INTERVIEW WITH

BILL ELDREDGE
PRESIDENT
SHERWIN-WILLIAMS INTERNATIONAL GROUP

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INTERVIEW CONDUCTED BY

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THE WINTHROP GROUP, INC.

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WG: We're talking with Bill Eldredge, who is the President of the Sherwin-Williams International Group.

BE: ~~That's what they call me~~. That's correct.

WG: And today is December 10th, 1990. Bill, as I mentioned, I'd like to start by asking you about your career--how you got started here and the various assignments you've held prior to this one.

BE: OK. You want all the way?

WG: All the way, yes.

BE: OK. I started in 1953 and for one year was called a personnel assistant in the personnel department of the Chicago factory, which at that time was the largest paint factory in the world. I think we had 2300 employees. ~~And~~ My job there was primarily interviewing hourly employees and handling other personnel-related duties. That was for one year. From '54 until 1960 I was assistant personnel director in the Chicago factory and the duties there were primarily labor relations. And from '60 to '61 I was personnel director of the Chicago factory with the various personnel activities that are involved. From '61 to about '64 I was assistant director of industrial relations in Cleveland working for the Industrial Relations Division, working mostly on labor relations matters, ~~and~~ salary administration and other things. And then from '64 to '65 I was assistant to the vice president of sales, mostly on personnel matters. ~~And from '65 to--this is being taped~~?

~~WG: Yes~~.

BE: From '65 to '68 I was what was then called an area manager or a division manager in the NORTH ATLANTIC REGION ~~sales force in the northeast~~, ~~and~~ I was responsible--first-line supervisor for 35 company-owned stores and three jobbers. That job is now called district manager, I believe. And then from '68 to '72 I was regional director for the North Atlantic region, which meant I had responsibility for THE 223 company stores in the northeastern part of the United States. That was until '72. From '72 to '77 I was director of marketing, research and development in Cleveland, ~~and~~ We didn't have a marketing research function back then, and I created THE ~~a~~ marketing research function ~~and~~ IT ~~I was~~ involved ~~with~~ consumer research and also a primary element was site selection for stores. ~~And~~ From '77 until '80 I was president of the Stores Division, ~~and~~ We had not been divisionalized previously. We had operated functionally and Stores had been part of the general overall sales activity, but in '77 we created a division for the Stores, and I was GENERAL ~~extern~~al manager of that DIVISION until '80. FROM '80 to '81 I was vice president of public affairs. From '~~81 to '83 and, you know, you don't care what month,~~ '81 to '83 I was in the job I'm

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in now, which was then called group vice president international. ~~And then I became a~~, From '83 to '86 I was a group VICE president. At that time we didn't have a president, we just had a ~~chief executive~~ CHAIRMAN & CEO. ~~We~~ THERE were two group vice presidents WHO SHARED THE OPERATING RESPONSIBILITY in the company; I was one of those two. And then in '86 I came back to this job because they created a president AND COO in the company. So I've been in this job from '86 till now.

WG: OK. You've covered a lot of territory . . .

BE: Right.

WG: . . . functionally as well as geographically.

BE: Right.

WG: Let's go back to the beginning, because I would like to get a sense of what the company was like in the fifties and sixties when you hired on. You were in the Chicago plant.

BE: Right.

WG: Is it still the world's largest paint factory?

BE: NO NOT NOW It was at that time the world's largest paint factory, that's right. It was a chemical factory as well. We had a

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chemical division at that time, and we made chemicals that were used ~~primarily~~ in the paint industry; primarily pigments & dyes ~~and we made fur dyes, and we made pigments primarily and dyes, and that was our primary business at that time in the chemical division~~. And then we had the ~~a~~ paint factory and we had a container factory, too, in Chicago. As you probably know, we had a container division which we subsequently sold.

WG: When you were there, what kind of a place was it? My impression of the company in those days, it was a fairly paternalistic and unchanging is the wrong word, but not dynamic.

BE: Yes. It was a very conservative organization. Organizationally it was unique because the personnel function in the Chicago factory--and I was in that personnel department ~~division~~ and then became personnel director for the last year I was there--didn't report to the general manager of the Chicago factory. It reported directly into the director of industrial relations in Cleveland. And there was no corporate vice president of personnel at the time. There was no corporate personnel function at all. All there was was an industrial relations function which was responsible for labor relations and the personnel departments at the various factories. There was a headquarters personnel function run by a woman who was a rather strange case. And ~~my boss~~ when I was personnel director in Chicago--~~this gets confusing, I know, but I'm trying to not get them confused~~--

~~reported~~, I reported directly to the director of industrial relations in Cleveland and he reported directly to the vice president and treasurer of the company whose name was Luther Schroeder. ~~And~~ The company at that time was really run by two people: Arthur Steudel, who was the chairman, who really handled the marketing and the sales; and Luther Schroeder, who really handled everything else. ~~And~~ This was Luther Schroeder's way of controlling ~~through~~ the factories, is ~~was~~ to have the personnel function--~~which was almost like the political comisars, you know-~~ -reporting directly to him, which was an indication of the fact that the Financial ~~monetary~~ controls were extensive. A further illustration of that, fact and perhaps even a more important one, ~~is~~ Occurred in ~~when we had~~ the field sales organization--the store organization--which constitutes the largest part of our company. We ~~would~~ had ~~have~~ a regional director responsible for sales, and a regional manager of credit and accounting who was geographically in the same location as ~~the regional director of sales and~~ the regional director; they each had their own organizations, and the regional director of credit and accounting didn't report to the regional director ~~with the sales manager~~. This regional manager of credit and accounting reported directly through an organizational structure that Reported ~~got~~ to the vice president and treasurer. ~~And~~ This was the treasurer's way of really controlling the company. For all intents and purposes, Luther Schroeder controlled the company in other than the marketing end of it. Now that subsequently changed and has been changed for many years.

WG: When Steudel retired, did Schroeder also retire?

BE: Schroeder I believe died in office. ~~If I'm not mistaken, Schroeder died.~~ ~~I'm almost positive that's what happened.~~ ~~Walt would remember more than anybody.~~ ~~Schroeder died in office, I think.~~ I think he was 69 years old. I don't know if he was ever going to retire.

WG: So it was a pretty top-down driven place by Steudel and Schroeder.

BE: Yes. The interesting thing was THAT in Chicago, ~~who~~ WHICH was the largest ~~function~~ OPERATION, there was a general manager called Wyatt Miller who really controlled everything in Chicago except the personnel function. ~~And~~ Wyatt was on what they called a board of operators, which ~~meant~~ MET once a week in Cleveland, I remember he would take the train in on Sunday night and have the meeting on Monday morning, and then fly back in the afternoon. ~~And so~~ They had this board of operators that really controlled the operational part of the company, and it was made up of the general manager of the Chicago factory and I don't know who else except the operating people in Cleveland. So ~~in effect~~ you did have field participation in that ASPECT. The climate was extremely conservative ~~climate~~. Steudel and Schroeder ~~were~~ --I never saw ~~them~~ DURING the entire time I was in Chicago. They didn't come to the field, they sent out directives, ~~they were not innovative at all,~~

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~~or Schroeder wasn't in our areas~~. They paid lip service to equal employment practices, and only when some of us said, "We've got to change" did they make a change. They just didn't want to rock the boat, and of course they were--and other people can tell you this more than I can--they were very conservative financially. Schroeder did not want to borrow money. ~~We were at that time on the--a lot of things are running together here, but as you probably know,~~ You've PROBABLY heard this story about what happened when Cyrus Eaton pulled them out of their troubles.

WG: No. I haven't heard that.

BE: Well apparently at one time we got ourselves into trouble with borrowed money. This was during the Depression. And the story goes that Cyrus Eaton, who was on our board at that time, was the person responsible for getting us out of our problems. How ~~we~~ HE did it I don't know. And of course the interesting thing is when Cyrus Eaton became sort of a persona non grata, you know, when he became close to the Russians, etc., ours was the only board that he wasn't thrown ~~out~~ OFF of, which is kind of interesting for a very conservative company.

WG: Actually (I heard that) when Kruschev came to the United States he stayed at Eaton's (apartment).

BE: Right. ~~And~~ Schroeder did not want to borrow money, and so as a result we were a company that carried a lot of cash. I mean cash just sat as cash with almost no borrowing, I think. I don't remember exactly how much at the time. And consequently the whole company was run that way. And it was only later after Schroeder died, many years after he died, that we got into a borrowing position, which is what eventually got us into the problems of 1978.

WG: Was the company just getting better from year to year, financially speaking?

BE: ~~It didn't~~ I DON'T know, because they were not on the big board. They were on what was then called the New York Curb, I think, that later became the American Stock Exchange, and the annual~~s~~ reports told you almost nothing. They kept ~~it to~~ THE FINANCIAL INFORMATION TO themselves and I think that was because they didn't want to tell anybody anything, but I got the impression they were getting better all the time. But I think one of the main reasons ~~were~~ FOR THIS that they were expanding the store network substantially ~~and this was getting~~ WHICH RESULTED IN significantly greater volume, while at the time cost of paint was not going up. They were getting price increases without the cost of paint going up, and in that way they were in fact subsidizing the creation of the store network, which might in and of itself not HAVE been economical, but were building additional volume. Steudel was the guy that pushed the stores. He was the guy that just was responsible for rapid expansion of the stores during the early fifties.

WG: Prior to the War, say, Sherwin-Williams paints would have only been available through hardware stores?

BE: No, actually the first store~~s--we'll go back--the first on~~e was 1913. Well, Pat could maybe CHECK ~~correction on~~ that, but it was my understanding, and there were stores, some of which were the take-over of dealers who went out of business, but it was not until the fifties that there was really a rapid expansion of the stores. I believe there was a period of several years there where there were more than 100 stores added every year. I did a write-up on that once many years ago. I'll try and find it for you.

WG: What was the thinking behind expanding the stores back then, do you know?

BE: ControlED distribution of the manufactured product.

WG: Were the competitors doing that?

BE: Yes. Some ~~There have been~~ competitors ~~doing~~ it. / ~~No~~ one else has been successful on a national level ~~with doing~~ it. ~~Yes~~. Glidden still has stores. They have something like 350 stores. DuPont did have stores and got out of ~~it and~~ got out of the decorative paint business. PPG had stores and only recently have given up their stores. ~~And~~ A lot of regional chains continue to have stores and do very well with ~~it~~ THEM. ~~So~~ There are quite a few company controlled paint store chains in the United States. I think the thing that's significant is that I remember when I was in the field as a regional director and a district manager, the store managers were given substantial profit sharing bonuses and given a great deal of autonomy because the company was not concerned so much with store-level profit. The company looked to make their money selling to the store. ~~And so in effect that's what it was~~: It was ~~your~~ OUR own controlled distribution. ~~And~~ As a matter of fact, we had a chain of stores that can better be described as a loose confederation of entrepreneurs than as a structured store organization. We had no standard operating procedures. Now we ~~eventually~~ subsequently ~~put all these things in~~ CREATING STANDARD OPERATING PROCEDURES, but at that time the store managers pretty much ran their show as they saw fit. They were audited periodically to make sure they weren't stealing, and there were controls on ~~their products that they purchased which were other than manufactured product, and~~ all the paint sundries and wall coverings and so on that they purchased, ~~and~~ Every store had its own checkbook, and they operated pretty entrepreneurially. And some of them made <u>very</u> good money, <u>really</u> good money. Particularly in some of the rural markets, I think they probably made more than anybody else in town, just about. Some of them I know would bank in different towns because they did so well and didn't want people to know about it. I'm running through a lot of different things here. I'm sorry.

WG: No, it's fine. I mean it's getting a sense of what the place was like in those days.

BE: So I'd say that it can best be described as a company that had not missed a dividend, you know, even during the Great Depression. Had not missed a dividend. It was a widow and orphan stock. We skipped our first dividend in '78, I think. Prior to that it was very conservative. It was a low paying company. There was a joke throughout the industry that SWP stood for smallest wages paid. And there had been during the period I was there not a great deal of emphasis on technical development. I remember I became concerned that we were losing chemists because of our low pay. I remember once going to Art ~~Holden~~ HOLTON, who was then ~~in charge of, I guess he was~~ technical director of the company, and his attitude was sort of, "Well, if they go, we'll get somebody else." Schroeder had the opinion that we didn't need a lot of high priced chemists; that if innovations came out ~~about~~ in paint, we could duplicate what the competition was doing and with our distribution beat them to the marketplace. We didn't need to spend a lot of money on research and development. We had a sort of interesting dichotomy at the time, too, because all of the laboratories except one came under the direction of Art ~~Holden~~ HOLTON who reported directly to Steudel. And there was a separate division headed by a man named Nate van Stone, and he was in charge of--I forgot what it was called at the time.

X: It was synthetic resins, wasn't it?

BE: Oh, no, no. He was in charge of a division that included Don KOHNS ~~Ward~~'s lab in Chicago. So there was ONE ~~on~~ laboratory in Chicago dealing primarily with emulsion Paint ~~base~~ that came under a different jurisdiction in the company. And van Stone never--I mean even though he reported to Steudel, I don't think he really ever gave him very much loyalty, because apparently the story is at one time van Stone had almost taken over the company--he and a man named John Prescott who at the time I was involved was vice president of manufacturing. And John Prescott was the only person whoSE family~~-wise~~ went back to the Sherwins.

X: Do you have any idea why they wanted to take it over?

BE: Oh, I think that Steudel was too conservative and wasn't that innovative.

X: Is this fifties?

BE: I don't--no, that would have been before the fifties. I don't know when it was. The only guy I can think of that might know--Walt [illegible] would know. But that's a fascinating story. I'd like to know what the real story is there. ~~Because they almost took it over.~~ I understand they almost made it. And that was one of the reasons given to us, although it's hard to make sense why we never had a stock purchase plan up until much more recently, was the fact that apparently it could get into the wrong hands and somebody could take it over, and they cited that case. And I can't back this up very well, but it's there somewhere. Bob CAIN ~~King~~ might know too.

WG: John Prescott was a member of the Sherwin family?

X: Grandson.

BE: John Prescott was, yes, grandson of Henry Sherwin. And he was vice president of manufacturing, but he never really had as much authority as he might have had, and I think it goes back to THE FACT ~~this~~ attempt that he had been involved with van Stone in an attempt to take over the company. And it's characteristic of Sherwin-Williams that they weren't fired. You know? It was sort of nobody really ~~much~~ got fired in the company. I mean you really had to be stealing money or doing something extremely immoral to get fired.

WG: Is that true in the hourly ranks as well as salaried?

BE: The hourly ranks ran much more traditionally to a

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traditional labor relations situation where your union contract pretty much governed whether or not you could dismiss somebody.

WG: How did the company get unionized? Who did it?

BE: Well, when I was in Chicago we had eight unions. ~~We had the--~~The main union was the Oil, Chemical, and Atomic Workers, OCAW, ~~which had been called something prior to that. I mean they merged with the Atomic Workers.~~ I ~~guess it had been the Oil and Chemical Workers. They merged with the Atomic~~. OCAW was our production unit. And then we had an operating engineers unit and we had six craft unions--you know, all the maintenance crafts of one sort or another. And I don't know when the company got organized. It was prior to the time I was involved. That was The Chicago factory.

WG: Different situation in different plants.

BE: Different situation in different plants. OCAW also had Detroit--we had a factory in Detroit, Acme Quality Paints, and OCAW was there. And OCAW was in Coffeyville, Kansas, too. I used to ~~have a~~ handle some of the labor in all those locations. And I guess we had the AF of L Paintmakers in the east, in Newark if I'm not mistaken. I forgot who was there, but I could dig that out. Somebody would know. And we had a different union in Oakland. I remember in Atlanta before we built that factory we had a warehouse and the warehouse had been previously organized by the Teamsters. So I think the Teamsters have part of that factory, and OCAW another part. I'm not sure about that. You could check on that. I remember very DISTINCTLY ~~distinctive~~ when the union organized GARLAND ~~Dallas~~ because GARLAND ~~Dallas~~ did not have a union--~~that's Garland~~. ~~And~~ OCAW went ~~to go~~ down and try and organize it, and that was in 1963. ~~And~~ I went down to run the election from the company side, and I was there the whole month of August, remember Pat? '63.

Pat: Yes, that's right.

BE: And we won that election. But they got it in a subsequent election. I think it was OCAW that WON EVENTUALLY. ~~went ahead ??~~

WG: Having never been in a paint factory, is it a labor-intensive process?

BE: No, it's very, definitely not labor-intensive process. The cost of paint is highly raw material and not labor-intensive. The only labor-intensive business that we were in, in Chicago we had the container plant at that time and that was quite labor-intensive. And ~~the old method of making brushes--~~brushes are still labor-intensive. A lot of handwork in making brushes, less than there used to be but STILL more THAN PAINT ~~(now)~~. ~~Paints none~~.

WG: Did the company ever had any major strikes or work

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stoppages?

BE: Yes, we had the long strike in Chicago--it was 119 days--~~in nineteen,~~ It was about a year before I became personnel director, so it must have been--when did we come to Cleveland?

Pat: '61.

BE: I think it was 1959. A ~~117~~ 119-day strike. I'm almost positive of that. It ended in September. And we had a long strike in Detroit, too. I can't remember when that was. Those were the biggest labor disputes.

WG: Were they straight wage issues?

BE: The strike in Chicago was almost entirely an emotional strike. ~~The union committee~~--The contract had terminated but we had kept negotiating on a day-to-day basis, and I remember ~~when~~ we left the hotel one night where we were negotiating with the understanding with the union that we would continue to meet the next Monday; I think it was a Friday night. And they had a membership meeting on Sunday to reaffirm this continued negotiation, and the membership overturned it. And it was primarily an emotional feeling on the part of the union that the company was not being fair to them or something. They went out 119 days and came back on the same package we had offered them before they went out, with maybe one or two minor modifications. It was a face-saving situation.

WG: And the one in Detroit was a . . .

BE: I don't remember that. I wasn't involved in that.

WG: But in general, you know, if this isn't a labor-intensive business for the most part, would you say that the company's history is a . . .

BE: Generally speaking the labor relations are better than--I mean it's not like the auto industry and the ~~ss~~ STEEL industry.

WG: Not a strike every three years.

BE: No, no. It was very unique, very rare that we had a strike.

WG: My picture of the upper management of the company in these days was fairly paternalistic . . .

BE: Right.

WG: . . . and probably autocratic. What about at the shop floor level? Was it in that mode too?

BE: Yes.

WG: Tough supervision?

BE: Oh, I'd say when you talked about Schroeder and Steudel being autocratic, I wouldn't call them tough, though. You know what I mean? I mean everything was done in a very gentlemanly way. There was not a severe relationship at all. I'd say in the factory that, ~~you know, whether, I'd say that~~ we were probably middle of the road. I think we were not anywhere near as autocratic or tough as the auto industry. But I don't think we were very democratic either. And for my money, when you talk about the type of supervision you have, it varies tremendously with the individual supervisor in terms of how he manages. And I remember being in the personnel department IN CHICAGO where I would spend one day a week handling third-step grievance procedure, ~~you know~~, with ~~a~~ THE union. ~~And~~ When it came down to ill treatment, it was usually certain supervisors who were particularly difficult and others that never had a grievance filed. So it was . . .

WG: So it was the individuals and not the sort of . . .

BE: Yes. Generally speaking we certainly didn't have the same kind of climate you had in an auto industry. It was generally a pretty collegial--that's not the word--but except for the one main strike we really had a pretty friendly relationship with all the people, in the labs and everything.

WG: When you came to Cleveland, weren't Steudel and Schroeder still in?

BE: No, Steudel had retired. They'd both gone by then and Baldwin was chairman. And I guess Fred Squires--I've forgotten who was VP of finance then. Maybe Fred Squires followed Schroeder, but Baldwin was chairman. Steudel had since retired And ~~or~~ I've forgotten whether he died or not.

WG: Did you know them?

BE: I met them both. I don't say I knew them. I~~'ll tell yo~~u, sometime when we're not taping I'll tell you how I met Schroeder. Steudel I met only on a few occasions. I went in once--oh, I guess Steudel was still chairman when I came to Cleveland. I'm wrong. Steudel was still chairman and Baldwin was president. I remember we put together a presentation on some of the things we were doing in the field, and Baldwin brought me in to meet Steudel and to present it to him. So he was still chairman. I'd forgotten about that.

Pat: Did he die then? Is that why?

BE: I think he--I don't remember. No, he retired. I know he retired because they put him on a very lucrative pension plan which was separate--different for Sherwin-Williams standards; maybe not by any other standards. But the thing I remember most about Steudel is playing golf out at Pepper Pike and he was in a foursome ahead of me. You know Pepper Pike, OK. And Steudel played left-handed. He was also sort of a short, ~~fat~~, rolly-poly guy. Pleasant guy. Really a ~~neat~~ nice guy. And he played the whole round of golf--he carried two five irons and a putter. And the reason he carried two five irons was if ~~that's all~~ you carry and you broke one, well you'd have the other one. So he just had a hell of a time playing golf and went up and hit the ball and enjoyed it. I remember once I was going to tee up the ball and I moved away and he said, "Oh, hit the ball!" That's my recollections of Arthur Steudel. He was a big man in the Republican Party around here too, and also I think he had an automobile dealership at one time as well. Somebody told me that. And while he was still chairman here. ~~That happens occasionally.~~ ~~Not now.~~ ~~It~~ doesn't happen now. But I don't remember much else about Steudel. I don't know who else would remember.

WG: Do you remember the brand of car in the auto dealership?

BE: I think it was a Buick dealer, but I'm not sure about that.

WG: Was Buick a big Sherwin-Williams customer?

BE: No. I don't think so. We did sell the auto industry OEM finishes, though, out of our Acme subsidiary, ~~and it's been many years~~. We ~~now don't sell--well, it's interesting~~. For a long period of time we sold nothing to the automotive industry in original equipment finishes. Now we're getting back into it, with some very specialty finishes and "in-mold"? coatings on the plastic parts. But as you know, we're a major factor in the automotive refinish business.

WG: Right. Tell me about Baldwin.

BE: Well Baldwin, his nickname was the undertaker because he looked like--Baldwin was a very nice man. He was very deliberate in what he did. He was always very open to me and my big problem was always finishing his sentences for him, you know what I mean? And I realized what I was doing and tried to stop.

WG: Bob and Ray routine.

BE: He was very conservative--or maybe that's not quite true. In some respects he ~~did~~ some innovations that didn't exist under Steudel. He was a different type of guy than Steudel. You know, Steudel was a salesman up from the ranks and Baldwin was Harvard Business School, and I think he tried to "modernize the company" along ~~the~~ lines ~~of~~ perhaps ~~a more~~ . . .

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I UNDERSTAND THAT

BE: . . . ~~that~~ our problems economically began under Baldwin, where we began to start to borrow money, which was used for operating purposes.

WG: Rather than capital investment.

BE: Right.

WG: What brought that about?

BE: I don't know, really. Other than the fact that I don't think the company was being well managed, and I don't think Colin was strong enough or aware enough to really find out what was going on, and I think the thing just sort of kept running itself, and I don't know when we got into those financial problems. Tom Micklich will give you a much better reading as to ~~what that was than I would~~. The ~~whole~~ financial problems we got into, because Tom Micklich, even though he's a relatively young man, was here before the change, and I think he would probably have a pretty good history of that.

Pat: Did Baldwin come from Canada?

BE: No, Baldwin had worked here ~~as a~~--I've forgotten where he started, but he and John Prescott had started together and were very close friends, and I've forgotten what he was doing, but he

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was at one time assistant to Steudel and then I think he went to Canada or vice-versa. He was sent there and then brought back. He didn't start there. He didn't come from there. And then Baldwin stayed on until his normal retirement date. I guess he wa~~s 65 and~~ he retired at age 65. There was I think a great fight over who would become president, and there were essentially three camps I saw. One was Walt Spencer, who was then in the manufacturing operations area, and he was the candidate of John Prescott, who had now attained more authority than he did under the old Steudel regime because he was close to Baldwin. They were good personal friends. ~~I think they had gone into the Army~~ together or some~~thing like that, started with the company together~~. The other was a man named Dick Bull who had come up through the sales organization of the company, at one time been regional director of the North Atlantic region, the job I had at one time, then gone one to become president of Acme Paint in Detroit, which was a division. And his great accomplishment was that he had ~~put our lease department and our paint into~~ K-Mart during K-Mart's great growth period. Then he came back, and I think he came back to a job of group vice president, I'm not sure what his title was. So he was really the top marketing man of the company, and Spencer was the top production man in the company, and a guy named Bill Fine was the was the chief financial guy in the company. He had taken over from Squires, I guess.

Pat: Was he the third candidate?

BE: He was sort of the third--the three power camps. And I know Dick Bull campaigned aggressively ~~to be made~~, with the board of directors, directors he knew, to be made president. But Baldwin wanted Spencer, and Baldwin was the guy that called the shots.

WG: Is Dick Bull still alive?

BE: No, Dick died about two years ago. Boy, Dick would have been glad to talk to you.

WG: So at that point it was a three-way horse race between the three of them.

BE: Yes. That's my perception. That's one man's perception of it. I never got a formal . . .

WG: Spencer had been in the manufacturing background.

BE: Spencer had come up to the manufacturing ranks, and I first knew Walt when he was assistant paint superintendent in Chicago, ~~and I was just, I think that's when I was,~~ not too many years after I had started with the company. And he went from there to ~~he had~~ some overseas assignments along the way that included, among other places, Havana, Venezuela, and Vancouver, ~~and~~ I think all of those were building a factory. And then he came back to Chicago as ~~general manager of the Chicago operation~~: ~~first~~ assistant general manager and then general manager of the Chicago operation. And then I believe went into Cleveland to take over manufacturing, although I'm not sure exactly sequentially how that happened. Walt was ~~a, he was~~ strictly out of the business school approach. I mean he used consultants and he considered himself to be a modern executive who was going to change the company and bring it into the twentieth century. One of the things Baldwin did in retrospect, I think it was Baldwin who put us onto the big board ~~in~~ the New York Stock Exchange, and of course which meant then we had to be much more open about our financial information, which we had kept very closely guarded in the old Steudel, Schroeder days.

WG: I notice that when we try to do a financial history of the company, it's not easy. I mean you get the sales and margin . . .

BE: That's about it.

WG: Well, I'm going to come back and talk about this Spencer, but before we do that, I'd like to talk about your career in sales, when you moved from industrial relations into sales.

BE: Yes. I was just ~~for~~ one year, a staff job in sales. ~~And~~

~~that was~~, ~~really~~ I went into sales because of my personnel background because they had significant personnel turnover problems in the stores, and they wanted someone to go and try to evaluate why that was. And I spent most of my time in the field trying to figure out why we had these problems and what our personnel issues were, and then essentially working with the field managers a lot and coming up with recommendations ~~being~~ made back to Cleveland as to how to change our personnel practices. The major problem was we were underpaying the people, and I think as a result of that partly, ~~we've started to~~ we now pay more competitive salaries.

WG: So essentially the people who ran the stores, the franchisees, sort of, were . . .

BE: See, you're not franchisees. This is a company-owned operation.

WG: Yes, OK. But the people who ran the stores had nice profit-sharing plans, but the people . . .

BE: OK. The question is a good one. I understand what you're saying. The profit-sharing plans were extremely good for the people in the middle-sized and rural markets, because even though they made small salaries, they made big profit sharing and they were very happy. Because of the competitive nature of the marketplace, we were never as successful in metropolitan areas as we were in the middle-sized and rural markets. As a result, our store managers, who were not given a high salary, made little or no bonus. ~~And so in order to keep the--and~~ We had tremendous personnel turnover as a result of this. So in order to get some stability, which would give us a base to be more competitive and more profitable in the larger metropolitan markets, we needed to pay higher salaries to get that stability. We have never done as well in metropolitan markets as we have in smaller towns. And one of the reasons was we tended ~~to think of--I can go into that whole marketing site-selection problem. We tended~~ to think of a metropolitan area as sort of a combination of small markets, and we put in a small kind of a store, in neighborhood locations that we would have put in, in rural markets. And the problem was that we were generally out-positioned by the more aggressive competitor in almost every marketplace. Now we've subsequently changed that approach and we're doing a lot better in metropolitan markets, but never as well as we did in some of these small towns. You go into a small town, first of all, every other competitor was a dealer so there was nobody else buying direct. And the costs of business were ~~small~~ l, so you got into profit pretty quickly. And then you developed people ~~who were, you know~~, I remember the guys we had running stores in Maine, for example, I remember walking along the street with one of them once and he introduced me to a friend of his who was former Ambassador to the U.N. He'd come to Maine to run the small

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newspaper. One was a retired lieutenant commander. And also ~~they~~ did a lot of industrial, what we call chemical coatings business, because in every town there's somebody that paints ~~something, you know~~ some products; Furniture or kitchen cabinets or almost everything. And ~~these guys~~ sometimes our managers would be on the boards of these small companies, ~~you know.~~ It was a one-to-one deal. It was just a different kind of relationship than one gets in a metropolitan area. One of the things we tried to do in our site selection work and what I did when I took over the Stores Division, was restructure ourselves in metropolitan areas to be able to operate in a way more consistent with what that market required, ~~as against the--and we've done,~~ we've come a long way in that area.

WG: What were the differences in the two markets? I mean what is an urban customer looking for, a metropolitan customer?

BE: Well let's take an example. ~~We were dealing in a metropolitan--~~our biggest customer in our stores is the painting contractor.

WG: Has that always been true?

BE: As far as I know, yes. The biggest customer in our stores is the painting contractor. In a small town the guy would come up and pick up at our store or we'd run it out to him in our car or something like that. Now when you go into a city like Boston-

-and I'll never forget this--you know Boston pretty well.

WG: Yes.

BE: Well we ~~have~~ HAD five stores in the metropolitan area. One was in Somerville in a crummy little location off Powderhouse Square. One was in Arlington up on Mass. Avenue. One was in Chelsea right under the Mystic River Bridge. As Charlie ~~Bassey~~ BUSSI said--who was then the guy who was/THEN running the operation in Boston who's become a great friend of mine and we workED together; in fact he was the guy we did a lot of these revolutionary things with--Charlie said, "I don't go there on a rainy afternoon because I might commit suicide." Now we had one in Cambridge right on Mass. Avenue right at Central Square. And we had one in West Roxbury, and we had one in Brookline. Now I've given you more than five. But anyway.

WG: Yes, six.

BE: Yes, I gave you six. One in Brookline that was in a location that should have been a Fanny Farmer store, ~~and it was just, anyway~~. There was no way--first of all your painting contractor didn't come to these little stores because they ~~were~~ generally not good parking and so on, and also we couldn't handle the large painting contractor. I mean we didn't have enough stuff in the store, we couldn't give him the service, ~~we~~ HE'd need

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300 gallons of a given color, and you know the guys would ~~be~~ back ~~there~~, literally ~~they'd be back there~~ with canoe paddles and drums, you know, trying to ~~make~~--and of course we were the laughing stock. So what we did, ~~it~~ was ~~the~~ create the first what we call commercial store. Charlie Bassey really was the driving force, ~~a guy named Charlie Bassey,~~ ~~who~~ Charlie was then district manager of Boston. ~~And~~ He now lives in Cleveland. He's retired from the company. We closed the five inner city stores: West Roxbury, Brookline, Somerville, Cambridge, and Chelsea. We closed those five stores and ~~we~~ opened ~~in~~ what we called a major commercial branch in Medford, just off Mystic. And we put in a lot of stock. We didn't even try to sell the DIY customer out of there. We simply put in a lot of stock, we put in mixing facilities, and essentially what we provided was enough paint for the painter. We ran trucks out of there and that was the first time we really--it is now still the biggest volume store in the company. ~~And we made the first turnaround~~. From ~~that~~, we ~~went to~~ that same concept throughout the United States. And then when we went to suburban stores, we went to stores that were better located, ~~you knew,~~ in freestanding locations or in strip shopping centers, something like that. I remember moving almost all the stores in the Boston metropolitan area. We moved Hingham from a little crummy location to a bigger location. We moved Natick. We finally had to get out of Marblehead because it was just too rich and we couldn't pay the rents in Marblehead. ~~So that's what I mean really by who we (went to market to)~~.

WG: Was that going on in the sixties and seventies?

BE: We didn't start that until--well we started that in the mid seventies.

WG: But before that, the Stores operation was essentially a lot of mom and pops and canoe paddles?

BE: Yes, that's right. But they were all our employees. ~~That's right.~~ Which was very successful in the middle and rural markets. And I remember stores--Lowville, New York, was a town of 3500 people and we made money there every year. One of the things that was a characteristic when you got a store like that, you became known and people came to it, and our store manager went out and hit all the farms and got the barn painters ~~you know~~. And what those guys always had, they had little stores, but they had a plug-in technically to ~~a~~--so it was a very effective type of organization. So in many respects, like our friend Charlie Davis up in ~~Hamilton~~. He painted everything.

WG: Back on your own career, Bill. You moved from this assistant/sales manager job where you were concerned with the problem of analyzing turnover in the stores, then to a regional . . .

BE: I went to a district manager, which was the first line sales

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job, over the store managers. And I did that because Colin Baldwin called me and said, "I want you to do this." I said, "Why the hell would I do that?" He said, "I want you to do this because, ~~and I'm very appreciative that you did that~~, because I want you to come up through that organization and you've got to go to the bottom. I won't make you a store manager, but I want you to get that experience." So I did, AND I WAS [illegible] THAT I DID ~~I went out there, it was really you know~~. I went out to be supervisor of 35 stores, and nobody had ever gone into that job without having been a store manager before. So I just learned ~~from my sales — I~~ learned from my guys, ~~is what I did~~. I said, "I've got to know the business. Tell me what you do, and I'll work in the store." ~~And the store is, you know, shaking varnish and all the things you don't do.~~ But I worked in ~~the~~ store every Saturday, ~~in George's store~~. And I went around and I let my guys help train the other guys. One thing I learned as a supervisor, people learn a lot from peer group learning, and I'd set up a meeting and I'd bring in the guys and I'd give every guy an issue he wanted to discuss, and I'd tell him, "How do you do this successfully?" And the guys would learn from each other. And that's really what I did mostly was peer group learning. And my function was more personnel than anything else, getting the right guys in the store. Which is the name of the game in any business.

WG: Yes, right. Were the stores in your region facing stiff competition particularly?

BE: Well it was a division. My first step you mean when I was running 35 stores?

WG: Yes.

BE: I had metropolitan northern New Jersey, which is about as competitive as you get, ~~to~~ AND the anthracite region of NORTHEASTERN Pennsylvania, which was relatively rural ~~because~~ AND I had long-time guys up there that knew their business and they were great guys. ~~God.~~ ~~You know the biggest profit branch in the company~~--I had a VERY HIGH PROFIT branch in Kingston, Pennsylvania, which is across the river from Wilkes-Barre, and the sides of the store used to slant because the ABANDONED mines ~~have been all undermined~~ up there. ~~And so~~ Every once in a while a car will fall through the street. But I had a store manager named Nick Pappas and if I have one prejudice about people, it's TO pick Greeks, because ~~I never--I say never--but the~~ A HIGH percentage ~~of~~ WERE superb, effective store managers. And these guys IN NORTHEAST PA. just were experienced and they knew what they were doing and they made money and they paid their people well and they brought them along, because that was a poor area, you know. But IN metropolitan northern New Jersey, we were just wiped out by most of the more effective competitors.

WG: That's kind of when you got the sense that what you had to do to be a metropolitan competitor . . .

BE: Right. And we had to force that up through the organization. I mean that was a fight to get them--we had to bring that up through the organization.

WG: Just because the people above you had gone . . .

BE: The people above us didn't really understand what was going on, ~~and a lot of our--Charlie at that~~, For a while a guy named Bert (Deal) was my regional manager, and he tended to follow whatever Cleveland said. And then Charlie became the ~~--~~but most of the other regional directors ~~--well first of all~~ the guys in the South didn't have the same problem. They just didn't have this competitive a market. The guys in the Northeast and the guys in the Pacific Coast were the guys with the biggest problem. And generally speaking the regional directors of those areas had not been aggressive guys who tried to tell management what had to be done and what had to be changed; or didn't have the capability of expressing themselves or ~~making~~ getting a point across and making a case. I remember one of the good things about being a regional director, which was the next job I was in, was that you really didn't have much communication with Cleveland. You had one regional director meeting a year in Cleveland and you came in and had presentations for a day and a half, and they never let you talk, and you played golf for a half a day and you went home. And you pretty much did what you wanted to do. It was a neat job in that respect.

WG: You were just given targets and as long as you met them, it was OK?

BE: Yes, we were given targets. You had targets. As a district manager I had a target in terms of sales and profit, and I was compensated based upon that. And it was sales of Sherwin-Williams product, not of anything else, and profits. So the advantage of HAVING ~~the~~ products other than Sherwin-Williams in the store would be only to add to the profitability. ~~There was no real advantage to selling those, which was a good was to approach it.~~ It really wasn't a bad incentive plan. But what was the thought? I lost my thought there for a minute in terms of profitability.

WG: You were talking about a regional manager.

BE: Regional manager, you ran your own show, and that was the job I had next. ~~You ran your own show~~. One of the really unique things, and maybe I'm jumping ahead, but it's relevant. We were given targets in terms of sales and profit. We were never given working capital targets. So we had no target in terms of inventory and accounts receivable other than write~~-up~~s ~~of past due~~. Probably the major thing that Breen did when he came in was control working capital. ~~That's the biggest hit that came about as a result of--when I was running the Stores Division, not to mean to get ahead of myself--~~When I was running the Stores

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Division, I had no working capital targets and I'd go to management and say, "Do you have any inventory objective?" "We'll tell you about that. Don't worry about it." When ~~I~~ came in, ~~that I had~~ working capital targets, and IN the first year ~~that they said it's serio~~us, we reduced working capital IN THE STORES DIVISION by $30 million. That goes to the bottom line.

WG: But in the old days people just didn't care about that.

BE: No, they didn't care about store level inventories at all, and the store managers, because they didn't want to be in a dis-service position, would load up the stores with paint. I mean I'd go into the stores, they'd have more damn paint than you could shake a stick at. Never sold SOME OF it. The only thing they had to deal with was the obsolescence problem, because if they held it too long, for over three years, and it became obsolete, it was a direct write-off. And so there was great panic to get rid of it before the three years came up.

WG: And did they . . .

BE: ~~Well a lot of it was inventoried, I mean~~ the auditors weren't there. It was inventoried as being current. I remember ~~once~~ we had a company controller at one time by the name of Earl Peck who was a really nice man. ~~And~~ I remember ~~being~~ in the field once and I ~~came in and I~~ ASKED ~~said to~~ Earl, "What would happen if we ever took a totally accurate inventory?" He said, "Oh, God, we couldn't afford to." We do now, by the way.

WG: I'm sure you do. Did the store managers have the ability, you know, if they wanted to get rid of inventory for some reason, could they set prices?

BE: Oh, yes. ~~The store manager,~~ ~~one of the things,~~ The store manager had complete control over his pricing, which meant that he was difficult to manage because often you didn't know until the end of the year what his gross margins were because ~~you~~ we didn't have ~~reports that told you what -- it was only until we got to~~ the POS system, Then ~~you know what I mean~~?

WG: Point of sale.

BE: Point of sale terminals, that ~~we~~ accumulated data that allowed you to tell what the gross margins were in the stores. And so you used to go through the whole year waiting for the final inventory which told you what your gross margin was. When you consider, even back when I was running the stores, this was a $500 million business, one percent of gross margin is $5 million, and we didn't have the information unless you went in and pulled sales tickets every month and priced them, you didn't know what your margins were.

WG: What's puzzling to me about this is how that system was able to endure so long.

BE: Well it was one of the hidden problems. There's no question about it. Year after year we would have big swings, surprises good and bad. ~~And it was~~ One of the things that tended to have the investment community downrate us, was our inability to know what our margins were, and they knew it. And I remember the last year I ran the Stores Division. We were getting a pretty good control on our margins, AND BECAUSE ~~and they had Ernst & Whinney --~~ it had been so bad a few years before, CORPORATE ~~they~~ had Ernst & ERNST ~~Whinney~~ the accounting firm in. ~~It was called Ernst & Ernst then.~~ ~~Now it's Ernst & Young.~~ THEY ~~W~~had been/in to monitor OUR MARGINS ~~it~~ and ~~I~~ had ~~my~~ estimates and WERE ~~I'm~~ pretty sure OF THEM ~~what they were~~, ~~and~~ Ernst and ERNST ~~Whinney~~ was telling management that OUR ~~my~~ estimates were much too high. ~~And I said, "OK, if you want to feel that way." Because I thought we had control.~~ IT TURNED OUT We did have control. IT ~~We~~ came out at the end of the year, THEY ~~we were --~~ they were ~~all~~ wrong and we were right.

WG: But your sense was more intuitive based on . . .

BE: ~~We were getting~~, Just before I left the Stores Division we were starting to get POS information. It wasn't 100% but we were getting more accurate information. And we were also monitoring, we were pulling sales tickets. We were doing cross-checks ~~through here.~~ ~~I've jumped ahead.~~ ~~But that was, I'd say that was~~

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~~one of the things was no gross--there was really very little, the~~ regional ~~director pretty~~ much did what he wanted ~~to do~~. The other thing was if you bought other than Sherwin-Williams manufactured merchandise, you had to have ~~that~~ The amount down at the end of the year, ~~I can't remember what the standard was, but there was~~ a ~~certain limit you could have on that, so if you bought~~ . . .

WG: ~~2~~ 25 percent of your sales.

BE: Yes, right. I~~f you bought--~~guys would unload and dump that stuff at the end of the year often because they were overstocked.

WG: You went from district to regional.

BE: Yes, regional (director).

WG: And then you were in this market research and development function.

BE: After the regional director.

WG: After the regional director. Tell me about the market research and development function.

BE: Well we didn't have any marketing research function. And ~~this is one of the things~~ that really, the driving force ~~on this~~

in Colin Brown)
was Walt Spencer, ~~I think, to get a marketing research function. Or maybe it was Baldwin. I've forgotten who was in charge at that time. And we had never done any.~~ ~~And so~~ I came in and my primary thrust initially was to set up some methodology For ~~of~~ better store site selection. Traditionally ~~Because in the past~~ when we wanted to put a store in a town or move it, we sort of left it up to the regional and district manager to find a location, and ~~then~~ we felt there ought to be some science to this. ~~As a matter of fact, probably~~ In retrospect, it's probably one of the most sophisticated jobs we ever did. THE GUY WE PUT IN CHARGE OF THIS ACTIVITY WAS A VERY BRIGHT GUY WHO CAME OUT OF ONE OF OUR STORES & HE IS ~~because we hired--the guy that worked for me who is~~ now president of a company that does ~~this kind of thing--he worked for me. I took him out of a store. Very bright guy. And we tied in with a firm on the West Coast who made a business out of this~~ STORE SITE SELECTION FOR COMPANIES. ~~, and~~ To make a long story short, we collected variables, from a sample of our stores, and then we went through A STATISTICAL PROCEDURE ~~the various analysis, essentially~~ called stepwise multiple regression, ~~which was a statistical procedure~~ along with ~~just sort of~~ common SENSE ~~things,~~ judgments, and ~~we~~ came out with a fairly good model as to what made one store profitable as against another one. We were able to do that only insofar as it affected DIY retail business, though. Because site selection is primarily quantifiable in terms of retail, and WE ~~I~~ wanted the [illegible] ~~rest of the~~ business, AS WELL which is still the majority of the store, we did a modified site selection, PROCESS WHEREBY [illegible] THE ~~essentially which was more sort of, I don't know if the Delphic Method is right,~~ but you went and you ~~found out~~ where ~~your~~ contractors were and where they picked their paint and where

they shopped and where they painted, ~~and you figured somewhere~~
YOU ALSO CONSIDER SUCH FACTORS AS ACCESS PARKING etc.
~~around there was a good place and they had enough parking and there was enough~~. And we also looked at successful competitors. The ~~one~~ most successful company I've ever seen doing this SORT OF THING is a company on the West Coast called Kelly Moore. It's a privately owned company. ~~A guy I took out of a store and brought into various jobs is now president of that company.~~

WG: What is the fellow's name, the very bright guy who helped you with the . . .

BE: Tom Gay. And he's president of a company in San Diego now. ~~I don't remember the name of the company, but I could look it up. But does that kind of thing for everybody.~~

WG: Prior to this effort, the company had made no effort to do coordinated planning for the stores?

BE: As far as I'm concerned, no. They'd come in every year essentially with new products and new colors and things like that. But we had no standard operating procedure; The only store manual we had was an accounting manual. We didn't have an operations manual. The operations manual was created by Charlie ~~Bassey~~ BASSI when he was ~~made~~ vice president of operations ~~when we were~~ in the Stores Division. ~~Charlie hired a guy and they spent full time and created the first Store Operating Manual.~~ It has since become much more sophisticated.

WG: Are there early copies of that around, do you know?

BE: I don't know. Charlie might have one at home. It was the first manual.

WG: We're talking what date?

BE: This would have been 1978/79. We had an extensive accounting manual in the stores, but it was for accounting procedures and not operating procedures.

WG: And in terms of sales advice and sales procedures, they just . . .

BE: What you had was a meeting once a year which was on products, primarily, on new products, where the regional directors ~~went to~~ WOULD GO TO Cleveland, and then ~~we'd~~ put on meetings for ~~our~~ THEIR people in the field. ~~And~~ ~~as~~ THE regions ~~we~~ set up ~~our~~ THEIR own training sales meeting activities, but ~~we~~ THEY did that pretty much on our own.

WG: And so it would vary.

BE: It varied significantly from region to region.

WG: But there was no common strategy about how to attract customers or how to place advertising.

BE: Well advertising was generally controlled at the regional level, except for nationwide television advertising. ~~Other than that, you had an advertising manager in each region, and he essentially determined whether we went to city-wide advertising. We had a budget to work from for that; we decided how much newspaper, how much radio, how much spot to use. And that again was mostly regional except for the national television.~~

WG: Was the content of the ads, did that vary from region to region?

BE: Most of the ad mats were made up in Cleveland. That was generally pretty centralized. We worked off standard ad mats.

WG: But again, the store manager could have a sale if they wanted to have a sale.

BE: Generally you did that with the district manager's approval, and I'd say the jurisdiction of the store manager in pricing was much more in the contractor area than it was in the retail area. We generally set retail prices and determined when we would sell them on sale, but quite often I know people would walk in and ~~they~~ were about to leave because we were ~~always~~ higher priced,

~~and~~ the store manager would say, "Wait a second," ~~you know~~. A lot of them "don't let them get out of the door" approach. And some guys could stand up to pricing pressure and give a quality story and some guys couldn't. Some guys would just sell for one price. So again it varied a lot not only from district to district, from store to store.

WG: So there wasn't a common training that the store managers went through?

BE: There was a training ~~thing~~ in Cleveland for new store managers that lasted, what, two weeks?

Pat: Yes.

BE: But the other training that was done we did on a regional level.

WG: And how did people get to be store managers?

BE: When they ~~initiat~~ed stores in towns, often what ~~-- they simply went in~~, they'd go into town and they'd talk to the local banker and the local ministers and they'd say, "Do you know a man who has got these kind of characteristics who would like to be in business for himself but doesn't have the capital?" And they'd interview the guy and make him a store manager. Now eventually once you got stores located, what you'd try to do is hire salesmen and store personnel and assistant managers and bring ~~it~~

~~action. But even . . .~~ . THEM ALONG

WG: Is that still how it's done?

BE: I'd say now, yes, it's pretty much how it's done. But now the caliber of people you have is totally different. ~~I mean~~ Now you get college graduates to go into these stores. You never got a college graduate before, ~~because~~ BUT there are so many more college graduates. NOW We ~~never~~ RARELY hired a college graduate in a store.

WG: Even as a store manager?

BE: He might have come in as a store manager, but it was incidental that he was a college graduate. There were some that were hired, but it was coincidental. Now there's so many people coming out of these various state schools, and they don't have other places to go.

WG: Yes. It just strikes me . . .

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

BE: THERE WERE ~~Your own~~ expenses associated with the structure. For example, ~~if you take~~ the American Management Association course

~~in~~ sales management, the normal span for a sales manager of salesmen working for him is from 8 to 15 salesmen. When I was a district manager I had 35 stores and three ~~jobbers~~. There were a few areas in the U.S. where we didn't have stores, where we had distributors, and I had three ~~up there~~ in upper New York State. So we did have a regional hierarchy backing them up, so that was a cost of doing business. But by and large, if the store broke even, the company made money, because the company made money selling to the store.

WG: The store managers didn't have any control over the price at which they bought from Sherwin-Williams.

BE: No. No, none whatsoever.

WG: So I assume that was a source of friction.

BE: Well they often were outpriced by dealer competitors. At that time we had Sherwin-Williams sold through different distribution channels ~~and the reason was is that~~ we couldn't charge ~~them a~~ lower price than we charged independent dealers-- ~~the stores, I mean.~~ ~~Because we'd been cited previously under antitrust regulations and it~~ was a violation of the Robinson Patman Act ~~to do that.~~ When you were involved with distribution, ~~they couldn't~~ change it. So what we in fact did, and this is sort of interesting, a lot of our products developed because we brought out almost exactly the same product with a different label on it so we could sell it at a different price. ~~So w~~We ~~couldn't sell the contract for these retail prices so we brought out--~~ For example Super Kem-Tone was our best known product, and Painter Craft Quality ~~Code~~ KOTE was Super Kem-Tone under another label. And frankly we got a lot of product proliferation as a result of simply duplicate products under a different labels. ~~So we got somewhat different product supports. And because Sherwin-Williams paint was sold through other distribution channels--jobbers, also~~ another sort of unique thing was we had subsidiary companies: there was the John Lucas company, the Lowe Brothers Company, Acme Quality Paints, W. W. Lawrence Company, and they all had their own labels except they all had Super Kem-Tone. So you would find Super Kem-Tone being sold at a discount in Elizabeth, New Jersey and it was some Lucas jobber who dumped it there. And that's one of the reasons we eventually in the long run took Sherwin-Williams paint out of all distribution channels other than our own stores, although it cost us a lot to do that in terms of lost volume. I think it was the right decision. ~~Well, Jack Breen doesn't, but he wasn't here at the time.~~

WG: As I understand it, some of the stores were selling things other than paint.

BE: Oh, yes. Well of course they all sold paint sundries.

WG: What's that?

BE: Sandpaper, tape, brushes, rollers, pads. Spray equipment has been a big part of our business. We have probably always been the biggest spray equipment seller in the company because we got started with ~~Grayco~~ GRACO very early, ~~Grayco~~ GRACO being really the first good manufacturer of ~~aero~~ AIRLESS spray equipment in the ~~store~~ COUNTRY. A lot of spray equipment, but we also--here goes another long story: ~~Our stores in rural areas used to be very successful--oh~~, All stores sold wallpaper, because that's where you go to buy wallpaper is a paint store. A lot of guys in rural areas did very well selling carpeting, ~~in selling~~ WHILE SOME SOLD draperies, ~~in selling~~ curtains, ETC. I remember ~~being in~~ our Galveston store, ~~and he~~ was the carpet, drapery, curtain outlet for the area, ~~and he~~ WE had a couple of women in the store who were extremely proficient in selling these things and very well known, like any other specialty store would be. But the product mix varied from store to store. Some guys took on toys at Christmas time because we're so seasonal. ~~And guys would sell, I mean you couldn't put--somebody asked Len Ward, somebody came in to see him once. Len Ward was the guy who you'll interview who was running the merchandising, and said, "Do you sell this product?" And he said, "I'm sure we do somewhere."~~ So we sold everything and anything. And there wasn't a whole lot of control over it except you'd go in and see something in the store and say, "Get that the hell out of there because we don't want to sell this." One of the big mistakes we made, in fact I'd say the biggest mistake we made, RESULTED FROM ~~is~~ Walt Spencer's DECISION ~~decided~~ that paint did not have rapid growth potential, but that other decorative products such as wall covering and floor covering and draperies did. AND THAT Therefore we would turn all of our stores into decorating centers. WHILE ~~And whereas~~ certain stores had individually done very well with other DECORATING products, some stores had never done well with anything except paint. And so we forced every store to become a full line decorating store. We'd take stores with 800 square feet and divide them up into four departments. And WHILE THEY ~~of course~~ once ~~they~~ had a half-way decent paint presentation, Now it was almost gone. ~~So~~ They ARE had to be in the carpet business. So A CUSTOMER ~~somebody~~ would come in TO THE STORE and order carpeting. The carpet would come on a truck. Where did you cut the damn carpet? These guys would cut it in the parking lot when it wasn't RAINING ~~ready~~. And ~~you~~ SO ~~know~~, we had a program to BE FULL DECORATING CENTERS ~~do this~~ without all the backup support that was necessary to do it. CONSEQUENTLY ~~And so~~ what happened was we got OUR ~~these~~ guys involved selling other products for which there was less margin and more problems in terms of complaints AND ~~in~~ accounts receivable ~~and all these~~, and our paint business started to go down. And in fact probably of all the things WE ~~I~~ did right in running the Stores Division, WAS THAT WE ~~I~~ reversed that trend and got them going back to selling paint. And the guy who's running the Stores Division now is ~~finally~~ even doing it more SO ~~than that~~. Now that is not to say we still don't do very well in certain markets WITH ~~doing~~ floor coverings. And I think we're the second largest retailer of floor covering in the U.S. We <u>are</u> the largest retailer of wall coverings. But that always has fit with a paint store. Wall coverings have always fit with a paint store.

Pat: Was Decorating World developed . . .

BE: No, we had a concept--Walt said he wanted to become a full line decorating house, and that's when we decided to set up a pilot and we ~~went and~~ spent a long time studying sites and studying product lines and came up with Decorating World in Charlotte, which ~~is~~ was 25,000 square feet of total decorating outlet, and as Pat will tell you, it was an absolutely beautiful store. It was a marketing success and a business disaster.

WG: Yes, I was reading some of the management reports about it, people camped out in order to get into the store.

BE: Oh, it was a beautiful, it was a <u>fascinating</u> store, it was really a super store. It's just we couldn't operate it and make money operating it. It was just .... Do you have a picture of it?

Pat: Yes, I have a . . .

WG: It was a different concept than what you were talking about earlier, though, of just adding some other . . .

BE: Yes. It was a different idea coming out of the same concept and becoming a full-line decorating center, rather than just a paint store. ~~The idea was that we would take this and--well as a matter of fact,~~ Decorating World ended up influencing a lot of our stores--a lot of our larger stores have many of the concepts we developed for Decorating World.

WG: Why was it a business disaster?

BE: Because first of all we didn't know how to operate it. I mean none of us were experienced retail operators. We didn't know how to operate it, and we designed an operation which was almost impossible to operate profitably because of the costs involved. It was too complex and too costly to operate.

WG: Just to keep track of all the inventory.

BE: Not only that, but the number of people you needed and to man it effectively.

WG: Was it the idea that you would come into one place and solve every need of the house? What was the concept?

BE: Yes, that was the idea. You'd get all your decorating--we had a beautiful wall covering department. It had a lot of products in stock and almost every wallpaper book you could think of. Then we had ~~a rug department,~~ a carpet department that had a machine we imported from West Germany where you push the button and the rolls went around and you could take it off, and we ~~you~~ had ~~this and you~~ had hardcover flooring. We had a bathroom/kitchen shop. You know, all the bathroom stuff.

Pat: Lamps.

BE: We had a lamp department. We had a seasonal department with porch furniture and patio furniture and barbecues and all that sort of stuff. And it just was too costly to operate. We sold a lot, but it was just too costly.

WG: Logistically it's much, much more complex than a paint store.

BE: Oh, yes. We had a Mr. Fix-It. You know, we did a lot of marketing research to find out what ~~do~~ people MISSED IN OTHER STORES ~~find they don't have in certain locations~~. And We HAD ~~have~~ guys in red jackets standing behind the counter, ~~you know~~, and you'd come with your decorating question and complaint and he'd come and help you out and lay out things for you and do all that stuff. It sounds great. It was great. It was a fun, fun store. And we got it better. But we never got it so it could make money.

WG: There was only one?

BE: Only one. Now we took the Decorating World--we did go, however, to larger stores, ~~and~~ we had some with ~~went to~~ sales floors up to ~~10~~8,000 square feet. ~~And~~ Len Ward said that we shouldn't have anything above ~~5,000~~ 4,500 and I pushed for ~~10~~8,000. And we got ~~a lot~~ some of them in that were ~~10~~8,000--not a lot, maybe 20, 30. In retrospect he was right. That was just too big to manage. He'll tell you about that.

WG: But a store like that would place completely different demands on the manager just to . . .

BE: Right.

WG: The skill levels and everything would be different.

BE: Absolutely true, and ~~that was~~ one of the problems was adequate training for all this. Again, in some of these smaller towns you'd have a full-time carpet sales manager ~~of a~~ store who was very professional like you might get in a Sears store or in a local furniture store. But to take a store manager, ~~and this is certain--to take a store manager~~ who we were barely able to train and sell paint, and also ask him to become a specialist in carpeting and wall covering, I mean he'd see a woman come in and go out the back door. If you were big enough to be staffed with expertise in the various areas, you were OK. But the typical small store, I mean as a result you can imagine ~~the kind of~~

~~things.~~

WG: I was just thinking about the ads. The ads for the stores were very much having women in there looking for all kinds of things, but in fact in the real world these guys were used to dealing with male paint contractors.

BE: Yes. The guy who's a good contractor salesman is probably not a good guy to sell decorative items. You know, selling wallpaper to a woman is an art. I mean you've got to know what you're doing. ~~Charlie Bassey tells stories about there's a big wallcovering salon, it's~~ on Second Avenue ~~in New York, and~~ You ~~want to see the~~ real pros, ~~and they'll come out with three rolls, and you get to~~ They will talk to the woman and get to know her ~~and come out with three rolls. And she'll say, "Well I don't like that one." "Which of these two do you like the best?"~~ ~~But~~ If you just let ~~them~~ The Customer go into the books and go on and on, it never ends sometimes. Never have a store near a bus stop, because that's what the women do while they're waiting for the bus, they come in and they read the wallpaper books. But you need almost in all cases, with exceptions, you need women who specialize in ~~that~~ selling wallcovering. I'd say 95% of the wallcovering is bought by women. ~~We'd need women to work~~ . . .

WG: That raises the question about recruiting women to work in the stores. Did that happen?

BE: Yes. I'd say this, in all fairness, I think we've always had a very open employment policy on that. I mean if a woman came in and wanted to become an assistant manager, we'd make her an assistant~~--~~ AND we had women store managers. And we had women district MANAGERS~~--~~the biggest problem was when you had to unload a truck. Because the trucks would come in and you'd have to help the truck driver unload the truck. That was the only real problem with women managers. But we had a lot of very good women managers ~~in~~ AND ~~the~~ assistant managers. We still do now, I think. In fact we have more now than ever before. We have woman district managers now.

WG: But as you went to this furnishing store concept, did you hire more women as . . .

BE: Well a guy who was VP of marketing by the name of Billy Davis came up with an idea ~~called~~ THAT we would have a woman in every store and she would be called Shirley Williams.

Pat: It's true.

BE: Billy came from Texas and he thought this was a great idea, and some of us told him this is no way to operate in this day and age. Anyway, we had it. We had Shirley Williams Service. And that was decorating service. And eventually the women said, "You know, we don't want to be called Shirley Williams. Call us by our own names." And we did. But we hired a lot of women ~~for this type--we hired a lot of women~~ as decorators. We'd call them decorators. Now that didn't mean they were graduates of any interior decorating service. Some of them in fact were. Our best source was often the interior decorating course at the local community college.

WG: How did you train the decorators?

BE: Well we'd have usually a decorator at each region who was a decorator and she would train them, but in many cases we found very capable women. There are a lot of women who have training in ~~this~~ DECORATING and who ~~for one reason--~~maybe ~~they~~ can only work four hours a day, and ~~we do a lot of that, you know~~ THAT MIGHT FIT OUR NEEDS VERY WELL. ~~A woman would come in and maybe had a family and as I say~~, almost every community college had a decorating ~~area~~ COURSE, and we'd go and get some of their better graduates. So maybe they were not professional decorators, but they generally ~~were good enough to be able to--they~~ had GOOD color sense ~~and they had what goes with what~~ FINE TASTE, which ~~is~~ WAS often not the case with some of their customers. They were better than the average paint store SALES person.

WG: That concept of the store as a decorating center didn't take root, right? I mean there was a retreat from that back to the paint stores?

BE: Well I'd say yes, there was a retreat back toward that being the primary emphasis, ~~and the emphasis now, which is what we try to do and I think has been done even more so now,~~ NAMELY ~~is~~ we're paint stores again. But a lot of OUR ~~those~~ paint stores still do a lot of business in other than paint products, and some of them could still be called truly decorating centers. I think you find them in some of the smaller markets.

Pat: Some of them on the ?? pads?...

BE: Yes, say ~~in ??~~ ON THE PAD of a major mall, SUCH AS the ones in Indianapolis, still are very much truly decorating stores. We still sell a lot of floor covering and a lot of wall covering. Wall covering in the last few years has been in a demise, and I think it's the whole industry, ~~it's~~ not just US ~~a~~. For a while it really took off. God, it was great. We were selling foils and flocks and some of the high priced papers. THERE WERE SEVERAL YEARS OF BIG ~~It just went on a tremendous~~ increases. And the last several years it's been down and it's not just us, ~~it's~~ the whole industry has been down. I don't know why.

WG: A while ago you were talking about the decision to focus the stores on Sherwin-Williams brand paints, and to take Sherwin-Williams brands away from the other ~~products~~. OUTLETS

BE: Right.

WG: You said one of the reasons to do that was this problem of not being able to control the pricing.

BE: That's the major reason.

WG: But weren't there also other reasons there?

BE: No, I'd say the major was the fact ~~we couldn't--when we made a decision to become retailing decorating center--~~ we made a decision to be a retailer, which the stores had not been up till then.

WG: Essentially wholesalers to paint contractors.

BE: Well they'd been everything. But ~~we~~ WALT made a decision that, ~~well Walt made a decision that retailer~~ RETAIL is where the potential is. The DIY market is going to explode. And in fact it did.

WG: Do it yourself.

BE: And THAT retail was where we should put our emphasis. Once you made that decision, you realize that you had to control your own marketing, and you couldn't control your own marketing as long as other people had your product, they'll do whatever they wanted to with it. And that I'd say was 90% of the reason we did what we did.

WG: Had the other brands, I mean . . .

BE: We didn't have Dutch Boy then.

WG: No, but you had . . .

BE: We had Martin-Senour.

WG: You had Martin-Senour . . .

BE: So we attempted to convert all of our dealers to Martin-Senour. With only very limited success. We did some.

WG: What was the history of Martin-Senour prior to this?

BE: Martin-Senour was a company in Chicago that we bought. And Martin-Senour had a reputation for very high quality, fine color operation. And they were run by an extremely innovative man named Bill STUART ~~Stewart~~ who is probably one of the best salesmen I ever MET ~~ran into~~. And he built that company into sort of a niche ~~of~~ AS A high quality, high fashion, high color capability company. They were the ones that did the Williamsburg Colors, which is probably the most prestigious differentiation~~s~~ IN THE PAINT INDUSTRY. It's hard to differentiate yourself from competition when it comes to wall paint. Let's fact it. I mean it's essentially a commodity product. But he was able to DO IT successfully--one of the most successful differentiation or niche jobs I've ever seen ~~in~~ ON a commodity. PRODUCT

WG: Premium price paint.

BE: Premium price paint. A line of deep colors that you couldn't get in many other places. Unique specialty colors like the Williamsburg colors. And also he had what was called the Color Robot, which was a tinting machine. ~~You came into a store and you put in a form and it went chug, chug, chug, chug, chug and brought out your color.~~ It was a precursor of ones we have now which are very sophisticated. ~~Ones where you take a color swatch--it wasn't that sophisticated, but it was ahead of what the other color tinting machines were.~~

WG: Was Martin-Senour run as a kind of a subsidiary or . . .

BE: Yes, it was run as a subsidiary. It was not integrated at all. I think Bill ~~Stewart~~ STUART reported in to somebody here ~~and~~ BUT he RIZMAN ran his own show. Now when I was in labor relations, we also handled their labor relations, which wasn't much because they didn't have a union, so ~~we~~ IT consisted mostly of foreman training. I got involved in that with him.

WG: Were the other brands--Lowe Brothers or Lucas--were they separate too?

BE: Interesting that you say that because they were separate except we decided that somewhere along the line to merge their stores with ours. They had stores--Lowe and Lucas. We decided to take their stores and put them under the existing regions. And I remember being a regional director and inheriting twelve Lowe Brothers stores, along with two Lowe Brothers sales managers.

WG: Were the sales practices and organization and everything pretty much similar to those stores?

BE: They were similar except they were, if you can believe it, ~~much a little~~ more poorly organized than we were. I mean unbelievable things that you ~~you've~~ found out about these stores ~~guys~~. ~~I found out one guy whose store up in Massachusetts, the Boston area, I've forgotten where it was, it wasn't in Woburn, but it was around there--the Medford area. Anyhow the guy was sleeping with the wallpaper lady and it was known and our stores looked good compared to theirs.~~ We eventually integrated them and we kept their product line separate and kept their organization separate and finally we said, "This is ridiculous" ~~and we went out there~~. I had 12 stores out of 250 that were a different brand and I said, you know, "Let's just convert them," and we did.

WG: Do those brands still exist I mean out there? I mean can you buy John Lucas paints?

BE: No. ~~We keep them~~--I think we probably sell them somewhere to keep the name.

Pat: Yes, we have a trade--we still keep the (trademark).

BE: We probably sell something somewhere to make sure we don't lose the trademark.

WG: But over time that's one of the things that happened was the consolidation of those brands into Sherwin-Williams.

BE: Yes, exactly. Except for Martin-Senour.

WG: Except for Martin-Senour, which was kept separate. Then the Dutch Boy was an acquisition.

BE: An acquisition. Martin-Senour was definitely kept separate. We only had one Martin-Senour store, I think. We never had stores. So that really business didn't change except we tried to convert people to Martin-Senour.

WG: Why didn't that work? You know, the highest quality paint out there, why didn't it work?

BE: Just that it wasn't that well known a brand in the general marketplace. ~~It was known~~ . . .

WG: That's true. I never heard of it until about two weeks ago.

BE: It was known in a niche market. And when the competition heard Sherwin-Williams was going to go out of the dealers, why of course every paint seller in North America was in there. And we only got a few of them. So all the other companies went in and took the dealers over. We kept some. Kept some very good accounts. Some--where do you live?

WG: Central Square.

BE: Central. I don't think we have any around Central Square. OUR STORE IN ~~??~~ Central Square was on Mass. Avenue on the west side ~~of the~~ street ~~about three blocks up~~, north of whatever the cross-street is.

WG: Prospect, Magazine.

BE: There was a guy named Jim Gardner who ran it who later, when we merged them became a salesman out of Medford. Really good guy. He stayed with us until he retired.

WG: We're leading into the troubles of the seventies, and I want to get your perspective on that.

BE: Yes. I think, you know, a variety of things come to mind, and I don't know how well connected these are, but I do know from a financial point of view we were in fact borrowing money to pay dividends and FOR OPERATING EXPENSES ~~to pay operatings~~. And I don't know why this all happened other than I think the stores were not being run as efficiently as they could be and I think they were probably a drain on the company. I guess in general we just didn't control expenses and the most important reason WAS THAT we didn't control working capital. I mean there were no real controls in place on working capital. Spencer was a very bright guy and his instincts were all right, but he didn't know what was going on in the organization. I remember being concerned about a lot of things, and I would come in on a Saturday morning because I know Walt used to prowl the halls, and I HAD KNOWN ~~knew~~ him way back to Chicago days ~~when I was relatively young~~, so he'd say, "What's going on?" And I'd say, "Let me go into your office," and I'd go into his office and talk to him, Saturday morning. And I'd say, "Walt, here's what's going on, here's what's happening, you've got to understand this." And he'd listen to you and he wouldn't say anything, although you knew it was sinking in. And then at the end he'd say, "Remember you don't report to me." And he'd have people between you, layers between you, that were buffering him from what was really going on. And I remember distinctly at that time we were giving all kinds of positive stories to the investment community, and the guy who was THE ~~a~~ contact ~~with the guy who~~ was our treasurer, a guy named Jim Cole, and I was running the Stores at that time, working for a group vice president named

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Ron Curley, and I'd run into Jim and he'd say, "Well, I see things are going well." And I'd say, "Well, we've got some things good and not so ~~bad~~ GOOD." And ~~he says~~ HE WOULD SAY, "Well, the investment community's very interested about this, this and this." And I'd say, "Well Jim, that's not going to happen." And he'd say, "That's what Ron's telling me is going to happen," and I said, "Well, Jim, that's simply not true." He said, "Well, if it's not true, then we're getting a real problem." And of course we ~~got a~~ DEVELOPED A REAL PROBLEM WITH ~~tremendous fight from~~ the investment community because we kept telling them things that didn't happen ~~and~~ SUCH AS that one book, restructured, reformed. And ~~the major~~ PROBLEM WAS THAT--Spencer had a tremendous ego and whenever you came in to tell him about something, he knew more about it than you did. ~~He knew more about this, he knew more about that~~. He was quoted on the outside as being a business expert, and he didn't know what was going on in his own company. He was trying to do the right things. I remember when he left the company, ~~after~~ JUST BEFORE he left, when I went into his office and he told me he was leaving. And I said, "Why are you going?" And he said, "Look," and he took ~~a~~ WHAT LOOKED LIKE A pen out of his pocket and he opened it up and he had some--what are the pills you take for heart?

WG: Digitalis.

BE: Digitalis. He said, "This is the reason for it." Nitroglycerine, digitalis. "This is the reason for it." And I said, "I'm sorry, Walt. I'm sorry you're leaving. I know you wanted to do a lot of right things. I know you had the right approaches." Well, a few months later when he want to Tulane and all kinds of articles were coming out where Breen was really raking Spencer over the coals, you know, in print, in quotations. And Walt wrote a letter to me. I was then, by that time--this was later. I was VP of public relations AND ~~--~~public affairs. ~~Public relations and public affairs. The same thing~~. He wrote a letter to me complaining about all these stories that were coming out. And he said, "You know, Bill, you remember what you said to me the day before I left," and I WROTE ~~looked~~ back and ~~I~~ said, "Walt, I know what you wanted to do, but Walt, it never happened. It never got through the organization." Because I remember he SENT ~~wrote~~ a copy of the letter to Allen Holmes. You know, I sent a copy to Allen Holmes. (Laughter). ~~And that was really--~~The two problems Walt had was he had enormous ego, he thought he knew more about everything than anybody else, and he was very bright. He had all the right ideas, I think, except that he was LOCKED ~~smoked~~ into something like, you know, the change in the stores, making them full line, and nobody could tell him he was wrong, what would happen. And he surrounded himself WITH WEAK PEOPLE ~~--~~he made Bill Fine the president, and Bill Fine never should have gotten that high. I mean he <u>never</u> should have gotten that high. And he had Ron Curley who was the group vice president who was my boss, and Ron Curley never should have gotten that high. So we had guys that were extremely grateful for having been promoted as far as they were, and the last thing they were going to do is tell him he was wrong. And the crime of it was Walt would listen to you when you told him he was wrong. I mean he wouldn't agree then but you'd see it come out sometime later. You didn't run any personal risk at all if you told him he was wrong. And the same way with Jack Breen. Only Jack knows what's going on in the organization. If I had to point out a 10 to 1 difference between him and Spencer, IS Jack ~~got~~ HAS his fingers ~~in~~ ON almost everything. And that was Walt's failure. And that's what happened. ~~And the whole organization~~, ~~see~~ You had a lot of ~~incompetence~~ INCOMPETENTS running things, and that's why, how many of them are left? You don't see them around. There were good people everywhere, there were good guys trying to do the right thing. But the guys on top were incapable.

WG: So the reorganization, the things that were talked about to the investment community in the seventies was smoke and mirrors?

BE: Yes. It was what they thought, what they believed. I mean you know, made all these plans. The plans never worked, never got executed. They believed it.

WG: That 1977 supplement to the annual report which describe these changes, actually it was the divisionalization which created the job, you then took (it there)?

BE: Yes, that's right.

WG: But in reading that document, there was a reference to organization studies of the early seventies and senior management taking a hard look at things going on.

BE: Don't remember that. The guy who really put that Document together was Bruce Morrison.

Pat: Who put the reorganizing structure?

BE: ~~Yes~~. Not the structure, the document ~~There was a guy named Bruce Morrison who came in~~ . . .

WG: Is he still around?

BE: Well, yes, he is but he's not here. He's in Louisville. He was research director of our advertising agency and I got to know him that way when I was running Marketing Services. And then I hired him to replace me in Marketing Services, and ~~he~~ then ~~became~~ the guy who was VP of planning died and Bruce took that job.

Pat: There was a vice president of planning?

BE: Ted Barrett. Ted Barrett died and Bruce took that job. And he was the guy that put all that together. I remember him saying to Spencer, "You can do this once." And then Bruce got fired by Breen. ~~Bruce is crazy~~. I mean Bruce is probably the most intelligent man I have ever known and he's actually a totally entertaining person. He's a damn near a genius. He's Ph.D. in psychology. He taught psychology before he came into this job here, and NOW ~~he now runs~~ he's in business for himself and doing marketing research with his wife. He got remarried.

Pat: But he's crazy.

BE: He's crazy, but he's a fun guy. I mean exciting, entertaining guy. Very bright. He was the guy who put it together, if you have a chance. I mean he'd love to tell you the story, I'm sure.

Pat: Do you know how to reach him?

BE: Yes, I've got his phone number. Bill Babcock's another one that can probably ~~??~~ HELP .

Pat: Was Bill Babcock involved in . . .

BE: Bill Babcock was involved in the whole logo change. He's the guy that . . .

Pat: The logo change, but not the restructure.

BE: No. I don't think so.

WG: That was the logo change from the traditional thing to the . . .

BE: IT WAS ~~See that's~~ Spencer's concept was that there was not enough growth in the paint industry, and we were going to become a diversified company, which was the hot thing to do, and that that old trademark was too paint-specific and did not allow A sufficiently ~~to be a~~ broader scope FOR ~~of~~ the company. And that's when he went FOR ~~to~~ the logo change and we hired a company in Bath called F. Eugene Smith and Associates. And the lead guy on that job was a guy named Bill Babcock, who then broke away from F. Eugene Smith. ~~But Bill was the guy who eventually tried to take Spencer's as a designer~~ . . .

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

BE: IT WAS . . . a very good job. I still see Bill every once in a while.

WG: But the reorganization in '77 was, you know, as you read it, it sounds like the right thing to do.

BE: That was right. That was right, I think. Actually the first one took place in '76. I think in '76. Len would be able to tell you, Len Ward. I think prior to that, the whole Paint Division was organized functionally: the Chemicals being separate and the Containers being separate, ~~in~~ that/we had a VP of sales, a VP of operations, somebody in charge of R&D, somebody in charge of distribution, etc. And then I think it was in '76 they took the automotive refinish business and made that a separate division, and took the chemical coatings and made that a separate division, and left what I'd call the consumer business, which was the dealer business of the stores all functionally organized under Billy Davis. And so we still ~~have~~ HAD Manufacturing and Stores and other sales, separate. It was not until '77 that we broke up ~~that—that~~ WHAT was called the Consumer Division~~, when we broke that up~~ into two divisions: Consumer~~s~~ and Stores.

Pat: But in '76 they had split up.

BE: We had split away Automotive and Chemical Coatings. And the remainder was called the Consumer Division, and then in '77 we broke that into/THE Consumer Division, which was the Paint Supply Division~~, the~~ AND Dealer Division and the Stores Division. But it was <u>definitely</u> the right thing to do. I mean we <u>definitely</u> ~~started to get—well, we~~ started to look at the stores independently and started to say, "What are we paying for paint? How does it compare to the marketplace?" Our transfer price was way out of line with what it should have been. It~~'s always in fact~~ We were making decisions at stores that were based on a different transfer price. We ~~knew we're~~ not running the stores to make money. We reoriented our thinking to think of making

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ourselves a profit unit. And that's probably the most important restructuring thing that's ~~really~~ ever been done in the history of the company. And the other divisions benefitted, too, ~~but not being sort of pulled together~~. The Automotive Refinish Division, which has always been a good division of the company, became really good because instead of having guys that knew automotive paints and other paints, they could concentrate on only guys that knew automotive paint.

WG: Well in that respect I mean Breen did not reorganize the company. He kept the basic structure.

BE: Right.

WG: So it's a validation of it right there. But I guess the company's problems were so acute by the time you did this . . .

BE: I think the reorganization still made long strides, but I'd say some things were going in the right direction before Breen came here, no question about it. But the major change Breen made was to replace people with more competent people. Not always. We had a lot of guys that got hired that are not here any longer. There's at least as many guys that were hired since Breen that ~~were here then who have been~~ fired.

Pat: That's right.

BE: Probably more.

Pat: Yes. That's true.

BE: A lot of false starts and bad guys. But the big thing was TO control our working capital. We reduced our inventories, we reduced our receivables, and we extended our payables. We used to be paying guys in seven days, suppliers, and they loved us. And we had these very cozy relationships with them. Breen came in and all of a sudden we took these guys we were paying in seven days and paid them in 60 days and they screamed and yelled and we said, "Where are you going to go?" And this is probably the number one reason for the turnaround. ~~And Commes had a very, you know,~~ Commes with a financial background had a very strong working capital orientation. And what Breen did, then, Breen brought in a whole planning ACTIVITY. We started out, ~~we had~~ a seminar put on by a guy named Ram Charan who specializes in this kind of thing. You may know him. And we all learned, we went through the whole strategic planning and operating planning process. So we have the five-year strategic plan. Every spring you do it and every fall you do your operating plan. Now we've combined them in the last couple of years. And what that forced us to do, it's not so much that the five-year projection has any (value), but it forced us to all of us think about the various elements that impact on the profitability of our business. It's a disciplined way of looking at what influences your business, and making your plans based upon the information. And we never did that. Because We had a budget and that was about it, and the budget was sort of what everybody sort of sat around and thought we'd do. And that I'd say that was a major contribution of Breen. And the other thing that Breen made--a variety of things--but Breen got to know the key people in the organization. And Breen knows what's going on in the company. And I'd say that Breen knows very well the top 150 people. And he talks to them and when he first came ~~about~~ ACQUIRED, he went ~~out~~ OUTSIDE, ~~lines of communication~~ ORGANIZATION LINES, he'd go to somebody's subordinate, which was a concern, but then you realize that's no problem. He's not trying to find something out on you. I mean it's just his way of picking up things. ~~And so what you have is a management now~~, ~~and~~ (NOW) we ~~go through~~ HAVE our monthly operating review meetings, and those started out to be incredibly grim. Golly, I'll never forget them! And now they're much more routine, but we'd go into, you know, "What did you do for the month? Why did you do it? How did you do it? How did that compare to what you said you were going to do? ~~Why were~~ WHAT CAUSED the variances? ~~those?~~ What are you going to do next month?" And ~~so you know the continuous~~, as Tom Commes says, all the companies talk about doing ~~it~~ THIS. The big difference is we do it, and we continue to do it. There's this continual ongoing microscopic--well microscopic isn't right because that's not true--but extensive review of what's really happening inside and outside, and therefore what does it mean we should do. You know, I'd say that's the success factor that Breen brought to the company.

WG: Were the managers who turned over when he came in, the first fires in Sherwin-Williams history?

BE: No, not the first, but it was very uncommon. It's certainly No the kind of thing~~s~~ that Even ~~took place never~~ happened before. And I'll say an interesting thing about that, a lot of people don't know, but Jack took great care to try and see that those people were handled well. A lot of people got six months to a year's severance, and outplacement service, and Jack would follow with the outplacement people, and call to people in other companies and talk to them. It wasn't the kind of thing that he did heartlessly. I ~~mean he made the move, and it wasn't just--and~~ In some cases I know very well, he delayed until he could find a slot for the guy ~~where the guy was in a position to leave.~~ ~~Jack also has a great--~~I've seen people try to emulate Ja~~ck by his~~ Jack's toughness, and ~~I've seen--~~he can be terribly tough, ~~I mean really tough~~, without knowing when to back off. But Jack always knew when to stop, you know, when the guy had had enough, and how to then be considerate. And I've seen other people try to emulate him in his toughness without the same sensitivity in the relationship.

WG: In thinking about, again, the pre-1980 company, was how Sherwin-Williams was managed different than the norms in the industry generally?

BE: I don't know. ~~Well, I'd say first of all I don't know~~, except that generally the industry tended to be a very conservative, old guard business, and most of the industry did not operate with stores. I mean the companies you can think of like Benjamin Moore, which is very strong in the Northeast, was a family-held company that established relationships with independent dealers and essentially did the same thing for 40 years, ~~you know, so that you already knew what the other guy was doing~~. There are a lot of companies like that. The industry is a very fragmented industry. I was talking to you about somewhere between 1000 and 1500 paint manufacturers. It doesn't take much capital to get ENTER THE INDUSTRY ~~into it~~. You don't need a CHEMIST ~~chemistry~~--you can get your formulas from raw material suppliers. You can buy used equipment and set up a shop. You can make paint that SATISFIES ~~satisfied~~ dealers in your specific area. One of the things that's characteristic of paint formulation is people seem to--contractors primarily--seem to like different characteristics in paint ~~throughout~~, in different parts of the United States. In one area an off-white of a certain tone is hot, and in another AREA an ~~off-tone of~~ another OFF-white color is hot. The whole country has gone latex except up until a few years ago when I was involved--New York City was still ~~a heavy duty what we call~~ an alkyd flat-- ~~they call that~~ an ~~ice cream flat~~, ~~which was an alkyd-based~~, oil based paint with a ~~stipple effect to it that the contractors loved~~. ~~The only place in the United States that you did that.~~ So there would be A guy ~~s over~~ in Brooklyn grinding out one color of

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~~this in~~ depreciated equipment ~~where~~ the guy's wife was the accountant and he was the salesman and ~~the raw materials supplier came in and~~ he had a couple of guys in the back room mixing it up. How can you compete with him? He could do a more effective job. So a lot of the industry was this fragmented . . .

WG: Yes. You almost have to go geographical market by market.

BE: Right. And then the strongest companies now are regional companies. I don't know who it is in Boston. I have a couple of friends who are VP of marketing at two Boston companies. One of them's called California Paints.

WG: Sure. That's about two blocks from my house.

BE: And the other one is Cabot's, which is a wonderful old company.

Pat: We've trained more executives of . . .

BE: The VP of marketing of those two companies both worked for me at one time. Cabot Stains, that's a quality product. I don't know if you've ever seen Cabot Stains, but it's the product that people like on Cape Cod. So the industry is loaded with these kind of companies that specialize ~~generally~~, I mean there's a million companies making--I've been (in lofts?) in New York City where a guy's cranking out/t white baking enamel, ~~you know~~, that he sells to people who put it on fixtures, like lighting fixtures. Just crank it out. It's such a diversified industry in that sense. Very few companies make everything.

WG: Is advertising one place where you do get a national . . .

BE: ~~It's about the only place we have--yes~~, We've got a national ~~??~~ image through advertising, and we're about the only paint company, I guess PPG advertises nationally, and Glidden does some advertising nationally. The only national advertisers, Glidden and PPG. Benjamin Moore does some, too.

Pat: Yes, I was going to say Benny Moore does.

BE: Theirs might be spot, though. We see it, it might be spot because they're not equally strong throughout the United States.

WG: In the industry, is the big money to be made with external coatings, rather than . . .

BE: The big money is made more on specialty products like automotive refinish products. That's where the better market-- ~~you find internationally all the~~, if you look at the ranking of paint companies by volume worldwide, we're the only major company that's not a chemical company. And a lot of the money is made on the raw materials that go into paint. And a lot of our competitors we think look to make their money on the raw materials, not on the product. Because the other big companies in the world, other than PPG, are all European. Some Japanese.

WG: Yes. Well it's a whole big subject we need to talk about. We're kind of running out of time here.

BE: Yes, you've got Tom Micklich at 3:00. I've got to see him at 2:00--I've got to see him today. So I'll see him at 2:30. I'm back in Friday. When are you here?

WG: We'll work something out. Because I'd like to pursue this. We didn't even talk about International, which is . . .

BE: Yes, which has never been a big part of our company.

WG: No but its, you know, an aspect of it. And also I'd like to talk in a little bit more detail about the eighties. And I'm sure when I go back through the transcript I'll probably want to talk about the fifties and sixties. This has been really great.

BE: I don't know how good it's been, but you're going to talk to a lot of good people. Len Ward will give you a lot. Who else have they got?

WG: Jack Wallace.

BE: Micklich I think is probably the best source of what happened to all this financial. AREA

WG: Yes. Still something of a mystery to me is why it happened when it happened.

BE: Ask Tom. And Tom was here in one capacity or another during that period. He's a very bright guy. So.

Pat: And Art Maine was in Chicago before that?

BE: Art Maine is the guy that Jack worked with most on the change in personnel.

Pat: Where'd he come from?

BE: He was in the Chicago personnel department.

Pat: That's what I thought.

BE: And Art's here in the area, as you know. Are you going to see him?

WG: Yes, he's on our list.

END OF INTERVIEW.