS: Show you what was going on. If you want to turn that thing off for a minute, I'll just go and get some of them.

...old line operation, centrally controlled, no delegation at all of the responsibilities. Obviously if you won't allow any of your managers to make a decision to spend more than $100, you don't have much delegation of responsibility.

WG: Essentially everything was run by this Board of Operators?

WS: Well that, no, that was from the stand point of capital expenditures. It was Chaired by a man named Vic~~k~~ Mills, I don't know if you've run into that name or not. ~~Oh, ah ha!~~ Vic~~k~~ was quite a guy! Vic~~k~~ was my immediate superior. He was the man in charge of all of the manufacturing of the paint in the business. Vic~~k~~ was an Englishman, originally from England. Had been a soldier of fortune, fought in Russia down the Argentine and came to -- actually he had a~~n~~ Accounting ~~/unclear/~~ background, had never worked in manufacturing, but...

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WS: ...capital expenditures for the entire company and that included capital expenditures in Marketing or in technical areas, Manufacturing or anything. There were many people who thought that Steudel had delegated that to Vic~~k~~ because Vic~~k~~ could really keep his hands on the purse strings and he could. That was a control mechanism, that was not a management mechanism.

The structure of the company was very much -- you know, this Manufacturing guy reported to ~~this~~ another Manufacturing guy who reported to ~~this~~ another Manufacturing guy who reported to the top Manufacturing ~~member~~ [illegible] who reported to the President. Marketing was the same thing. So it was an~~d~~ old line company and nobody was running the business except the top guy because he's the only one who has all the information, he's got information flowing to him from Finance, from Manufacturing, from Marketing, from Research, etc. He's the only one who has all the pieces!

WG: So there wasn't any kind of committee structure or anything at the top? It was just basically Steudel?

WS: Actually, there really was a committee of two and that was Art Steudel and Luther Schroeder!

WG: And they just kind of decided what return would be acceptable and salt some money in reserves?

WS: Yes, I don't think that they really thought about it that formally. Now Luther Schroeder may have, but he had very good control of things.

WG: My impression is, that in those years it was a great widows and orphan? stock.

WS: Oh yes, it never changed very much and the dividend was pretty good and it had paid dividends every year since the beginning of the company up until 1978 when I cut the dividend or eliminated it for one quarter which caused a real fuss and feathers as you could probably guess.

WG: So the management of the company -- what was the -- you said that the management of the company, the real decisions would have been made by those two guys but they were getting operating information from the Board of Operators and from...

WS: Well that -- the Board of Operators really didn't do any policy setting ~~operations~~, that really was just the approval of capital expenses.

WG: So Mr. Steudel would have -- you have sent reports from the plants, from the Cleveland plant to Mr. Steudel?

WS: No, they go to Vic~~k~~ Mill~~s~~ and then Vic~~k~~ would...

WG: Would aggregate them?

WS: Yes and reporting was quite informal at that level. Mr. Steudel was a very affable man and everybody's friend. But ~~kind of a~~/~~unclear~~/. Obviously he didn't get into a position like that and that kind of control by not being a pretty well organized, controlled individual himself so what he said went. I can remember sitting in Vic's office a number of times, the phone would ring and this would be Art Steudel on the other phone, Vic would put the phone down and said, "The boss is calling!", get up and run out of his office! It was three offices down the hall. That's the way business was run.

WG: Yes. It was really kind of run from the twelfth floor of the...

WS: Right, from the corner office.

Have you talked to Bill Eldridge?

WG: Yes, we talked to Bill Eldridge.

WS: Bill of course was involved in some of this sort of thing and it's his wife isn't it, who is doing this part time bit with the...

WG: Yes, with the archives.

WS: Yes, well. Bill was in Personnel in Chicago with me when I lived in Chicago. I'm the one that ~~put~~ Bill in the Marketing and shoved him through all the...

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WG: Interesting guy and very -- he's got a good feel ~~take~~ on the whole -- he's been around a long time.

WS: Well, he's -- plus the fact that he had been Personnel and Marketing and General Management and then he was there during this transition period when Breen came in. He was ~~in~~ -- actually the Public Relations Spokesman for a while after Breen came in.

Did you ever get in touch with Clayton?

WG: We haven't yet.

WS: No? Because he's the guy that was PR guy during all these years.

WG: Okay. We've been asking to your prior to General Management career. Let's talk about when and how you became President.

WS: Well, first when I went down to Venezuela, although I built the plant, I actually designed the company, put the company together, all parts of it, not just Manufacturing and all by myself. I had a lot of General Management experience, some of it by trial and error, you learn by doing.

PS: And it came about because there just weren't the people who were hired for the jobs ~~were just~~ who...had ~~never~~ ever done it before.

WS: No, they had never done any ~~job~~ thing in management ~~and~~ development. And then of course I got interested in this whole kind of bit of how and why. How you manage companies, why and what the mechanisms are and started to take a lot of courses, seminars. I was in the first graduating class of the Advanced Management Program in the University of Chicago in 1955 going nights. I got heavily involved in the area of management development and organization development. I ~~know~~ knew most of the pioneers in that field and worked with a lot of them, directed some research in the Graduate School of the University of Illinois ~~and~~ on management style versus productivity and organization resulting in a book about this thick, very scholarly.

Dick Beckard who...you know who Dick is?

WG: Yes.

WS: Long time friend of mine. Is Dick out on the west coast now?

WG: USC.

WS: Is he there, is he still...

WG: I don't know if he is still there but he was there a few years ago.

WS: Oh yes? I worked with Dick for a long time when he was at MIT. Of course his second wife was from Cleveland and she was head of the Gestalt Institute in Cleveland as a matter of fact. I knew Dick before -- well he was still married to his first wife when she died. I did a lot of work with Dick in the area of organizational development.

WG: So you would bring him in and...

WS: I had brought him in as a consultant and I had some other -- local man in Cleveland, ~~and /unclear/~~ a psychologist who did some consulting work also on a different level. Dick operated on a much higher level. Dick normally operated at the level of Board of Directors of companies ~~the company~~.

WG: Was this something that you did?

WS: I did.

WG: It wasn't done under Steudel and Baldwin?

WS: No, no, no. As a matter of fact, they were horrified at the whole idea. I reorganized the entire company of course.

WG: Let me ask you about the -- we kind of jumped over it for a second, it brought something to my mind about those documents.

WS: Well we were talking about what had happened in those years in which we were spending the money and then didn't get much return. Let me see here. Now what one is this? New York Society. Los Angeles Society I think.

Let me just read to you from this. I'm going to give this to you, a bunch of graphs and all that sort of stuff. Talking about the company, it says, "...by 1971, we were 105 years old and a troubled company. Over the previous five years, sales had increased by $150 million or 37%. However, ~~that~~ the income had dropped $7.4 million of 33%. Return on stockholder's equity had dropped from 12.9% to 6.9%. Total assets had increased by $142 million...", so we were spending a lot of money. "...but return on total assets had dropped from 9.1% to 3.9%. This meant a negative return of 5.2% on the additional $142 million capital investment." So you asked me what happened to it, we had a negative return.

"One conventional measure of growth rate is return on equity times the percentage of retained earnings. This had dropped from 7.2% in 1966, the 100th year, to 1.5% in both 1970 and 1971.

While the ship was not totally dead in the water, it had lost an awful lot of headway." Now that's what was going on. This is public information.

WG: Sure, you could figure it out from the annual reports.

WS: Annual reports anyway. Then it goes on to talk about what we did, how I reorganized the company and what we were spending money on then and what we were trying to do, the results. For example, here is Coatings' group sales, this is 1971, 1976 and you can see what was happening. This is retail sales. /Unclear/ sales looked like this. /Unclear/ sales looked like this.

Now you're talking about raw material increases? "Percentage increase in raw material cost, 1972, 1973, 1974, 1975." This is the oil E imbargo. Double the raw material costs overnight and then put on price controls.

WG: Yes, I was going to ask you how much price...

WS: We couldn't raise the prices. ~~And~~ You had to put in applications to raise the prices but that was after the fact of course. Now in spite of that -- all that going on -- sales were going up and profits were going up. Then in 1977, I was named Chief Executive of the Year in FINANCIAL WORLD MAGAZINE. It's in my office, I'll show you sometime.

WG: Yes, I would like to see that.

WS: And the costs per unit of production. And then it was kind of interesting to see what happens because here's one -- another talk~~ing,~~ to? a New York security analysts. Have you seen this?

WG: Yes, we do have a copy of that.

WS: We were running awful fast staying in one place. And then in 1977 I decided that I was going to get rid of all this crap at one time and did. It didn't make some of the old timers very happy and really upset the Cleveland business ~~group business~~ society.

WG: Well...

WS: But you can have this kind of stuff.

WG: Okay, fantastic.

WS: You can find the answers to many of the questions in here.

WG: Okay, great...

WS: I've got older ones. I've got a lot more than that. It seems to me that those with the graphs are the kinds of things you're interested.

WG: Yes. But let me ask you about Mr. Baldwin because I think...

WS: He recently died.

WG: Yes. We talked a lot about Steudel and what kind of man he was and how he ran the company. Tell me about Baldwin.

WS: Colin was a good friend of mine and a very fine human being, really a very fine human being. He was kind of unusual for the Sherwin-Williams Company because prior to Colin the ~~man~~ men that had run the company had come up through the company, been with the company a long time and in effect had the company in their veins. A.W. was a high school drop out. He came to work at Sherwin-Williams at age sixteen in short pants as an office boy. So the businessmen, the men that had run the company prior to Colin were essentially self-taught, self-made businessmen and with a lot of years at the company.

Colin was a different breed of cat. He was from the east. MBA from Harvard. Quite a different kind of background. Soft spoken, well educated and as I say, a very fine human being. He had spent a lot of years as assistant to Art Steudel.

WG: What did that mean? What did he do?

WS: Well, I don't know how much you know about business organizations or organizations in general really. Assistant to is usually set up to be deliberately ambiguous. In other words, if you say somebody is an assistant production manager, you have a pretty good idea what that person does. If somebody says he's an assistant to the production manager, you're not sure what he does. Well the same thing is true with the president or whatever. Well, usually what that means and what it meant in Art Steudels case, he's usually a bright, capable individual who does all kinds of odd jobs that the boss wants done but that the regular organization doesn't fit in too well or may not even want the regular to know ~~his beans on~~ About. So an assistant to is almost a minister without portfolio, you see.

So the boss will assign him anything. Now that is a very ambiguous job in many ways. ~~One of the things he has to~~ -- It can be dangerous in an organization because when the assitant to is talking to you, you don't know who is really talking ~~to you~~, Is it him or is the boss who is telling you off? It can make quite a difference in the way you respond. But he had been assistant to ~~struggling~~ for a long time and he had done lots of odd things. Not "odd" things, but he had done a lot of things. But it is strictly a staff position, it's not a position with any line authority. Never was responsible for any operations, never was responsible for anything in the way of measurable results until -- let's see...I went up to Canada in '57. Colin went up as the General Manager of Canadian Operations in~~to~~ the '50s. He ~~We~~ was ~~call it~~ President and General Manager.

Since the Sherwin-Williams Company owns 76% of the stock of the Sherwin-Williams Company of Canada, obviously we control it. He went up to Canada as the top guy because the Canadian company was having all kinds of problems. The ~~Canadian~~ Sherwin-Williams Company of Canada is also the largest paint company in Canada, it's a big operation. So that was Colins' first experience in any kind of a line activity.

I went to Canada in 1957 I think I mentioned to you, and spent two years there on leave from the U.S. company. I was working for Colin there and I was agreeably ~~very~~ surprised at how Colin took over and handled the Canadian situation, did a very fine job. He was much firmer than I would have expected him to be. Much more in control.

He came back to the U.S. company and I think they brought him back as President, I'm not sure. I'm a little hazy because I was travelling around. Then when Steudel retired, the Board elected him Chief Executive. But the only line management responsibility Colin had ever had were his few years in Canada and then right at the top. He had never come up through this organization in other words.

WG: Did he really distinguish himself in Canada? The operation wasn't going well and he fixed it?

WS: Oh, I couldn't say that. No. I think -- oh it might have improved a little bit but it was marginal, it was marginal.

WG: So he would have -- Steudel must have singled him out as the heir apparent at a very early day?

WS: Well, let's see, Colin is dead, isn't he? His wife is still alive -- I don't know if she is or not.

PS: I don't know either.

WS: Well Art Steudel and I were -- became fairly close. Obviously when I took over the company it was as I was describing to you, in real trouble. I turned it around. Art was still on the Board and I had known Art and I got to know Art better when we went back to Cleveland.

Let me tell you a story to give you some feel for...I'll tell you a story if you will that thing off.

There's a real difference between sitting on that side of the desk and on this side of the desk. Most people think, if you go from being a number two guy to a number one guy, that's just a promotion or that's just a change. ~~That's a whole different world,~~ it's a whole different world because -- well it's the old business of -- like Harry Truman said, "The buck stops here." When you're down here, there is always somebody you can push the decision making to or that the world out here will hold responsible for the results anyway, ~~you see~~. If you haven't had a lot of experience in that kind of situation, for them to put you in charge of a large company that is going through some real painful growing pains, it's tough. Colin had a hard time. In my opinion he wasn't ~~fit~~ ready for the job. It wasn't that he wasn't competent, /unclear/. Very fine man. Very fine man. I liked Colin. But he presided during a period of time when all that money was spent, very foolishly.

WG: Was he responsible for the diversification efforts?

WS: Yes. He looked at it a little bit like a Harvard business case and that was a period in time which was just beginning this conglomeration bit and companies were ~~going to~~ getting get into different businesses.

WG: Did the growth prospects in paint just not -- the base business just didn't look good?

WS: No, I don't think so. A lot of it was just being -- faddish ~~going along~~ -- other business were doing it at that time.

WG: Was the company constrained by anti-trust?

WS: To some extent, yes, because we were so large in the paint business. But we had enough things to do -- in my opinion -- to improve our own operations. For example, under John Prescott's influence, he went out and bought Osborne Manufacturing. I unloaded it about five years afterwards. Here's a company that makes grinding wheels and custom made foundry equipment for the automotive business. It has absolutely no relation to our business, we don't know anything about it at all. But, it had originally been started back around 1900 by a man that Mr. Sherwin had loaned $3000 to start the company and there had always been a Sherwin on the Board of Osborne Manufacturing.

WG: And it was Prescott.

WS: And it was Prescott at that point in time. So John had grown up with the company and Colin got talked into doing that.

WG: You said that /unclear/ was influenced by "experts"...

WS: People who he ~~we~~ felt had much more know-how.

WG: Did the company hire consultants then?

WS: No, we didn't use consultants.

WG: So it wasn't some McKinsey telling them to diversify?

WS: No, no, no, I'm talking internally or people that Colin met in the business world that he was -- that served on his Board, he served on their Board or he had met or became friendly of some NAM or something like this. He put a lot of store by friendship and was influenced by it. Sometimes to the detriment of the company.

Sal Coolidge had a chemical operation, just spent money like it was going out of style. He started a chemical complex east of Cleveland and built a new plant there. /Unclear/ and he did this in the '60s, early '60s.

WG: Sal Coolidge was the one who pushed the Maumee acquisition?

WS: The Maumee acquisition came about because Colin thought -- ~~well~~-Ann /unclear/ in the chemical business, we ought to get into the Specialty chemical business more. Colin had hired a guy named Bill Bittenbender who had been with one of the pharmaceutical companies, I think -- he had tremendous credentials. Then he had been a high ranking officer with the Gliddon Company. Colin hired him as the technical assistant to the president himself. In other words, Colin was not -- didn't have confidence in his own strength, his own knowledge in that field in the chemical group, so he hired him. So Bill Bittenbender was one influential voice in that, yes. He is the one who scouted it out and he's the one that really carried on the negotiations, the principle architect of the acquisition of Maumee.

WG: That's funny, I hadn't heard his name before.

WS: Bill Bittenbender was one of the first men I fired when I took over. He was with the company about five, four or five years. Very prominent guy. I found out later, in checking back on his background, ~~he was a great~~ -- he had a Ph.D in chemistry, he was a very good technical -- but he was very smooth and he was a great summarizer. He was a great guy to have in a meeting because he would summarize for the meeting. That's a talent that is very useful. But Bill could never do anything. I found out. And I checked back later on with the Glidden Company and the ~~Mort Company~~ and they told me, "Oh yes, we were glad to see you take Bill!"

But this was another example of Colin looking for this expertise that he didn't have himself and we didn't have in the company really at that point in time.

WG: There was no strategic planning or...

WS: No, I started the ~~only~~ strategic planning ~~and~~ started the whole department -- well the department was one man then, but yes, I started it.

WG: So when you became president, what did you see as the imperatives before you to change within the company?

WS: Well I thought several things. One, the whole management style had to change, ~~you~~ couldn't run a company that size. You see, we were approaching a billion dollars in sales and we were running it like a small hardware store! You couldn't run a company like that and particularly lots of businesses. Some of them we shouldn't be in at all and some were costing us and so there were several things that had to be done. One was to get the whole management structure changed but you couldn't do that unless you did a lot of management development and you hired ~~got~~ young people ~~fellows~~, brought them in and give them responsibility, broaden the thing out, break it up into coherent businesses, put people in charge and let them run with it, you know. But you've got to maintain control, reporting and have the right kinds of incentives and disincentives. But the critical -- the really critical thing -- is that most of these ~~things~~ had grown up initially as adjuncts to the paint business, ~~like~~ We had gone into chemicals and pigments ~~and stuff like that~~ as suppliers to the paint end of the business. We got into the metal can manufacturing and suppliers of paint cans but that had grown into all other kinds of things.

We built a titanium plant. The latest technology in the world was really great, DuPont technology. As part of the agreement, however, the minute the plant was built we got no more technology. Well, here's a 30,000 ton plant which is less than 50% of our requirements, but completed ~~worked on a /unclear/~~ then with DuPont and ~~/unclear/~~ and people like this who are producing perhaps a million two and ~~to~~ spend ing more on research on ~~of~~ titanium in a year than we'd spent on the entire company. ~~There was no way and what would happen~~, eventually our plant ~~it~~ would become obsolete. We couldn't afford I, it was a capital intensive business. But it grew up as an adjunct to the paint business, you see. But in fact I would rather have several suppliers to ~~/unclear/ suppliers /unclear/ titanium /unclear/ but they~~'d bid against each other for my business. ~~Because~~ There was one thing that we knew and that was paint manufacturing and marketing but that wasn't where our resources were. being expended.

The other thing that was very important was that we had to do something about paint manufacturing. Those old plants, we had to get rid of them but ~~we had already~~ -- we had put that $150 million in them and in ~~within~~ a very few years practically none of it was depreciated, it was all new money -- borrowed money. That kind of does something to your flexibility.

So I sold off some operations, I sold off titanium, I sold off Osborne, closed down some operations, started building new plants and moving plants to follow population moves -- building new ones in areas ~~where the~~ with new technology ~~was such~~ -- for example, combined all the automotive finishes and built a new plant in Kentucky. Changed the whole method of operating totally. The way it was managed and production methods ~~everything else~~ and tripled the productivity...tripled it but at a hell of a price. It was ~~/Unclear/~~ very expensive to do then that which would have been ~~relatively~~ cheaper done ten to fifteen years before ~~then~~.

WG: I just want to ask a question about your appointment as president because a lot of what you are describing is doing -- is changing the things that Baldwin had done. Was there -- when you became president, was it presumed that you would become Chairman?

WS: Well, the Chairman who was Baldwin -- was quitting.

WG: He himself knew then that...

WS: Just a minute. /Unclear/ had really gotten too much for him and he knew it. I was in the headlines a lot in the '70s. I was on the Today show and the New York Times and I was pretty much a -- I was a different kind of an executive.

?

WG: Did Baldwin appoint you or did the Board appoint you?

WS: Well no, the Board elects officers ~~them~~ so you can't be appointed. But Baldwin wanted to leave, he wanted out of the top job, no question about it, ~~there was too much pressure for him~~. I had been coming along and talking to him -- as president of course, he was my boss. He felt the things that I wanted to do and the things that I was talking about were right.

There were things that Colin knew had to be done but he wasn't about to do it. I guess there's a difference -- as I say -- the difference between a staff man and an operating guy or a line guy.

WG: Before I lose the thought on him, back when he was assistant to the president, would he have participated in those decisions that say Steudel and Schroeder made or would he...

WS: Not directly, no. Steudel might use him to gather information or something like that.

WG: But even though he was assistant to the president, he wasn't really involved in those decisions?

WS: No, not in the decision making position at all, no.

WG: Back to Kathleen's question then about the things that had to change when you took over.

WS: Well, that's why I gave you that article, that's what it talked to about. Is it in there?

WG: Yes. Reversing the decisions of the late '60s.

WS: That was a newspaper headline. What I'm talking about is not a secret.

WG: Yes, right. In some of the -- I haven't read many -- I've seen some of these articles but not very many of them. You had spoken a lot about trying to reverse the company's production minded orientation and make it bit more marketing oriented. We've talked about some of the decisions that you've made with respect to fixing up the plants and closing off marginal operations. Tell me about the marketing side, what the challenges were?

WS: Well, let me make sure that we're talking about the same thing. Marketing is not sales.

WG: Right.

WS: Sales is part of marketing. We're talking about an orientation, a way of looking at the business. Now, Sherwin-Williams was a typical old line production oriented company. Now what I mean when I say production oriented, it means that if you're a production oriented company, you've got a piece of technology or know-how and you go out and you produce a product or a service or whatever, and then you go out and sell it. NOW ~~Not~~ that is a production orientation, you're always out trying to sell what you can make back here, ~~do you see?~~ At the typical old time production orientation. Henry Ford was a genius at it. It works very, very well when you're in a new market or expanding market ~~and so on~~. That's the typical entrepreneurial. Approach

It's a real problem in a mature industry and no industry is more mature than the paint industry -- is and was. The last figures I saw before on the company there were about 1400 paint manufactories in the United States so there is lots of competition. The biggest competition is really the smaller local companies.

So paint is a commodity. If you want to paint your living room, for example, you can go out and buy the paint at Sears & Roebuck, you can buy it from Sherwin-Williams, you can buy it from Glidden, you can buy it from the little paint company in your town and essentially it's going to be the same product. If you read the consumers research, they would tell you that there's not enough difference among any of them, you may as well buy the cheapest one. ~~/Unclear/.~~ Most Of standard paint formulas you put on your house, inside, outside, formulas are well known, 95% of them are supplied by the raw material ~~/unclear/~~ manufacturer anyway so it is a commodity business. It is not a business of selling a particular formulation, manufacturing, expertise in the normal trade sales business. I'm talking about house paints, ~~you know~~, that the consumer buys. When you get into industrial finishes, military finishes, automotive finishes, there is a lot of technology involved. But that's not the big bulk of the business.

Alright. So, if you're going to succeed in that kind of an environment ~~/unclear/~~, you had better get what I call marketing oriented. In other words, you'd better get out there and find out what the customer wants, what the customer wants in terms of color, packaging, where he's going to buy, how he is going to be serviced, price points. You can't go out there and just say, "Look. I make the best paint in the world and so it costs 10% more than anybody else but you ought to buy it because it's the best." The hell with that, I can go to K-Mart or Sears & Roebuck! We used to have one price point in paint. You want house paint? We had SWP and that was it. If you didn't want SWP...in other words, you have to have different paints at different price points, you know, old, good, better, best, different kinds of labels, some are red labels and some are pink labels and this and that. You've got to do a marketing job. You've got to find out what the customer wants, how they want it, how they want it presented, how they're going to use it, where they want it and then take that information, take information from the field and bring it back and say, "Now given these, how can I take my expertise, my know-how in production, formulation, distribution and so forth, and satisfy those customer wants?" Now that's a market orientation.

Sherwin-Williams company was just reversed. Now you say that seems to be fairly straight forward and that shouldn't be hard to explain and it shouldn't be hard to change. Well you try and change it when you have a company of that size spread all over the world and they've been doing it that way for one hundred years. It's a whole different way of looking at it. The other thing it means is that you've got to be able to make decisions quickly. Things change out there in the field and they're changing with increasing rapidity all the time. So you've got to make decisions, you've got to make them quickly and you have to make them relative to what's going on out there. You can not have a hierarchical hierarchial chain of command that goes up and up and up and finally the boss makes the decision because by the time he makes the decision the things have changed out there four more times and you've got all the right answers to all the wrong problems. So the decision making has to be pushed down to much lower levels. You've got to have decision making at the lowest level at which you can affect ~~expect~~ the outcome. ~~That means you've got people up here making important decisions.~~

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We went from nobody in the company being able to make a decision on more than $100 capital expenditure when I was working with the company to having the business managers -- heads of the various businesses -- turn in capital expenditure budgets at the beginning of the year, that would be approved and then they could make -- they themselves the head of it -- could make decisions by themselves without even coming back to headquarters of up to a million dollars. Now that's a hell of a difference. ~~But you get~~ -- you also need different kinds of people. A lot of people think they would like to be in that kind of a position but it also scares the hell out of a lot of people because the other piece of this is that you're held accountable for results.

When the boss is making all the decisions ~~up here~~ at the top, nobody else is accountable. So you're looking for entirely different kinds of people and you have to train them or ~~/unclear/~~ hire from somebody else. We had an extensive program of education and a lot of our people got their MBAs at night school for example or we also hired MBAs and hired people from other companies. But the people ~~down here~~ at lower levels have to be businessmen, not just have one business man in the company and everybody else being fetch and carry. That's the whole concept with decentralization that all goes along with changing, you've got to change the atmosphere ~~and you've got to get people with the idea that~~ before -- under the old system -- mistakes were always a kind of reason to get punished so you kind of covered those up a little bit. The kind of atmosphere that I'm talking about, mistakes have to be recognized and become a learning experience...

END OF SIDE TWO, TAPE ONE

BEGINNING OF SIDE ONE, TAPE TWO

WS: ...it was a continuing thing. See, it's not a -- you don't act this way today and that way tomorrow. To change the atmosphere in a company like that, it's been that way for so long and it's so large, it's a long time. Quite often you have to wait -- quite often it takes a generation, you have to get rid of people and replace them and have people come along or bring them in from the outside.

WG: So this was on your agenda when you started?

WS: Oh yes, very much so. As a matter of fact, I wrote a confidential memo to Colin Baldwin about it before I took over as president and Colin told me when I was president -- I said, "Colin, you ought to know what you're getting in to. The Board ought to know what they're getting in to. This is the way I see it..."

WG: Do you have a copy of that?

WS: Yes.

WG: Would it be possible for us to see it?

WS: You could probably see it but I wouldn't want you to make copies of it or take it with you.

WG: Okay.

WS: You can sit there and read it.

WG: Yes, one of the things that we want to do is document things, when things happen exactly, what people...

WS: I'll show you a couple of things.

WG: Yes and I think that's an important part of this story.

WS: Oh yes, yes. And you know, certainly can't say that I didn't tell him! Big job, big problem. Big problems in the Cleveland business community that Sherwin-Williams was part of.

WG: So essentially what you were saying is, in the early to mid '60s to Baldwin and to the Board was that major changes were needed in the way the thing was going to -- the way the company was going to operate.

WS: I found out later that Baldwin never made this information -- never showed this to any one. And the Board was very unhappy because at that time, the average age of our Board was about seventy and they were heads of other business, all ~~clean~~ Cleveland, you know, head of TRW, Republic Steel, no marketing people, nobody outside of Cleveland. The...

WG: Few outsiders relatively, it was mostly an internal Board, wasn't it?

WS: No, no, there were outsiders but they were all -- all lunched together, played together, cocktail parties together, east side of Cleveland, Shaker Heights and Pepper Pike. Cleveland was a very closed society. I belonged to the Union Club, they have a back door for women. I belong to Pepper Pike Country Club and they ~~don't~~ didn't allow women in the club house.

WG: She's a golfer, that would kill her!

WS: You played at Pepper Pike -- well, there are very few people who have played there. Wives could play but you had to sit in the parking lot and change your shoes and then go out but only on certain days. You~~'re not~~ were not allowed in the building at all. Much

~~of our exclusives were burning trees, for example.~~

WG: When you reorganized the company then, the Board hadn't -- the way hadn't been prepared with the Board.

WS: No, not even a little bit. If we're talking about -- not marketing companies at all, they were steel companies, TRW, Goodyear. Well Goodyear was a marketing operation. But I went in there and the Board was upset because Colin had brought in a man who had been head of Acme Quality Paint which was one of our subsidiaries then named Dick Bull and made him Executive Vice President and put him on the Board of Directors and told the Board that he was the heir apparent. They thought he -- he was already on the Board. And then went to the Board and said to them, "I've got this 42 year old back here and he's the man ~~/unclear/~~." And Dick was in the same generation as they were and well known ~~had /unclear/~~ to them and you can imagine what that did.

WG: You know, before you mentioned that when Colin went to Canada he had a kind of -- well, wasn't hostile but it might not have been a Board that was particularly friendly to him /unclear/...

WS: When he was in Canada?

WG: Yes, it sounded like...

WS: The Canadian Board, yes.

WG: And you said, "Well I've had experience with that." Was that your experience with this Board, that they were not being supportive of you?

WS: Well, they were shocked in the first place. I was -- let's see, I was originally on the Board around -- I became Executive Vice President so that would have been around 1968 or something like that. At that time I would have been 41 years old, the Board averaged about seventy. A different generation.

WG: Let me see if I hear what you're saying or that I understand what you're saying. Essentially Baldwin got the sense that he knew that some strong measures were needed and that he didn't want to carry them out for one reason or another and that he brought you in, nominated you to be president to carry out these actions?

WS: And told the Board in effect that Dick Bull couldn't do it and I could, ~~and what you'd do when you're Chief Executive of the Board, you know~~.

WG: And then -- but once you set out to do what you had to do, the Board backed you up?

WS: Initially yes. Of course, what I did was I turned the company around very rapidly. IT ~~I went from nine years of this sort of stuff and culminating with this.~~ But then I said to the Board in effect in 1977, because they had okayed all these decisions you see, in the '60s that you were wrong and now we've got to write these things off and it's a lot of money and it's relatively new money, it's not depreciated. And that took big charges against earnings. Companies do that all the time now you see, they call it restructuring and the stock goes up, the executives get a pat on the back, ~~and that really upset them.~~

WG: As Chief Executive, you were not in a position to change the Board? To nominate new people?

WS: Oh sure. ~~The~~ But it's very difficult when you're taking people off the Board, particularly when you're in a city and everybody is good friends and ~~so on and so forth and~~ you're doing business with them all the time. ~~Cleveland is a very -- was -- see at that time~~, Cleveland was the third city in the country for large ~~a~~ corporate headquarters, right behind New York and Chicago. That's not true anymore. I'm talking about Fortune 500 companies. Cleveland was a very in-grown community. Everybody served on everybody else's Board, the bank Boards and the companies were all inter-connected. I served on the Cleveland Trust Board, Colin served on the National City Board and they all went to the Union Club, they all belonged to Pepper Pike, they had all grown up together. I was really an outsider, I was not ivy league, I left home at age fourteen and never graduated from high school -- officially.

WG: I just ran out of ink in my ball point pen which is an amazing thing, it's happened to me about twice in my life. Thanks.

WS: But at any rate, it makes it very difficult to make changes and ~~we're talking about~~ the man who run -- on the Board -- is the man who runs the Cleveland Trust which is the ~~biggest trust~~ operation -- between New York and Chicago -- one of the few banks that stayed in -- didn't close in the '30s, you see. It's people like that ~~plus the~~ fact that I really didn't feel it was necessary. Nothing happened that they didn't approve of.

WG: But you didn't feel like you had their strong backing?

WS: Not strong, but as long as the results were good and things were obviously improving and the stock was doing well and Sherwin-Williams was getting a pat on the back ~~and this sort of thing~~. But when it came down to the final bit that had to be done and when it became very obvious that it was decisions that they had made that caused these problems then they weren't very happy.

...speech I made to the Security Analysts Society in Cleveland in 1974 and it ended up in my last sentence is a quote from Marchievelli. "There is nothing more difficult to carry out, no more doubtful of success, no more dangerous to handle than to initiate a new order of things." I would only add my one observation to that. The only thing more dangerous is to do nothing at all.

WG: Can we add this to our collection?

WS: Sure. You didn't pick up those papers did you?

WG: No, no, you put them back in your folder.

WS: Oh, here they are.

WG: I wanted to ask about the Board. W~~here there~~ particular -- did you add people to the Board while you were CEO?

WS: Yes, to some extent. One of the things that -- when we broke the company apart into businesses and then we set up heads of various businesses and we had three central legs of the business, Coatings, Chemicals and Auxiliary which were containers and brushes and ~~the~~ outer coats and various kinds of metal bending businesses. Each of them was set up as a separate business with a separate head. Those three heads were added to the Board so -- well, two of them were, the Coating guy was already there. Then I replaced a couple of outside Directors because of deaths and that sort of thing.

came to believe that was a mistake and at the end just before I left, I really changed the Board and I don't know if you ran into that or not. I cut out all outsiders except myself and one other man. There was an interesting story in the newspapers about that, too. /Unclear/. Here. This is the eastern edition of the Wall Street Journal. "Sherwin-Williams offers shareholders an improved role. Plans Board change that put shareholders democracy ahead of fear of takeover."

I have written and talked a good deal on corporate governance. At one time I would have been considered one of the few ~~experts~~ Avant-guard in that field. Not only from the theoretical stand point.

WG: Yes. Actually I think -- what little I know of that field. What's written by practitioners or experienced people tends to be a lot better than what isn't.

WS: Well yes, unfortunate -- it's been unfortunate there's been very little overlap and that's where I -- a little bit peculiar, I have a foot in both camps and so I -- many of the researchers in the field and particularly the ~~/unclear/~~ Academics tend to be very theoretical and then you've got all the guys out here that are doing their jobs and saying, "Well no, you can't do that, it's always been this way and you can't upset people, ~~and so on and so forth.~~" So they don't get together. I have a foot in both camps so I was trying to do some of the things that I knew had to be done, could be done. That's still very true. Since I left the company, I've done some Board consulting, I'm consulting in that area now. It's very, very difficult, ~~very, very difficult.~~

You know, human beings don't change a whole lot whether you're ~~up here~~ running the company or ~~your down here or~~ you're sitting in that chair or whatever, you still have all the same kinds of fears and pressures and personal concerns and "What are my friends going to say? How am I going to feel?" When you start making changes that imply or even more than imply that what you were doing in the past was wrong.

WG: Let me shift gears back a little bit to the marketing question again. One of the things that appears striking about the early '70s was the change in the company's image, you changed the logo.

WS: Oh, yes. I used to have a lot of things hanging on the wall. We -- what we've been in the process of doing for ten years now. In Cleveland we have a house of 75,000 square feet, we got rid of that and then we went to a house with 37,000 square feet and now we're in a house that's 2,000 square feet. We used to have three floors, a servants quarters and basements and everything else and boy, you get rid of a lot of stuff! I still own a fairly sizeable house in /unclear/!

WG: But tell me about changing the logo.

WS: That was one of the most interesting periods of time I went through. Do you know that the "Cover the Earth" logo was one of the three best known logos in the world I think it was Kodak, Coca Cola and Cover the Earth. Cover the Earth is all over the world in all languages ~~and so on and so forth~~. There were some problems with it. It wasn't the first Sherwin-Williams logo. But ~~anyway, the problems with it~~ -- but it had this kind of mystique and everybody had grown up with this and again, when I went to Sherwin-Williams, I said I was looking for a company where people were old. Everybody was old.

I became foreman of K-Department in the Cleveland plant and one of my jobs was to train somebody to take over because I was just there temporarily and so I did. I trained the youngest man in the department to take over. He had been in that department seventeen years. He was the youngest man in the department. I'm talking about a factory worker now. Well that was kind of characteristic of the company. They bragged about -- they worked for Sherwin-Williams, in the '30s you had a job, you didn't make a lot of money but you had a job. Great loyalty -- a company has its code of principles, you've seen that? That logo, the code of principles was the sort of the thing that people rallied around and in today's maybe pseudo-sophisticated world, that sounds kind of ridiculous.

In Cleveland, they used to have a women's organization called the Bug Club, I don't know if they still have it or not, the Brighten Up Girls Club.

WG: They changed it in 1984.

WS: But this was a great thing, ~~this~~ had been going on for ~~umpty-seven~~ years! But the logo bit -- I started this whole area of market research, hired a guy that was a real expert, his name was Morrison who had been vice president of one of the big advertising firms. He had a Ph.D in psychology and his field was market research and statistical analysis. He was part of this whole planning process.

We started making surveys, not as to what we thought of the logo, but what did the world out here think of the logo? How did Mrs. Jones think of the logo? She's buying our paint ~~or~~ whatever. We found some fairly startling things. You can be well known or recognizable but you'd better be careful as to what you're recognized for. The logo was recognized but it was recognized as something that was pretty well dated and it was covering the earth, pouring paint over the earth. Do you know what the environmentalists said? ~~Oh gee~~, I used to get all kinds of letters you know. Terrible logo because you're pouring paint all over the earth! That was kind of ridiculous, why were they concerned about that? The logo had been around for along time. But that was a real problem. Mainly, though it was dated and the company was ~~considered~~ a more complex company than that would indicate. So we did an awful lot of market research in terms of what was the public's view of the Sherwin-Williams Company and then what view did we want to get over to them and how can we -- what kind of logo can we use? We did not want to make enormous changes and I interviewed a number of companies that were real experts in this business. Those were the days when companies were changing logos and they were always coming out with initials, SAS or some damn name that doesn't mean anything.

WG: Yes, today it would probably be SWX.

WS: We went through all these kinds of things and finally we said that wasn't for the company and we came up with not just a change in logo but a change in colors, a change in sign, /unclear/. Out of this also grew a book on how you do this. Now remember, we had to change every label, every store sign, every truck, every piece of stationery in the whole world. And we set up specs for all of this. This book became a text book to be used in ~~/unclear/~~ the field, this became the text book for how you did this. But it was an attempt to do two things, one, to bring the thing up to date and make it noticeable but not make an enormous change, in other words, not get away from Sherwin-Williams and to make it look up to date but not to make it so specific that you couldn't do a lot of things under that logo.

WG: Was it done -- /unclear/ told me earlier that you were trying to shake up the company.

WS: Oh, yes.

WG: Was that an aspect to changing...

WS: Absolutely. Both the company's image, external image and the company's internal image, no question. I've got here some place the original mold for that logo, it's about this big around and there's a little story on the back of how this took place. It was given to me by some of the people in the company.

WG: Another question I had about changing the company's image on the retail side, the <u>Decorating World</u> story. Could you tell us about that?

WS: Well I talk -- those analysis things talk about it that I gave you. Because we had a lot of stores around -- Sherwin-Williams still does. The company owns stores, they are not franchised. People thought of us as sellers -- retail sellers, that you could walk in there and buy a gallon of paint or whatever. That wasn't really true. Those stores are as much wholesale and some of them are considerably more. We sold more stuff out the back door as we did out the front. So we weren't that much of a factor on the retail business but the retail business is where the margins are and we already had a lot of awareness as far as the retail world was concerned -- our retail customers were concerned. So a lot of this had to do -- we wanted to develop the retail image of the company and so we went in a lot for this decorating bit, we went more heavily in to associated products like carpeting.

When I left the company -- I don't know what they're selling now -- they were selling $200 million of carpeting a year through those stores. That's a big carpeting operation, $200 million, ten years ago and no inventory. That's pretty good business. We were ~~We're~~ the largest seller in the United States of wallpaper, the largest. Do you know that? You've got 2,000 stores and you sell a bit ~~lot~~ in each store, you become the largest.

But Mrs. Jones thought it was a paint st-- -- We wanted to get Mrs. Jones to think of our place if you've got a decorating problem you go there and you could get carpeting, you could get window

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treatments, you could get wallpaper, you could get paint and there was a lot of development going on in those days -- suburban development, developers building houses, particularly small developers that had -- maybe he was going to put up a development of twenty houses. He wants these things decorated and he's going to buy this stuff, he's going to buy the carpeting for the twenty houses and the wallpaper and the paint but he's not big enough so he can afford to have a decorator. He comes down to our store and we do the job for him.

So that became a pretty good size business and then it became so successful that we began to look at our branches in a different way and to manage them differently. When you do that, then you get different kinds of branches. We had older branches, we had wholesale branches, we had our standard branches in the small towns, they were branches that were kind of all things to all people, they sold some retail, some wholesale, some automotive. And then to really go after this retail market and the idea that you could -- that we were a decorator, we did a lot of research -- market research, probably a year and a half as to what it ought to be and where it ought to be. We went over to Europe, did a lot of work over there on the hyper ? marché ? marche type operations, looking at those ~~and so forth and so on~~. We finally decided that we were going to do it in Charlotte, North Carolina because all these figures said -- all the demographics -- this was a place -- remember this was around '73, twenty years ago -- this is a place that was going to grow. Of course that turned out to be correct, it turned out to be the right spot. We decided that we were not going to do it on the cheap, we're going to go first class and it was going to be our own store and we went into a major shopping mall and our stores are normally run from two to three thousand feet, we put in 25,000 square feet. We put in a complete computer controlled back room with controlled inventories and everything else which was kind of revolutionary in those days.

But this was an experiment because you put a lot of money into something like that and we wanted to try different ways of merchandising, different products...

END OF SIDE ONE, TAPE TWO

BEGINNING OF SIDE TWO, TAPE TWO

expensive

WS: Well that was -- I chalked IT up TO ~~the~~ research because it was set up for that. We had to learn how to manage something like that, too, big staffs and you're buying all kinds of decorating items and gift items and everything for the home, for decorating the home. Paint men, relatively small part of this. Expensive rent of course, in a big mall -- ~~we're~~ were not in the mall, ~~we're~~ were on the corner. We found out like McDonalds, you don't want to be in the mall, you want to be out here if you're that big. It lost a lot of money -- as it should have. We were doing a lot of experimenting. I had a terrible time with ~~both the public~~ and the Board.

The Board -- I'm trying to convince the guy running Republic Steel -- we're talking about an advertising budget. I spent more money for advertising in one year than Republic Steel spends in its entire existence. He just couldn't understand that. That was one of the problems of the Board. TRW -- they don't understand that sort of thing! We had nobody on the Board who knew what merchandising was for.

WG: Was it you who added Professor Buzzell from Harvard?

WS: Yes.

WG: Was he a help in this one?

WS: No. Very bad mistake. Narrow point of view. Real marketing theorist -- very narrow point of view. Saw everything, couldn't figure out why -- for example, I'm trying to do this, why I'm also trying to get these obsolete plants out of the way and build a new plant. He couldn't figure out why we're spending money over here in making "That's foolish. /Unclear/." What are you going to supply them with? Well this is not unusual in academics and I'm speaking as an ex-Dean, I've been there ~~and a member of~~ board of educational institutions.

But anyway, I brought him aboard on that basis, he was Harvard's bright young man in marketing but he was more trouble than he was worth. He could not -- see a Board -- you should never do that. I've got all kinds of ideas about governance and part of it is just bad experience, generally it doesn't work.

You should never hire people on a Board for a specific piece of technical capability. You should pay them for that. Hire them as consultants and pay them. What you need on a Board ~~is~~ are people with good general management background who can see the total picture, see how it fits together. If you're an engineering company, you don't need engineers on your board, you hired engineers, you've got them by the ton. What I should have done is hired Bob ~~Baizel~~ Buzzell as a consultant, paid him twice as much as we did as a director and use him as a consultant but then he couldn't have interfered with Board decisions.

But at any rate, by the time I left -- this was a big thing in Charlotte -- by the time I left, the Decorating World had sales of around a million and a half a year and was breaking even sooner than expected. But the Board didn't like it, they didn't understand it. That's too bad because right now I think Sherwin-Williams could be easily three times as big as they are in merchandising if they just continued that division and the first thing they did was close it down.

WG: Well just to follow up on that point, one of the kind of conventional wisdom pieces I've heard about that is that it was difficult for Sherwin-Williams to compete against K-Mart.

WS: It has nothing to do with K-Mart. K-Mart wasn't even in that business and still isn't. After all, we were the largest suppliers to K-Mart. Tell me about K-Mart -- I knew them from the top on down, we taught K-Mart the home improvement business. When K-Mart first started and old Walt Cottingham had this great idea to change from Kresgies five and dime store was a K-Mart, they didn't have ~~any~~ money -- not the kind of money that they needed. So what they did, they went out and built these stores and all the departments were leased departments, they weren't K-Mart owned /unclear/. The whole home improvement area in the K-Mart store was run by the Sherwin-Williams Company. It was leased -- the spaced was leased to us and we ran the whole home -- not just paint -- the whole home improvement.

At one time, the Sherwin-Williams Company was the largest seller of toilet seats in the United States. We bought them and sold them through the K-Mart home improvement. We taught K-Mart the business. And then people tell us that we can't compete with K-Mart and we still -- when I left -- were K-Mart's largest supplier in paint. But no, K-Mart wasn't even involved with the kind of thing we were doing down there, wasn't even close to it.

Word

WG: But there are these discount...

WS: No, this wasn't a discount operation.

WG: I know, yours wasn't a discount but yours -- Sherwin-Williams wasn't a discount but how could it compete successfully over the long term with the discounters? How could you keep it differentiated?

WS: Well that kind of a -- remember, we're talking about different kinds of branches. That kind of branch I wouldn't even try to differentiate. This is the kind of a branch that was competing with those department stores in the mall right next to us. That was our competition, not K-Mart. We weren't selling the kind of stuff that K-Mart sold. One thing that K-Mart can not sell -- you've never seen a Sherwin-Williams label in K-Mart and never will -- well maybe Breen will do it, I don't know. I had a big argument with them at one time and they threatened to quit if we didn't give them Sherwin-Williams -- I said, "Go ahead. /Unclear/" And that was $37 million a year then /unclear/ wholesale.

WG: Well that was another big decision I think that came from your time was the decision to push Sherwin-Williams exclusively through the Sherwin-Williams channel.

WS: Yes. Absolutely, absolutely. And change Martin Senour -- changed the dealer business -- paint business outside of Sherwin-Williams was essentially a dealer business. But our dealer business was going down like this because our branches had been competing with the dealers you see. We sell Sherwin-Williams paint in the branch and then we go down two blocks down to the Mom & Pop hardware store and they carry Sherwin-Williams paint. That's pretty tough to do. But we had lots of labels, ~~you know~~, we were Martin Senour and Acme Quality Paints and all the rest of this.

WG: /Unclear/ & Lucas.

WS: Yes, sure. So I took Martin Senour and pulled it out and said, "That's going to be the dealers' brand." And pulled the whole organization out and said "We're a dealer organization in the Coatings ~~/unclear/~~ group." And changed the dealer operation from going down like this to going up like this both in terms of volume and profit, yes, I did that.

That's part of this marketing bit that I'm talking about. You look at your market, you look at how they want it, where they want it. The dealer wants considerably different kinds of sales support, advertising support, brochures, hand-outs and so on ~~and so forth~~ than a branch needs. You can't use that same Approach ~~/unclear/~~.

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But once you've organized your business around that dealer's needs and then to give him a nationally known label like Martin Senour then we can go and we did.

Now we went to a -- also we got into a lot more privatel~~y~~ Labels ~~/unclear/~~ with many of the regional hardware home improvement centers.

WG: Back on the question of Decorating World, as we talked about, the company withdrew from that when you left. Your view is that had they stayed with it, it would have been a tremendous success it just wasn't...

WS: Well what I'm saying is that now you see -- what's going on now is places like Home Depot. While we wouldn't have gone in that direction, but it's that concentration of allied products and services together is the wave of the retail business now. I was trying to do it twenty years ago. I think they missed a really great opportunity. We had just about worked the bugs out of it, it was just about to break even when I left. But they didn't ~~don't~~ understand it and they don't want to understand it.

They dismantled the whole marketing and research and everything else. They just dismantled it.

Have you ever talked to Bruce Morrison? You should.

WG: Actually, Bill Eldredge suggested that we talk to him.

WS: You should. Well Bill -- his whole background was marketing and I'm the one -- he was originally in the market research, that was his background. I moved him into the paint -- well, first he went into the paint marketing operations and then into market research and then into general management. But yes, that was Bill's background and you should talk to Bruce Morrison. He was a real expert and knowledgable ~~acknowledge~~, he's written all kinds of books and articles ~~and everything else~~.

WG: Tell me about Bill Fine's role.

WS: Fine's kind of a mystery man, isn't he? Bill Fine was a great guy -- he still is. But he was a financial guy and -- with a lot of versatility. A real good dollop of the whole Sherwin-Williams loyalty but open to new ideas and new ways of doing things. A good general manager -- became a good general manager. As I kept moving him up and broadening his sense of responsibility. I think that Bill and I made a pretty good team. From what I understand -- I was very disappointed in Bill because he was one of these people that as I mentioned to you once before, couldn't move from that side of the desk to this side.

WG: Because of his staff orientation?

WS: Well not necessarily staff orientation, it's just a personality difference. This side of the desk there's no place to go.

WG: Oh, I see. He couldn't take the ultimate responsibility?

WS: By the way, this is the desk they made for me in Sherwin-Williams, ~~I brought it here -- I carried it around with me. Of course at that time my office it was 24' x 30' and it fit a little better.~~

But Bill and I -- I think -- made a good team because he was a financial guy that had broadened out quite a bit in management. I had come up through operation and then broadened out into marketing and personnel and organizational development and brought in people in marketing so we made a pretty good combination.

But Bill ~~is~~ was not a strong man by himself. Apparently it's turned out that way. ~~He has switched /unclear/ three~~ times.

WG: Asking kind of a...

WS: And never having any respect for it, you never do.

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WG: I'm asking you a little bit about your management team. You've talked about Bill Eldredge and Bill Fine and Bruce Morrison. I'm trying to remember who the other...

WS: Well there were younger guys. People like Bill Fine -- Bill Fine was ten years older than I was. But the guy they were bringing along were the Eldredge's.

WG: Was Moonan in that group?

WS: No, no, Moonan was a disaster. That's another Baldwin Story.

Baldwin was involved in the negotiations to buy Spray-On. Bill Moonan was one of the two founders of Spray-On. He was bucking and Baldwin told him that, well, if he sold Spray-On -- well, maybe this thing ought to be turned off.

WG: Okay, sure. Well back on the management team then...

WS: Well there's one of those -- do you have one of those things I gave you because I talked about that in one of those talks.

WG: The speeches? We must have left them in the other room.

WG: Here's one.

WS: No, that's probably not it.

WG: Did you bring another tape, by any chance?

WG: Sure.

WS: If you wrote all that stuff out, you'd make a lot of people unhappy. Fortunately a lot of them are dead!

WG: No, I think that -- you know what I said at the outset today, this is a period of the company's history that is not well understood because none of the actors are around any more.

WS: Well that's because they're all older than I -- 120 years most of them.

WG: But I think it's one that's -- well it's an important period in the company's history.

WS: Yes and quite frankly, what Breen did was not unusual among men that come into the company in a situation like that. He got rid of the up and coming young management because they didn't have any loyalty to him, and brought in other people.

WG: Yes, Bill Eldredge is one of the few...

WS: Yes, he's one of the few left. Well Bill is a survivor. He knows which side his buttered on. By the way, Bill -- speaking -- I had him involved here in one of the...

I was talking about this marketing bit here and the people that were involved in here, the Advertising people and Bill Eldredge.

WG: How did the top management of the company operate? I mean, you described early on about how Steudel and...

WS: Excuse me. What we had, we had three business areas really and they were headed by a man that ran that business and there was the Coatings business under Ron Curley, there was the Auxiliaries business under Bill Moonan, there was the Chemical business under George Schlaudecker. Now each of them ran their business as a business and they had their own Marketing, their own Manufacturing, their own Distribution, their own Research & Development and their own Accounting Department. They were budgeted as a business, you see.

Then we had corporate kinds of activities that kind of went across. These were activities, the Corporate Accounting and the Comptroller and Personnel and Corporate Research ~~as opposed~~ to these various...and this type of thing. So we had the line operations of these various businesses, then we had the corporation -- what you might call "Staff Service Activities" to those businesses. Then I took the position that any company, regardless of what business you're in or what your product is, you really only have two resources. ~~People talk about what their resources are.~~ You have money and you have people, that's all you've got. Everything else grows out of those, the product or whatever. So therefore, the ultimate -- that reported directly to me -- reported directly to me was the Chief Financial Officer of the corporation, the Director of Human Relations the top Personnel guy reported directly to me. The other thing that reported directly to me was the Strategic Planning and the Executive Vice President and eventually the President, Bill Fine. ~~See, according to Bill Fine, he had those businesses reporting to him and he reported to~~ me.

WG: He was essentially the Chief Operating Officer?

WS: Yes, Chief Operating Officer, yes. But I kept personal control over Finances, Personnel and Strategic Planning. I don't see how anybody can be Chief Executive without it, ~~myself~~. Now a lot of Chief Executives ~~who~~ disagree with me. That's the way it was managed and the business heads operated on a budget, it was pre-approved and they had monthly meetings, went over all their figures with their own staff. Bill -- the Chief Operating Officer -- would sit in on those, occasionally I would. The heads of those business plus Bill Fine and myself and the Chief

Financial Officer and Head of Personnel and the Strategic Planning was kind of a committee and we would meet together on overall situations.

WG: How often?

WS: Once a month after all the figures were in. I was very much a people-oriented manager. I almost never wrote letters, I didn't dictate very much. I had a tendency -- I'd get letters and I wanted something done or there had to be an answer, I had a red pencil and I'd write it on there and send it back out /~~unclear/ somebody like~~ that. I took the position that the worst thing that could happen to a company is to have the top man tied up or unavailable.

You know, people give seminars on how to get maximum utilization of your time for the businessman, those are very popular seminars. Particularly if the guy really has to get himself organized. That's the worst thing the top guy can do because what happens is, people are always bothering the top guy, he's got more important things to do than to worry about your problems. That's a lot of baloney. Because your problem is the most important problem to you, not it may not be to the top guy but if he's the only one that can make the decision or the only one you want to make the decision or give some input, he'd better be available because nothing is going to happen until he is available. So I spent most of my time talking to people. I got the reputation of being the most accessible person in the Sherwin-Williams Company. I always had my door open, everybody knew it. I had grown up with the company. One day I was sitting at my desk and I just looked up and here sitting next to this desk right here is a little black girl about twenty, nineteen, something like that. Somehow she had kind of slipped into the office very quietly and she was obviously upset. She was a gal that worked down in the mail room. She had what to her was a very important problem. She came up to see me about it. I thought it was great. That's the way I handled it and very seldom would I call anyone into my office.

If I had somebody ~~something~~ to talk to, ~~the~~ -- somebody about in the other aisle -- you've been in the middle of the building? They've got those three aisles? I got up out of my office and went to his office. There's a very good reason for that. See this desk? It's designed that way, I designed it myself. It was designed that way, it's kind of a compromise. Before I became Chief Executive Officer, I had another office and I had no desk in there. This was when I first furnished that office, people would come up and look in the door, they'd never seen an office like this before. Even clerks and secretaries would come up on their lunch hour and they'd look in. They had never seen an office like this before, there was no desk in the office. All I had was something oh, about like this back ~~on~~ my chair and a cocktail table -- a round cocktail table and three or four chairs around it and myself and then I had a conference table at the other end of the office and that's all that was in that office.

A desk you see, serves two functions. One, it's a power symbol, the bigger the desk the bigger the man, you know, the more powerful he is. Two, it protects the man sitting behind the desk. I am much more secure talking to you when I'm behind here, you see. And so I said that one of the worst things that can happen in communication in the business world is that kind of a situation. I've been subjected to going into my superiors office, sitting in front of the desk and looking at the sun shining in the window in back of him while he's talking to me. That's a comment on the man. It's a comment on how he thinks of people, how he treats people and how he thinks of himself. What's his uncertainty? What does he need all that for? What does he need that desk for? Why does he need this spotlight in my eyes? What's that all about?

So that's the way I ran the company. Again, that caused -- for a while it was kind of interesting because that's the opposite way -- remember how I told you ~~/unclear/~~ Steve called Vic Mills and Vic would ~~pick~~ up a phone and walk out in the middle of a conversation and talk to the boss. That's a different way of running it.

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John Prescott -- I talked to you about John? John was about six foot, oh, six, something like this, he looked like Abe Lincoln without a beard. A very good friend of mine. He was almost thirty years older -- well, he was thirty years older. He'd been around there for a long time -- obviously, John Sherwin Prescott. By the way, he and -- here's a nice aside. He and Sol Coolidge -- who ran the Chemical business -- got out of college about the same time. I think John went to Williams and Sol went to Yale. That was the time when the sons of prominent families -- when they graduated from college you went to Europe and did the continent. John and Sol shipped a Rolls Royce across the Atlantic and toured Europe in a Rolls after they graduated from college together. Sol was also born with a silver spoon in his mouth.

But at any rate, when I first set that office up as president and I didn't have a desk in it, John Prescott was the most uncomfortable guy you'd ever seen in your life. He'd come into my office and he's a tall lanky guy. I'm sitting in this chair. There's a cocktail table, a round cocktail table and three chairs around it so they can sit in. John would come into my office, tall and lanky and he'd stand up against the wall like this and talk for a while and then he'd move over here and he'd stand here. I'd say, "John, sit down!" He couldn't bring himself to sit down. That was not an office. It was a long time before John could get himself to do that. He had been brought up the other way. By that time, I was his superior. ~~It's an interesting~~ -- how you handle people and part of it is what kind of gym cracker around them.

Now this desk you can sit behind but not the way it was set up -- I don't know if you've been in the Chief Executive Office or not? Do you know whether Breen is at the same office, the one in the corner?

WG: It's in the corner, yes, we were there.

WS: Big office in the corner? Fireplace at one end?

WG: Yes.

WS: Lot of paneling?

WG: Yes.

WS: Okay. That's the old traditional Chief Executive's Office. Well you know how big it is?

WG: Yes.

WS: That big old bathroom? I opened up that whole end of that hall there, at one time that was just a rabbit warren of offices.

I pulled it all apart and took partitions down, painted it. But at any rate, this desk was set in that office up against the far wall as you walk in. But this part was against the wall so that when you walk in the door you're walking in this way, you're not walking in that way. There were no chairs. This ran at right angles to that wall and there were no chairs there, the only chairs in that office was I had a chair and there -- and I moved them from my other office and there were three others and they were all identical. See, that was another thing that was important.

WG: There's no status in the chairs.

WS: There was no status in the chairs. I sat here and over here was another chair just like it and there was a little end table and there were a couple of more over here and then I had a couch and a couple of chairs in front of the fire place where if I had a bigger group we could sit and talk business. But there was no way -- when you walked in that office, you walked in this way, you didn't walk in that way. Now I could have a small conference obviously, around here because it's set up for that, it's big enough. But even there I didn't sit behind a desk. Again, that's symbolic and I don't know if you noticed, I am a collector of a particular artist. When you walk through that family room, I don't know if you noticed them or not? I brought in that art work in the office. You should take a look at it. See if you can visualize that in that office, panelled off with...

END OF SIDE TWO, TAPE TWO

BEGINNING OF SIDE ONE, TAPE THREE

WS: ...Today Show and then I ended up on the Today Show talking about it.

WG: What happened? Was it just your bashing your head against the wall too long and you couldn't...

WS: Well, a couple of things. One is that I told you earlier that I decided that I wasn't going to work -- wasn't going to go beyond 55 anyway, I wasn't going to be CEO more than ten years and actually I was there for seven or something like that. So I didn't have the mind set that I was going to hang on to the job, do you see? As a matter of fact, my mind set was somewhat the reversed. This confused the hell out of the Board and they didn't agree with me because most of those guys had been on -- they were with their companies forever. In effect of course, when you say this to a Board you imply -- at least they think you do -- you're implying a criticism of the way they run their company. Because I say, "No Chief Executive ought to be Chief Executive for more than ten years of any public company" to a man who has already been Chief Executive twenty years in his company, he's not real happy about that. So my mind set wasn't to stay beyond 55 to start with.

I got to the point where I think I had made a thorough enough analysis of what had to be done and written it all off in 1977.

WG: What do you mean, "written it all off"?

WG: You mean you took in the write off in disclosing the assets, right?

WS: Well, even if I hadn't ~~disclosed~~ of them, I had written them off for someone to close ~~console~~ later but they were going to be closed. ~~off.~~ That had been done. The reorganization had been done. I had several indications of people who wanted to be -- thought ~~they~~ wanted to buy the general income.

WG: Yes, there were rumors of take-overs.

WS: Yes, none of them were serious really. One man got involved -- one company got involved some years before that. I had dinner with him at the Union Club and I told him point blank. I said, "Look, you'd better understand what you're -- if you're trying to buy us, understand what you're buying. I'm not part of the package." I had only been CEO at that time a couple of years and

I said, "I'm not going to work for anybody else. So whatever you're doing with Sherwin-Williams, you're not buying me." He backed away pretty fast. At that time I had quite a reputation as ~~of~~ a turn-arounder.

That's actually what I had been doing of course for the company. I went up to Canada, I went down to Venezuela, either start up, turn around, I was always doing something. I was up in Chicago, turning around the Chicago operation. I had spent my career doing that. As I said to people, "I never did anything for Sherwin-Williams except make money for them."

So I had gotten the re-organization done. I got the Board -- I got all these insiders off the Board. Decreased the size of the Board. I had written off all of these things that were dragging which hit the profits very hard of course, in one year. I changed the fiscal year and that's not as easy as it sounds, from August to the end of the year. ~~We were always trying to~~ -- the big sales month for paint is July, August and September. We were always trying to close the books in~~to~~ August. ~~Jesus Christ~~! You're trying to close the books when you've got 2,000 stores, each one has to be closed individually all over the world and at the height of your sales. But it's so complex and such a problem trying to change the fiscal year, no one would ever do it. I changed it. It caused all kinds of confusion but I figured I was going to have it once and get it straightened out and make some sense out of it. So I had done that.

The net result of all of this, 1977 was a disastrous year in terms of earnings because of all these write-offs. But the Board knew that it had To come and I had employed Morgan Stanley, the investment banker, to advise me ~~of~~ IN these areas. ~~Joel~~ J FLOM Flound, he was on my payroll too and people were trying to -- do you know who Joel Flom is?

WG: No.

WG: Skadden-Arps?

WS: Yes, yes. He was on -- I had him on retainer. I had ~~Joel~~ J FLOM Flound and Morgan Stanley on retainer, so that's kind of a tough ~~paperwork~~ kind of a combo anyway. We had Morgan Stanley because one of the senior partners of Morgan Stanley had gone ~~was going~~ to school with Colin Baldwin ~~and Colin /unclear/ Board some years ago. They were in~~vestment bankers. So they were part of the old school and I had some problems with that. I told them eventually, "Hell, you're not part of the solution. You're part of the problem." You don't do that to Morgan Stanley, presumably. So that didn't make me too popular with them either.

But at any rate. The net result of all of this was to hit earnings very hard in 1977 but that was in agreement with the

Board and with Morgan Stanley, that was the smart thing to do. Get it out of the way and get on with the business. ~~with a whole new set of -- got all that stuff out of the way.~~ "And make sure you write off enough!" I was advised. ~~So I wrote off --~~ the dollar write off I took, I made sure ~~covered--~~ was going to cover everything. And a lot of that was estimates of course, we're talking about things that are going to happen in years. So ~~I think the earnings is that much harder.~~

So you've got a report coming out that had this big drop in earnings. Everybody was in favor of that, we were talking about it. When it happened we had a lot of people who got nervous. So we started getting pressure from investment bankers and Morgan Stanley happened to be the investment bankers of most of our Board. So it began to look -- the Board began to look for goats and they weren't very happy -- they had never been very happy with my being there in the first place, I told you how I got on?

WG: Right, right.

WS: And so, ~~they got -- decided that~~ -- in one year, I had gone from 1977 to be ~~the~~ acknowledged Chief Executive of the Year, to one year later. ~~All of a sudden~~ I don't know what I'm doing. I got a lot of pressure from the Board and I just decided, the hell with it, it isn't worth it. I've done what had to be done. All they have to do is just continue the way it is and even Bill Fine could do that. But there was a group on the Board that really wanted to sell the company.

WG: Was Allen Holmes part of that?

WS: Yes. Do you know anything about Jones Day?

WG: The largest law firm in the world.

WS: That's right. And Allen Holmes -- a good friend of mine but who in many ways -- and just died.

WG: He just died last fall.

WS: He had this recurring illness and he had it several times in his life. One time he had it in Cleveland in the early '70s. He was such a good friend of mine. He was in the hospital and couldn't move a muscle and then when he came back to work we'd go to meetings and he couldn't turn pages or anything and I'd turn the pages for him. He was always the power behind the scene.

Yes, he was involved with that. He thought that was the thing to do. He thought that was going to be the best thing for the stockholders, sell the company. At least that's what he said.

WG: Did you put him on the Board?

WS: No.

WG: He was on when you...

WS: He was on the Board when I got on. Very bright, capable man by the way, extremely capable. Recognized on a world wide basis.

WG: Absolutely. He was...

WS: He was probably the outstanding anti-trust lawyer in the world.

WG: When he -- had Gulf & Western acquired the major position that it acquired when you were still there?

WS: Yes and I had talked to the guy on the phone and he was honest /unclear/.

WG: Talking about Holmes, he's -- his place in company lore is that he's the guy that hired Jack Breen.

WS: Yes.

WG: But what you're saying is that he was really trying to sell the company first and when there were no buyers perhaps, that

that's what he...

WS: Yes. Well you don't sell a company when -- you know, when it's just taken its' biggest loss, kind of dumb in the first place. Well if you're somebody who is bright enough to see what was going to happen but, yes.

As a matter of fact, it was kind of interesting. They set up a ~~Search Committee /unclear/ interim,~~ set up a Search Committee. Then they hired a head hunter. It's interesting, the people that they talked to ~~and~~ they had to come because ~~/unclear/~~ to Cleveland, of course. I lived in Cleveland. The smart guys that they had talked to always called me first to talk to me first and then went and talked with the Search Committee. Breen was an exception. But Breen was brought I think -- intentionally brought in. My understanding is by Allen Holmes but I don't really know.

WG: Yes, that's what we've heard.

WS: Breen is a Cleveland guy and he was involved with the outfit in Chicago...

WG: Gould.

WS: Gould, yes. The reputation as a pretty cold customer that he would sell his own grandmother and he had a reputation with

Gould /unclear/ in that respect.

WG: One of the issues that people point to in looking at the company in the '70s was the accumulation of debt.

WS: Sure, all this borrowed money.

WG: Could you talk about that? You just weren't generating enough from earnings?

WS: Well we ought to go back. In 1966 we had no debt and the highest earnings in the history of the company. I told you how that came about? That was kind of a funny one year bit. ~~But at least we had no -- well there was no one fiddling with the books, they just moved.~~

Oh by the way, one of the things that Breen did -- he's a pretty smart boy. When I wrote off all this stuff, I made sure that I had enough money. I actually wrote off too much. And I did that purposely knowing that I could bring it back into earnings if I didn't need it in the future. First thing that Breen did in the first year was to transfer all those extra reserves into earnings and made him look like he made a big turn around in Sherwin-Williams and all he did was change the reserves! But at any rate -- that I had set up, not he!

But back to 1966. We had no debt and ~~a~~ record earnings /~~unclear~~/. Then Colin came in. Then in Colin, he wanted to expand into various other kinds of activities other than paint ~~and so~~ on. Then at that point in time, was the problem, everybody was concerned about take overs. Here was a company that was its leader in the field, one hundred years old, no debt and so Colin got Morgan Stanley in on it. Morgan Stanley -- the guy, the partner who was involved, the senior partner who was Colins' buddy at Williams. And Morgan Stanley said, "Well, the way to solve that is to get a lot of debt." And that wasn't unusual at that time. If you have a lot of debt, then people don't think you're such a good buy, you see. So we did have to finance a lot of expenditures, but we were selling it twice book value and had only six million shares for a company that size. It could have easily been financed by equity and should have been ~~-- and should have~~ been. You could have gotten the money without any debt.

Now as it turned out, we got a double whammy because ~~you~~ we borrowed the money and ~~you have~~ we had to pay interest on that. Then as I pointed out in my speech there, the money over the five years that we borrowed had a negative rate of return. So, ~~you~~ we added the losses on the money ~~you~~ we borrowed to the cost of borrowing. So that's what I inherited. That's where the debt came from.

Alright now, after you are already in that position, you've got to spend some money to build these new plants I'm talking about,

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the new paint plants that hadn't been built because they were spending money in other places. I had to get money. But now instead of selling at twice book value, you're selling at less than book value and the only way you can float equity is to dilute the stock. So what do you do? What do you do?

WG: You borrow.

WS: You borrow. You have no choice. There is no choice that's fair to the shareholders. ~~You dilute all these~~ -- you dilute all the stock ~~all~~ these shareholders have held for years. ~~All these women and children~~ you're talking about, they're all widows and so forth. Well, that still wasn't so bad because the financial performance ~~bit~~ of the company had turned around and ~~we went from a negative to a positive and~~ earnings were going up, ~~like this~~.

Except then along come ~~the~~ OPEC, the oil embargo and the price and wage controls, right in the middle of this program, ~~and there I was~~. And I showed you those graphs, our ~~my~~ raw materials doubled in one year. The money that was borrowed to build these plants went in to raw materials or working capital to keep the business going. And so I had to borrow some more money.

WG: You couldn't raise prices because...

WS: Couldn't raise prices because there was price control. It was very simple. It's no mystery, there's nothing difficult about it.

WG: Well that says is that you were just extraordinarily unlucky with the -- that you expanded on the eve of a major contraction that was unanticipated.

WS: Actually, it wasn't a matter of expansion. We were just replacing. ~~Well you~~ see, if we had spent the money where we should have initially, in other words, that $140 million, if it had been spent in plant modernization...

WG: Instead of buying Maumee or something.

WS: Maumee, titanium dioxide, chemical plants, container plants, it had to be written off!

WG: Over seas...

WS: Over seas before it ever got into operation -- ~~before it ever got into~~ operation. Yes, Colin was my -- international advisor one of the things he did after he turned over the Chief Executives job, he was supposed to help me N international -- and he was very personable guy and he was very good at this. Traveling around and he's a very impressive guy and he was a very good speaker for the company. This is important, particularly in foreign operations.

So I was so involved in that. I said, "Colin, would you do that for me?" Oh yes, he loved that. So he was the one who was responsible for buying that Dutch company, ~~and~~ He was the one responsible for organizing the Indonesian company and the result -- he went over there two or three times and said these were the people to be in business with in Indonesia. The money involved was small, I couldn't really get all that concerned about it. But one of the reasons that he thought it was such a great value was because they were one of the few Christian families he talked to. It turned out that it was a disaster for a lot of reasons. One was that they didn't know how to manage a business. ~~Well,~~ They had a whole lot of different business characteristics we ~~didn't~~ couldn't handle. As a consumer company, we couldn't do business ~~that~~ their way.

WG: So to come back to 1978, it looks as though the forces of nature were in a way building up against you.

WS: But by that time I had it well in hand, really. As I said, all they had to do was continue.

WG: But you had a Board that was kind of testy?

WS: Oh yes, yes.

WG: Concerned, you were loaded up with debt...

WS: Oh yes and we just reported...

WG: First loss in the company's history.

WS: Not the first loss, no, not by a long shot. But a stunning reversal and it came down to the bottom line ~~anyway~~ and if that's all you want to look at and not look at the reasons why and what was likely to happen because of that, then it looks very bad, ~~it looks very bad~~.

And then of course the next guy to come in sees that, he just takes off from there, reverses the reserves and then talks about how the previous management didn't know what they were doing. You've seen some of the articles?

WG: Yes.

WS: ~~All of a~~ sudden Bupt -- now couldn't figure out why all of a sudden that business became so good. ~~Well it was the only~~ -- It took about two or three years before Standard & Poor's came out in public and said, "That previous management must have known something about what they were doing." ~~I want to show you something.~~ He came to see me, naturally.

WG: Soon after?

WS: No, it took a while I guess. Just stopped in to me. Just to pass the time of day, I guess. Actually, I think he had something in mind but he was fairly -- it was fairly obvious I think that I didn't want to have anything to do with Sherwin-Williams. Because even a number of years later it was obvious that I knew a lot more about this business than he did, I had grown up with it. He ~~had~~ did gone on the road and made speeches later on about how much the previous management had done for the company. He started out the other way around and he was the one that was going to go into the specialty chemical business and make all kinds of money and he bought a chemical business. I could have told him when he bought it that it was a disappearing business. ~~He finally had to do~~ -- he sold that chemical business for about $40 million and I had $80 million in my hands for it when I left. The Board wouldn't let me sell it. That's some fairly straight forward language in that, by the way.

WG: Yes. Looking back on it all, if you had to kind of list your -- of the decisions you're proudest of and the decisions you wish you could do over again. What would they be?

WS: Oh, the decision I'm proudest of -- decisions are kind of a mish mash really. I think that decisions that I'm proudest of...

WG: Or actions.

WS: Or actions are to humanize the company. And that may not mean -- sound kind of odd to old Sherwin-Williams people because they were very much a family. But to give people an opportunity to develop and to bring a real sense of stewardship to the company in terms of the holders of the company or the stockholders, it's their money. And to recognize that -- recognize the situation and to do something about it constructively. There is a whole series of kinds of decisions in that area. Of course the decision I made to completely -- to ignore the realities of some of the -- not to ignore, ignore is the wrong term. /Unclear/ of the business relationships to Cleveland and the Board but to think that if I performed well, if I did my job and things went well that I could do them differently and therefore I could live with this. What I should have done is change that.

WG: Say that again?

WS: I should have changed the Board. Chief Executive Officer can do that when he first comes in, you can't do it later. You know, anytime you make a change in the top of a company, the new guy can do almost anything he wants in the first year because he's an unknown quantity and plus the fact that you can do some outrageous things and blame it on the previous administration. Presidents do this all the time, United States or companies or anything else. If you don't do that, from then on it's your problem. It's a little bit like what's going on now -- you see it all the time in the national administrations. Republicans want to blame things on Carter, the Democrats now want to blame things on Reagan. It's always the previous -- that only works for about one year and then hell, you want to blame everything on them but you've been running it yourself for three, what are you talking about?

I was naive in that regard. I thought that performance, was enough accomplishments. When I say "performance", I'm talking about my performance in accomplishing what had to be done and doing things for the company and for the stockholders, would be enough and it wasn't. I've got all kinds of testimonials from very, very prominent people in the business world that wanted -- one man in Cleveland and you know his name. He came to me afterward and he said to me and he could do it, he said, "Walt, if you want to run that company I will buy it for you." And he could do it today. And you could count on your fingers the men in Cleveland who could do that and have about three left over. Because there were a few people who knew what was going on. But I was fed up at that time and I was going to do something else anyway.

WG: But in terms of any of the specific business decisions that you made to renovate the plants, to do the Decorator World, to do -- change the logo...

WS: Probably, probably most important things I didn't do. ~~In the 19~~ -- in the period between about early '60s through into the late '70s, before I had any real executive power in Cleveland, I was in Manufacturing management and in some cases that's a General Manager in Chicago ~~and sometimes in Cleveland it would be General Manager of all Manufacturing~~. That was really the period of time in which they were pouring money into revamping -- trying to revamp these old plants. I knew that was wrong. I knew then it was wrong. I did protest, but I did not carry my protest far enough. ~~It wasn't so much that~~ -- it's the old problem of all that has to happen to bring about evil in the world is for a good man to do nothing. I was so wrapped up in the building of a career and so fascinated by the process itself. I should have protested much louder ~~longer.~~

~~And the other thing -- and so this probably~~ -- And that might have made a difference. I don't think so. I think they would have gone ahead and done it anyway, but I was pretty far down the ladder at that point in time. I did stop them from building a new plant in Canada when I was ~~pretty low on the ladder~~ in Canada. ~~So that was probably something I should have done.~~

~~Then~~ If I could have been successful at that, that big hunk of debt wouldn't have been sitting there with a negative return. But I had everybody against me and I had to fight John Prescott, I had to fight Sol Coolidge, mainly those two and I had to fight

Colin Baldwin. I didn't think that was a fight I could win. I probably should have fought it anyway but then I could have left, I had all kinds of recruiters trying to get me out anyway. ~~So that was a~~ -- that wasn't exactly a decision though, that was more something I just didn't do.

END OF SIDE ONE, TAPE THREE

BEGINNING OF SIDE TWO, TAPE THREE

WS: ...that might have been a forced issue because as a CEO, even with the Board at your heels, unless you've done something that is illegal or immoral, it's pretty hard to get rid of them and particularly when you have as good connections as I did in the business world in other places~~, pretty high places~~. ~~For example, I could have unleashed -- people like~~ Business Week and Forbes. Forbes ran a four page article after I left. There were journalists in Cleveland that were very much on my side, they knew what was going on, you can see some of those columns there. That's the kind of pressure a Board -- the kind of publicity a Board can't stand. So maybe it was a poor decision NOT TO [illegible] MY [illegible] ~~, maybe it was~~ [illegible] /unclear/.

WG: Could have ridden them out?

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WS: Well, sure. And here -- where is that letter to Bill?

WG: It's right there.

WS: I said in a letter to Bill you see -- and Bill, the thing that really bugged me about Bill is, Bill ~~come~~ came up in my office when I resigned /unclear/ and he practically cried. ~~I built him~~, I made him and he sat in my office and he said, "Don't leave now, Walt. Everything you've done is going to turn around tremendously and somebody else is going to get the credit for it." I quoted it to him in his letter.

WG: We've had a pretty wide ranging conversation and we've covered a lot of ground. One question I always ask in summary is, is there a question I should have asked but I didn't?

WS: Oh sure there is. You should have asked me, sitting here on the outside, how do you evaluate what's happened in Sherwin-Williams since you've left.

WG: I just asked that question.

WS: Shouldn't you?

WG: Yes, sure. I should have. I guess we're focusing on the history of the company.

WS: Yes, but you're going to bring it up currently though.

WG: Right.

WS: Well, actually I've not had much connection with it.

WG: Are you still a stockholder?

WS: No. I intentionally -- when I got out I decided to cut everything. I was the largest individual stockholder in the Sherwin-Williams Company at that time too, by the way. So it was my money on the line. At that time, officers didn't own much in the way of stock, or Directors either. Of course there wasn't all that much stock around. But no, I got rid of that. I haven't really stayed that close to it. I got kind of irritated with Breen at the beginning.

But I am not at all sure that I would have done anything ~~any~~ Too differently. I think that certainly the company has continued to be a strong company. It is certainly now one of the ~~Bellwether~~ bellwether Companies in Cleveland and I ~~would~~ respect it. I think that some of the things -- when you bring in a new person ~~who is~~ -- they want to bring in their people, they want to do things ~~at~~ a different way and it takes time to sort all this stuff out. The net result of that is, that if a company is ready to move forward

-- as I think Sherwin-Williams Company was at that point in time from a very solid foundation -- you delay it. Bringing in somebody else probably cost the Sherwin-Williams Company two or three years in their development. ~~We had to make a lot of mistakes to find out that~~ they were mistakes and /unclear/.

Conversely, if you've got a company that is coming apart at the seams and about to go down the tubes, then somebody has to make a lot of changes quick and be pretty drastic in order to survive. That wasn't the case as far as Sherwin-Williams was concerned. ~~The~~ -- so probably the worst of it was that it costs them time, maybe two or three years ~~before~~ -- to get the thing back on the road and I have really been surprised that they haven't been more aggressive than they've been in many ways in the last ten years, particularly in the Marketing and Merchandising area.

I still know, ~~obviously~~, a lot of Sherwin-Williams people and I have ~~heard~~ a lot of people talk to me and I go into branches ~~and so on and so forth~~ to buy things and this sort of thing. Sometimes they seek me out. I would have thought that the company would have moved faster. It would have if I had been at the helm, now whether that was good or bad I don't know. But I don't have anything bad to say about the company.

I think they've changed. They've changed the character of the company a fair amount. It's not nearly as open a company as it was. You ~~really~~ have to read the fine print in their financial report to find out what is really going on and that wasn't true. I was much more up front, if you've read some of my comments...

WG: And your speeches.

WS: Well and the Annual Report, the '77 Annual Report...

WG: Was a major statement?

WS: ...when we reported that earnings ~~job~~ JOLT, I said, "Let's not kid the stockholder. Let's not put out a fancy Annual Report." I told them what the problem was. But now they do some funny things with their Accounting. You really have to dig around to find out what they're their doing with their pension funds and this and that sort of thing~~s~~.

WG: Was there a straw that broke the camels back? Was there a battle with the Board that you just didn't want to fight? Or was it more kind of an accumulation of things?

WS: I think it was probably an accumulation really, more than anything else. I think the accumulation -- probably added to the fact that I thought that the company was not in bad shape, it wasn't a bad time to turn it over to anybody and I had been there almost as long as I thought a CEO should be there any way and I was just as willing to take off in another direction.

WG: I was just thinking, just looking through these clippings that the changes you were making on the Board came about a month before you resigned. That must have been...

WS: Well they didn't approve of that. See, my ideas of corporate governance and the Boards ~~are~~ were not the same.

WG: It was that kind of a precipitant of the...

WS: Not that per se because they...

WG: What was behind this?

WS: ...they were agreed with me that the people I took off the Board should have been taken off the Board. They however, would have -- I think -- not cut the Board down in size, they would have added some more people. I actually cut the Board. But I don't think that was a -- well maybe the statements I put out like that one article said this was done to give stockholders more say. Well, here are these CEOs of their own companies sitting on my Board and if it's good for stockholders in Sherwin-Williams, why isn't it good for stockholders in Republic Steel?

WG: Well it would have been.

WS: Well as it turns out of course, Republic Steel was bankrupt then but nobody knew it and that's because of the way they accounted for pension funds. Their pension fund liability at that point in time was something like 25 years earnings and of course it eventually bankrupt the company. People like that were telling me how to run my company.

Bill Delancy at one time never could ~~find out~~ why we -- he was running Republic Steel on ~~my~~ Board -- and couldn't figure out why we couldn't get out books closed every month until the tenth working day. Remember, we had ~~we got~~ all these branches ~~and stuff out here~~, a couple thousand of those stores ~~/unclear/~~. They have to be closed too, every one of them. But we ~~I~~ couldn't get the books closed to report to the Board until the tenth working day. He couldn't figure out why it took so long. He says, "At Republic Steel, Boy! I get my figures on the third day of the month! You ought to talk to my people and find out what we do!" I said, "Fine, that's a great idea. I'll have my Finance people call your Finance people." Bill arranged it. So our people talked to them and they went over the way we did things and the Republic Steel people said, "Gee, I don't know how you ever close the books in this company!" Republic Steel was ~~is~~ a pretty simple business compared to ours. They had ~~have~~ a few raw materials, they had ~~'ve got~~ a few finished products, they're different shapes and weights and so forth. We had 80,000 finished products out there

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and all these various business. We're in the retail business, we're in the wholesale business, we're in the chemical business and we're in the metal bending business. So their guys said, "I don't know how you ever close the books here!" I said to them, "Well Bill tells me that he gets his reports the third of every month and that's a big improvement over the way it was." They said, "That's absolutely right. We get reports to Bill sooner now than we used to." I said, "Well how did you do that?" "We closed off the business a week earlier. We just stopped counting stuff on the 22nd instead of the 29th." Bill thought that was great you see. He never knew what the hell was going on. Should have stayed a lawyer. ~~He really took those --- well, he didn't take any~~body but he ran Republic Steel -- it was in pretty poor shape and Bill didn't help it any. But he didn't understand our business at all.

WG: I'm about out of questions. Do you have anything?

WS: I don't know what you're going to do with all that.

WG: We'll sort through it.

END OF SIDE TWO, TAPE THREE

END OF INTERVIEW