

Presidents' Forum of St. Louis
Robert H. Chapman, Chairman & CEO
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LIVING, BREATHING AND COMMUNICATING CORPORATE CULTURE

I appreciate the opportunity to come before you today and to share with you my personal perspective on leadership, which begins with a single question.

I'm 61, and as I tell my team, I don't have a lot of time left. Therefore, I'm in a hurry to use the rest of my life in a meaningful way. I don't ask a lot of traditional conversational questions. I find myself compelled, when I sit down to dinner with someone, to ask them one question: *What do you hope to achieve while you're on the face of this earth, and how will what you're doing now allow you to achieve that?* Asking this question has led to the most meaningful and rewarding conversations that I've had in my life.

What I hope to achieve today is to ask you to think about what you're doing here, what your purpose is, and how your position of leadership can allow you to leave a legacy in this world. Having been in a leadership position since I was 29 years old, I've experienced a great deal. My dad died unexpectedly when I was 29, and I was given the opportunity to lead this 100-year-old, St. Louis-based company that my dad had been involved with since 1950. I've been president now for more than 30 years, and I would say to you that I didn't fully appreciate the significance of my leadership position until about six years ago.

Some of you may know The Church of St. Michael & St. George in St. Louis. The former rector of that church, Reverend Edward Salmon, was our rector for about 10 years, during the formative years of my life, raising six kids and trying to develop a business. He made a significant impact on my life, and I envied his opportunity to impact the lives of our church members in such a meaningful way. Those of you who have had a chance to be with somebody every week that inspires you will understand. One day five or six years ago, I woke up and said, "You know what? I've got a bigger church than he does, and my members come to church every day, and they stay for a good eight to ten hours a day. If I use the gifts that I feel I've been given, I might be able to have a dramatic impact on people through my leadership of the company."

My goal is to use my talents to create a sustainable business enterprise that will have a positive impact upon the lives of the people touched by this company. If I can find the words to share what I've discovered in my journey and you can take those thoughts back to your families and businesses, you will have helped me achieve my goal.

At Barry-Wehmiller, we have converted this goal into a simple statement:

"We measure success by the way we touch the lives of people."

Why do we say that? Well, in business, we touch the lives of many people. We touch the lives of our shareholders; we touch the lives of our suppliers; we touch the lives of our bankers; we touch the lives of our employees; and we touch the lives of our employees' families. If we remember this, if we think about what we do and how we touch people's lives, then I believe we'll make the right decisions, not only for ourselves in the short run but for others in the long run. And if we ALL remember this, not just me as the president but everyone on my team, then this vision which guides Barry-Wehmiller will be a sustainable one.

As leaders in business, we have a tremendous opportunity to impact society. People spend the majority of their waking hours at work. Having acquired 50 businesses and having looked at more than 200 businesses, I can tell you that there are an awful lot of people who go home each day empty, drained by their work experience. They leave our doors unable to be fully present for their families, their spouses or their communities. Through my personal experience in leadership, I have come to this fundamental premise: If we as leaders were to conduct business in such a way that our team members were enriched by their experience with us, rather than drained by it, they would go out into society able to be better parents, friends, spouses and members of the community. That is our opportunity and our responsibility, and it is an awesome one!

Our goal is to help people understand what a profound impact they can have on people's lives. At Barry-Wehmiller, we have evolved in the past few years a clear objective: "To ensure that every life we touch returns home safe, healthy and fulfilled."

ACHIEVING PRINCIPLED RESULTS ON PURPOSE

I rarely, if ever, meet someone who has thought in any depth about the question: *Where are you going in your life, and where are you going in your business?* I find that most business people don't have a compelling vision for their business. People talk about events that occur—we got a big order; we didn't make money; sales are up. Likewise, it seems most people don't know where they're going in life either. I rarely ask an adult or young person that question and get a thoughtful answer. They normally struggle. Young people tend to talk about their kids, and older people tend to talk about their activities. In either case, if you don't know where you are going, it is hard to imagine how you're ever going to get there.

The first thing you need to have is a compelling vision and an understanding of how that vision creates value. The second is that you have to be able to share that vision with people, the leadership team, in such a way that they will be able to embrace that vision and live it. And finally, you have to inspire people. The biggest thing we lack in leadership in American business is inspiration. The biggest thing we lack with our children is inspiration. One of the things we have discovered at Barry-Wehmiller over the last several years is the unbelievable potential of ordinary people when given an opportunity to use their gifts. At Barry-Wehmiller, we have articulated this business strategy as "Achieving Principled Results on Purpose."

There is nothing about our story that is an accident. It is simply a matter of stepping back, reflecting on our experiences, creating a vision of what we want to do, sharing and articulating that vision in such a way that everyone could relate to it, and then constantly inspiring people to achieve it. It's no different than what you would do with your children. They need to have some sense of what they want to do with their life, and you need to help them along that journey and inspire them to use all of their gifts to reach their goals.

Not too long ago, I was at a wedding and enjoying the beautiful part of the ceremony where the father walks the bride down the aisle. She's dressed in white, beautifully done up and being eloquently escorted to the altar, where a young man is standing ready to receive her. Part of the ceremony is for that father, who values his daughter highly, to give the hand of his daughter to that young man. By doing so, the father is saying, "I trust you to take care of this precious daughter of mine for the rest of her life." It occurred to me that it would be wonderful if each time we hired somebody, that person's parents would bring them to the plant or office, confident that we would provide an environment in which their child could use all of his or her gifts and be appreciated and recognized for those gifts throughout their time with our organization. As business leaders, we have the opportunity, just like that young man, to have an incredible relationship with the people we bring into our company—it's about understanding the profound responsibility of leadership and its impact on people.

Barry-Wehmiller adopted its strategy of "Achieving Principled Results on Purpose" in 1988. We use consistent metrics to chart our progress and constantly monitor the performance of our company against public companies. I always say that, in business, the optimum strategy is a combination of organic growth and acquisition growth, and if you can play both, you're going to play the game at the highest level, which we have been aspiring to do.

Barry-Wehmiller has enjoyed more than 20 years of rewarding progress, but there were 10 preceding years of considerable challenges that culminated in a public offering of two-thirds of Barry-Wehmiller on the London Stock Exchange. Those traumatic 10 years provided the leadership experiences that have shaped our value creation strategy. The Barry-Wehmiller "today" is the company that was left behind after the balance of the business was made public. We have since completed 36 acquisitions. We've grown 20 percent a year in revenue compounded over 19 years. We've gone from \$20 million in 1988 to more than \$800 million this year, and we now have a clear path to reach \$1 billion.

One of the things I feel most proud of is that we took a 100-year-old company whose roots were in building pasteurizers for Anheuser-Busch in 1901, and we transformed it from a narrowly focused business to an extremely broad-based, balanced company today. We also grew our share value by 20 percent a year compounded since 1988. How can you do that as a privately owned company? Because Barry-Wehmiller is a privately owned company that's run like a public company, with an outstanding national Board of Directors that has been associated with our company for many years. We use an EVA methodology to measure value creation and can monetize it like a public company. We have about 250 shareholders, and every six months we have as many as 30 or 40

transactions with investors. The only difference between us and a public company is that we don't swing by emotions, which the public markets often do. Our share price moves by performance.

The market is paying about a 2 percent yield on average, and we are paying a 2 percent yield, so we've been both a growth stock and a yield stock. As a privately owned company, we've had multiple transactions by family members who desire some liquidity outside the company, so we've never been faced with the dilemma of having to go public to create liquidity for family members. This is a program we've had since 1998, and it's worked extremely well for us.

THE AWESOME RESPONSIBILITY OF LEADERSHIP

I've been doing this a long time and have observed a great deal, but it's only in the last few years that I've understood my calling and my need to do more from my position of leadership than simply build a business. I hope that by sharing some of these experiences with you that I will awaken some of those feelings inside you as I was awakened a few years ago. Many of you have probably had a child brought into your life, and you've looked at this tiny child and felt the awesome responsibility of parenthood to help this child fulfill its promise to become all that it can be in the world with the gifts and talents God has given. A lot of people understand that, but I don't think many people understand the profound and equally important role we have in nurturing and touching the lives of those people associated with us in our businesses.

We're going to talk about three experiences that we feel will share exactly what we mean by this, how we convert these ideas into actions, not just words. What we're talking about is moving from "management" to "inspiration."

THE POWER OF INSPIRATION: Barry-Wehmiller's Safety Covenant

Those of you in manufacturing know that workers' compensation insurance represents a significant cost. Normally what would happen in the history of our company is that someone from accounting would work with our insurance company and find that our workers' comp rates were up. Then they would go to our personnel department and say that we need to design some safety programs or other strategies to bring costs back in line with the budget. It's a very typical conversation in business, and I've heard it many times. I don't know how many of you outside the financial arena would be motivated to reduce workers' comp costs. Most people couldn't care less. It's not very inspiring, is it?

Rhonda Spencer, director of the Organizational Empowerment team at Barry-Wehmiller, was invited to work with our Human Resources team to address the issue of safety. Because of our desire for inspired leadership, we started by saying, "If our goal is to touch the lives of people, what are we trying to do here? Are we trying to reduce workers' comp costs, or are we trying to send our friends home safe each night?" That might sound like a small difference to you, but I'll show you what happened as a result of shifting our way of thinking.

Once we clarified that our goal was to send our friends and colleagues home safe, we began a whole new approach to safety that included the creation of the Barry-Wehmiller Safety Covenant. Yes, we reduced our workers' comp costs by 80 percent, a massive reduction in cost for our company. But while the effort was sparked by cost, the results were motivated by compassion. We did not talk about the money; we talked about the fact that people were going home safer. As a result, we have tremendous interest in the Safety Conference every year because people feel passionate about helping people be safe. They do not feel passionate about reducing workers' comp costs or the number of lost time accidents.

THE POTENTIAL OF PEOPLE: Our Customer Service “Game”

Secondly, we talk about having fun. About 10 years ago, I paid \$27 million for a \$60 million business in South Carolina, which had a high level of aftermarket revenue. It was a significant acquisition for us 10 years ago, and I wanted to ensure that we hit the return on our investment. It was March Madness, and I noticed that everybody was talking about the games, which team they had bet on, where they stood, who could win and how much money they would get. They were smiling and laughing, and you could tell by their body language that they were having fun. But when it got closer to 8:00 a.m. and people started sitting down at their desks to work, you could just see the fun draining from their bodies.

I said to myself that day 10 years ago, “Why can't business be fun? Why do we have people work to make a living so they can leave to have fun?” I sat down with that group and asked, “What if the person who sells the most parts wins, and if the team makes its goal, the team wins, and we'll play this game every week?” They had no idea what I was talking about—I didn't either—but we decided to do it. In this example, our orders went up by 15 percent the very next week and stayed there! You cannot imagine the difference in their feelings about their role and what they do every day. We've now rolled this “game” out in 34 companies. We do it even before we close on the transaction, and in 34 out of 34 times, we've seen a significant increase in our revenues.

As another example, PCMC was a \$200 million company with \$100 million in aftermarket revenue, and there were a number of people working in customer service who felt unmotivated and unappreciated. We put this motivation program in place—the top seller each week gets \$100 and if the team makes its goal, everyone on the team gets \$100—and their sales went from \$714,000 a week to \$763,000 a week immediately. I sat down with this team, and said, “Tell me how this program makes you feel?” One lady, Beth, said, “Well, you know, my daughter is getting married, but she has champagne taste and a beer budget. With these extra earnings, I'm going to be able to give her a nicer wedding.” I asked them whether they talk to their spouses about this when they go home at night. And they said, “Oh yes.” One lady said, “As a matter of fact, one Friday night when I knew we had made it, I called my husband and said, ‘Tonight, I'm buying. I'm taking you out to dinner.’” She was immensely proud.

Then there was Judy. Judy has been with PCMC for more than 30 years, and I asked her the same question. She said, “Well, first I have to tell you who my family is. My family is my

mother. She's 91 years old and lives with me, but she doesn't get up when I do to go work, so I go home at lunch to see her. My mother and I have talked about this program a great deal, and I have to tell you something. The other day, I walked home at lunch to see her, and I came in and asked her how she was feeling. Instead of answering me, she quickly asked, 'Mary, did you make your numbers yet?'" There is nobody that could ask you that question that would mean more to you than your mother!

I could talk for hours about what people have told me about how this "game" has made them feel. If I had to generalize, I would simply ask, "How many people work for you that know every day, at any time of the day, exactly how they're doing and what they're going to get if they do well?" Some of you in sales may have that, but there are people in customer service who've never had that. It has made a profound difference on our culture and our performance.

It has been my observation that the problem in American business is not our people. It's a lack of inspiring leadership. We have never taught people to lead. Most people learn their management style from others, and they tend to try and manage people. Very few people I meet know how to inspire people. And I'll tell you something, remember Judy and her mother? The vice president of customer service at this company told me that Judy had really struggled before this program. Now she's the No. 2 performer in the company. She's inspired, and she's performing well.

We've had many stories like that throughout our company around the world that we could share, which has led me to believe that the potential of our people is only limited by our ability as leaders to inspire them. That's one of the things I want to challenge you to consider. What do you do to inspire people?

CREATING A FUTURE: Business Transformation at PCMC

Most of our acquisitions involve companies that are struggling financially or with leadership issues. We tend not to buy companies that are performing strongly. Why? Because our gifts are best used when a dramatic change can be brought about in a company. That is what our core competency is, and we tend to stick with it.

The most recent example is the story of PCMC in Green Bay, Wisconsin, an 80-year-old, third-generation family owned company that we became aware of and knew was struggling. PCMC manufactures paper converting and flexographic printing machinery for companies such as Procter & Gamble, Kimberly-Clark, and Georgia-Pacific to create facial tissues and wet wipes as well as flexible packaging materials. It's a \$200 million company with a great history in Green Bay and a secondary plant in Lucca, Italy. We had been targeting this company for four years. I had met with the president and tried to get him interested, but he struggled with the decision to sell the business. PCMC had lost money five out of the last six years. Then in May 2005, the company hit a financial crisis and was on a path to lose \$25 million on \$200 million in sales. Within two weeks, we put together an offer and purchased the company for \$55 million.

We set a financial objective to achieve our targeted rate of return with a goal of \$6 million in operating income for the first year. It seemed like a long journey for us, but the first year we owned it, which ended in October 2006, we ended up exceeding that goal considerably. We are now clearly on a path of solid financial performance. How did we do it?

Everything I've said that we aspire to achieve at Barry-Wehmiller was needed in this company. It was struggling to find a vision for its future in this challenging economic environment, a struggle that had taken its toll on motivation. We began by sitting down and talking with the UAW and other long-tenured team members, and it became clear that they had almost given up on themselves. Their customers had almost given up on them too. So we said that we're going to create a great American company in Green Bay with great American jobs, and we're going to achieve this vision through inspirational leadership. The response has been very rewarding. Financially, we have made considerable progress, but what I'm most proud of for this business and its people is that we've achieved a tremendous improvement in the culture.

I would summarize this by saying that what you really need to do is align people's heads to a vision. You need to engage their hearts through inspiration. And then you need to equip their hands, in combination with their head and heart, to create habits that will allow the company to achieve its vision. If you do that, you will get extraordinary levels of trust and performance, and people will go home with a sense of fulfillment. It's really very simple.

HOW DO YOU DEFINE SUCCESS?

Standing back, I don't know how many of you have a true vision. I don't know how effective you are in sharing that vision. And I don't know how well you inspire your people to use all of their God-given talents. But I DO know that if we, in business, the economic engine of America, were to take this approach—to care about the people whose lives we touch and to treat them as if they were our own children—we could have a profound impact on the lives of people in this country and the vibrancy of our culture to reverse some of the trends that we have all witnessed.

There is tremendous potential in people. The key is to discover how to bring that out. Think back on your own life and remember someone who really brought out your gifts and talents. I would say that you need to be that same kind of teacher to the people you touch in your life. It's an awesome responsibility, just like parenthood. It's about what you're going to do with your life, what you want to leave as your life's legacy, so that while you were on the face of this earth, you did something with your gifts that has left a legacy that will inspire others.

By discovering your purpose in life, you can convert that purpose into a leadership role that will be meaningful to you and to others. One of the things I learned years ago is how to define my success. How do *you* define success? Is it owning a public company? Is it having a building at Washington University named after you? Is it living in the right neighborhood? Is it having a second home in Florida? Is that really success? Because you can meet a lot of people who are called "successful"

but whose private lives are marked by dysfunctional kids and a horrible marriage. We've seen a lot of that over the last 10 years, and businessmen have continued to lose standing in public opinion.

I'm going to leave you with this final thought, which has been inspiring to me. I often ask the question: *What means the most in your life?* Quite often, men tell me that coaching young children on sports teams means a lot to them. They love to see the little child who learns to catch the ball and then throws somebody out at second. People tell me this all the time. I have never had a person yet tell me that he loves to manage people. I have never had a person yet tell me that he loves to lead adults. Because when you walk up to a child, you have the power and authority to positively impact that young life. I believe that if we look at those people in our organizations just like we look at those young kids in the formative stages of their lives, we can have an equal impact on them—even a more powerful impact. If you treat your people right and send them home fulfilled, they will be better parents for their children, and your children will enter a better world as a result.

Barry-Wehmiller Companies, Inc.
Corporate Headquarters

8020 Forsyth Boulevard • St. Louis, MO 63105
Phone: 314/862-8000 • Fax: 314/862-8858
www.barry-wehmiller.com