

## PHILIP HENDRICKSON

*Philip “Phil” Hendrickson graduated from HBS in 1947 and, after a brief stint with a manufacturing firm in Massachusetts, joined Krueger International, a small furniture business in his home state of Wisconsin. Under his leadership, the firm grew rapidly and gained widespread recognition for its innovative designs. Phil has since gone on to launch or support numerous successful ventures. Among these is the manufacturing of Diaper Genie products for North and South America, the Boulder-based restaurant franchise called Noodles, and several other ventures. Phil described his journey as an entrepreneur in an interview at his office in Green Bay, Wisconsin in October 2002. Interviewer: Amy Blitz, HBS Director of Media Development for Entrepreneurial Management.*

### **The Early Years**

I was born in a little town called Camp Douglas, which has about 550 people. My grandfather and grandmother lived there. The town was named after my great-grandfather, who had a logging camp there. The Northwestern and the Milwaukee railroads crossed there, and he provided the logs and the water, before coal, for the locomotives. Camp Douglas also had a hotel, and salesmen traveling by train would often stop there overnight to switch trains.

I have a lot of roots in that town, although I didn’t live there more than six months. My father and mother lived in Milwaukee and then Madison, but I was born in the same house in Camp Douglas that my mother was born in. The town had one doctor, and they didn’t have hospitals or anything in those days; you were born in your own home. Right behind the town was a big bluff, a sandstorm bluff where a long time ago the Wisconsin River used to flow. We used to play in the bluffs and it was just wonderful. I spent summers there and as I got older, from fourteen until eighteen, I worked in my grandfather’s store.

One summer I had been working in Madison for the F & D Grocery. I got two dollars a day working eight to four, which was just about twenty-five cents an hour in those days, and that wasn’t so bad. I learned a lot from this grocery store in Madison about how to display fruit and how to set special prices and all that stuff. And I tried to implement what I’d learned in Madison that summer at my grandfather’s store in Camp Douglas. He let me do anything. I think that was the start of my trying to think a lot of how to make sales. I remember he had a big barrel of candy kisses, and if you bought a pound of kisses then you got a little toy—two pieces of string with wooden balls on it, and a holder so you could make the balls go round and round. Nobody wanted the toy, so he gave me the whole box and I took the toys down to Madison and sold them for a dollar apiece. That’s how it went.

My grandfather rarely became angry. But I was a kid, and I tell you, I don’t think I was the best kid. I remember one day, I had a special table out in front and it had dry goods on

it, and he was sitting there with me. He took a bath once a week in a tub in the kitchen. He had to heat the water, and then he'd put on his summer jeans, which were cut short. Well, he was sitting there talking to a couple of customers and I was putting some ketchup on the table for a sale. And I noticed that one had a crack in the bottom. I went over to him—his name was Ernest Douglas but everybody knew him as Ed—and I said, “Ed, look at this,” and I hit the top and blew it all over him. He said, “Damn it Phil, you’ve got to grow up.” But that’s all he said. He went home and had to take another bath. Anyway, I learned a lot from him about running a business, dealing with customers, employees, making sales, everything. I worked there summers and got room and board and \$100 for the three months.

During the rest of the year I lived in Madison. My father and mother were divorced when I was sixteen, and from then on I lived with my mother and my sister close to the university. I went to the University of Wisconsin at Madison for college, where I studied accounting. The tuition was \$27.50 in those days, in the ‘30s. Then it went up to \$32.50, but I could afford it. I was paying my way and I got a little scholarship because my father had been a veteran. I couldn’t afford anything except school and I worked at the university library stacking books. I majored in accounting but I knew I didn’t like accounting as my future. I also took advertising and marketing, and I worked in a full-line retail store in town. It was the only store in town and it had everything—dry goods and spools and shoes and work clothes and things like that.

## **World War II**

When I finished college in June of 1941 I took a job with General Motors, with the Chevrolet grand foundry in Saginaw, Michigan. I worked there for six months. I had a draft number and I wanted to go into the navy—we had a family history with the navy—and so I came home at Christmastime and applied for a commission. I had been working on engines in Saginaw, so I was given a commission to be in a war plant.

I went for a six-week indoctrination at Fort Skyler in the Bronx in New York and then I applied for sea duty. My first application was for heavy cruisers/Pacific, and then destroyers/Atlantic. I was given destroyers/Atlantic, and three or four weeks later three of our heavy cruisers were sunk in the Battle of Savoy Bay with the Australian cruiser Kambaro. So I’m glad I didn’t get my first choice or I would have been out there then. I went instead to the North Atlantic and the Mediterranean on the first ship invasions of Sicily and Salerno. We lost three destroyers in our squadron. They sent us back to the States after about eighteen months, and I was sent to do new construction. We stayed in New York for two or three months and then we went to the Pacific. We went through the battles in the Philippines, Iwo Jima, and Okinawa, and then, when the war was over, we went around Japan, demilitarizing what ships there were left.

During my time in the navy, I learned that the men you work with are what count. For example, they didn’t allow for recreation, but sometimes we would allow shooting off the fantail just for sport. The captain wouldn’t let the crew do this, but when I got my own command I let everyone play. That little gesture built a lot of loyalty among the men. I also had one captain who unmercifully drove his officers, but he demanded the very best.

He rode one fellow—the communications officer—off the ship in a war zone because he wasn't up to the captain's standards. And he worked on me too, but he taught us all how to be naval officers on ships. He taught us how to handle the ships, how to go alongside a carrier to refuel, how to hold it there when water is flowing in and out between the ships, how to take a plane guard station on a carrier at night. I might not have liked him at the time but he taught me to be an officer and he was the one who recommended me for the command when he left to go to Washington.

After the war I looked him up. He was retired and he was reluctant to talk about the war because he knew he'd been tough on us. But I told him he'd been right to be so tough on us. In fact, I thanked him for it because by the time I had a command of my own I had the experience to run a ship well. I remember one time we went through a terrible storm. We had to come about into thirty-foot waves. I told everybody what was happening and how we were going to do it and we did it. After that, I was given a command to take a destroyer back to the States. I joined it in Hawaii and I took it to San Diego and then through the Canal up to Boston. That how I think I was able to get into Harvard Business School. It was also during that time that I met up with a friend who had been in college with me. He was from Wisconsin, and he was a captain in the army. He had stayed in Boston the whole war. He said, "I have applied and been accepted to Harvard Business School. Why don't you apply?" I did, and I was accepted. I'm a B student, maybe a B+; I'm no genius, I'll tell you that. But I think my experience in the navy was the reason I was accepted to HBS. There were 25,000-26,000 applications and they took 425. So I was very fortunate.

### **The HBS Experience**

I got the acceptance letter and I told them, "I can't be in the February class because I've got to take the ship down to decommission it, but I could be in the June class."

I started at HBS in June and we graduated in November of 1947. HBS really helped me get my head back on straight and taught me a lot of things for the future. At the B School, 95 percent of us had been veterans. We were back from the war and had good camaraderie. Fifteen of us started a session called "Present Sessions." We would meet every two weeks and discuss what was going on at the School, national things, whatever was of interest. We had three Canadians, a chap from India, and a guy who was one of the most decorated veterans. He lost part of his stomach and had all kinds of wounds. Anyway, it was a bonding experience being in that group and being at HBS after the war with so many other veterans.

At HBS, I learned to think on my feet. You gather all these cases and you learn there's no one right answer. Myles Mace was at HBS then. I took Management of New Enterprises with him. I worked with General Georges Doriot, who divided us into groups of five or six and had us design the refrigerator of the future. By golly, it looks pretty close to what our group said it would look like. It has thinner insulation than refrigerators did then. It has more storage, an ice-making machine, etc. In those days, refrigerators had all these coils on the top of the refrigerator. Ours was more compact, with the motor in the rear,

quiet and hidden. In those days too you would buy a freezer and then you'd buy a refrigerator. We saw that you could have the two together, a vertical half and half.

At HBS, I learned to think for the future, to try to envision and to challenge others' thinking. Once you got off on a tangent with a group they could think of everything acceptable or not acceptable. We didn't challenge anything. We said, let's put it down and then take a look at it.

### **Early Career**

After HBS, I joined a company called Rayovac. Rayovac was a Wisconsin company, and my family knew the treasurer. General Motors had given me an offer that was double what I would get at Rayovac, but I took Rayovac because they told me there was a plant with 600 people. They made flashlights and the business was growing. The only plant Rayovac had was in a little town called Clinton, Mass. They told me there was only one other college graduate at the plant and he doesn't want to run it. So they told me, "In three years, we want you to run the company." Well, that's Madison talking! So my wife Betsy and I decided to take it

We learned to like Clinton. They're all Democrats out there, and I was a Republican. I decided I wanted to run for Library Trustee. Well, there were two positions open on the Democratic side and two on the Republican side and they couldn't find anybody else on the Republican side to run. I was the only Republican who ran. I still have a couple of our campaign bookmarks. They read, "This will mark your place if you will mark the ballot for Hendrickson." And I had a little song: "If you want to program a planned policy, vote for Hendrickson for Library Trustee." It's crazy isn't it, but I lost. I got more votes than any Republican ever got but I still lost. Well that's all right; at least I had the experience.

I always believed that you should treat people the way you would like to be treated, but that wasn't the case at Rayovac. After a few years, I was still getting the same amount of money I'd started at, just \$55 per week, and I had been offered \$100 with General Motors. People who had been foremen in the plant for twenty-five years were still getting just \$55 per week too. And I just looked at myself and thought I don't want to be here on these conditions. They bled people out there and that's not something I wanted to be a part of; it's just not my lifestyle. Then I found out that I wasn't going to be heading up the plant after all; the plant manager was going to be the head for another three years. He was sixty-five. I thought, I'm thirty years old now; it's time for me to go. I've had almost five years in the navy and I haven't got time anymore.

We also wanted to get back to Wisconsin. Our mothers were getting a little older and we have a close family. My wife is an only child, and I only have one sister, no brothers, and my mother was divorced. My father was very successful but I didn't see as much of him. I wrote to him and said, "If you see anything that might be interesting to me, let me know." He had a good friend who was the head of a company and was also a big duck hunter. This friend of my father's was hunting with Al Krueger, the president of Krueger International. From that, I learned that Al Krueger was looking for someone to help run

the company. Betsy and I were in Wisconsin on summer vacation. I had an interview with Al Krueger and he offered me double what I was getting. My wife had an excellent job back in Clinton—she's a chemist—but we really wanted to get back, so we took the job and started the day after Labor Day.

### **Joining Krueger**

Krueger was a little company when I joined. There were thirty-nine employees. It was a big chance to take, but I felt that it would work out well given all I had learned at HBS and at Rayovac—where I had established a chrome-plating system, done time studies, rearranged the plant for efficiencies and all that. And I tell you, running a plant well is just like running a ship in the navy.

The company was called Krueger Metal Products. Al Krueger had worked with his father in a competitive company called Norcor, Northern Corrugated. His father lost the business through a patent suit so Al started his own company. He started it in Aurora, Illinois making parts for a couple of companies during the war. He came to Green Bay in 1946 and started making channel chairs. A channel chair folds in; you've seen them for bridge sets sometimes. When I joined the company, we had five people in management—a plant manager; his assistant; a salesperson; the boss, Al Krueger; and I. I immediately found that the company was in pretty bad shape because they hadn't closed the books for three or four months. That's where accounting came in for me; I don't like accounting but I had to audit the books.

It turned out the accounts payable were different between books and actual. The accounts receivable were different between books and actual. And the former bookkeeper had ridden off and left three \$1,000 checks charged to inventory. It was just bad. And the boss, bless his soul, was honest but there was no control. He had been challenged by the IRS, and they had settled for about \$10,000 before I came. I could see too that the plant was not being run properly. We also didn't have any money. We did \$380,000 the first year, and made just \$5,000. You can't move around much with that. You can't make mistakes. So I did a few time studies out in the plant.

The plant manager was an uneducated man but experienced in manufacturing; he was cautious of me but then he saw some of the efficiencies that could be developed. He turned against me though. He'd go out to check on molds and patterns for tooling, and then he'd drink at noon and come back drunk. At one point, the plant manager threatened to leave unless Al fired me. There was a decision for Al to make, and he said, "Tell (the plant manager) to leave his keys on my desk." The head of sales told Al, "If you feel that way I'm quitting too." And Al said, "Leave your keys on my desk." So we went from five in management to three. The assistant plant manager was much better qualified than the former plant manager had been, so he took over the job. And now here we were with a plant and thirty-nine people, but we didn't have all of the equipment we needed.

Gradually, we pulled the company together. Never in the thirty-five years I was there did we have a lower level of sales or less money. Every year we improved it, and after two or three years the changes for the better were apparent. Still, we couldn't get steel because

our credit wasn't good with the big mills so we would buy tubing from Youngstown Sheet and Tube. And they would give us fifty tons of sheet steel, which we desperately needed. We formed an agreement with one new customer, a catalog company that made and marketed school desks. We needed deep draw steel for the bucket seats. Gradually we saw that we could set up our own tube mill and with that we saved, I think, thirty-one cents per chair. Then we made folding chairs too at the tube mill. And that was the start of really getting our financial situation to improve.

We later got out of channel chairs because it was too much of a commodity product. We had a few toolmakers who were really very good and we made some automatic welding machines to weld cross-braces and chair backs and things like this. Our representatives worked primarily for larger companies, so we were often third or lower on their list of priorities. We worked hard to make the commission checks satisfactory for them to encourage them to work harder for us. And they were faithful to us. Eventually we also realized that we would need other products besides chairs so we expanded into folding tables, then desks for schools, furniture for churches, etc. Overall, we had to survive and we did. And I believe we did so because we focused on our financial issues and developed strategies accordingly. Now when I speak before young people about management, I tell them that the most important thing for a little company is survival, after that everything else can fall in place. But first you have to have a top-notch financial person to keep track of inventory, keep track of cash flow and that, or you'll go out of business. It's just as simple as that.

Once we were on track again, fiberglass for bucket seats came into vogue. Al Krueger had the idea that we should get into that business, and we did. We financed it with local banks. We also did an SBA loan, which gave us half a million dollars. We got into the fiberglass bucket seat business really big, one of the two biggest in the country, and expanded our business into bucket seats, modular seating, stacking chairs, one thing and another. By 1967, we were doing \$7.5 million in sales, up from \$380,000. Our attorney used to say, "A man on the floor can't fall out of bed," and that's really how it was when I first started with the company. Unfortunately, Al died suddenly that year—1967—and I was made president.

### **Taking the Lead at Krueger**

When I took over, I saw that the margins were very small for commodity products like folding chairs and folding tables, which was the niche we were in. On the other hand, contract companies focusing on office furniture like Steel Case, American Seating, and Herman Miller had far greater margins. So I believed we needed to get into selling office furniture. I was in Denmark when I saw in a Danish furniture magazine something called the 106 chair. The chair was designed by Giancarlo Piretti from Bologna with Castelli Company. And so I wrote to Castelli Company and said, "I'm in Denmark, I could easily come down there. Can we meet?" Well, we did meet and we quickly made a deal to work together. We would import parts for the 106 chair, which was just a beautiful chair, and then we would assemble them here by container loads. Now we had something to go forward with in our new contract office furniture line. Subsequently Giancarlo designed

many other products for us and our business boomed. We also went into modular seating for airports, and the business just mushroomed.

In 1972, Castelli decided they wanted to do their own distribution in the U.S. I made the decision to let them do that and they did. They opened up a showroom in New York and lost money every year for three years. After that, they gave the whole line back to us. It was a difficult decision to let Castelli go off on their own, but it was the right decision. After that, our business really took off, particularly in the 1980s. We faced high inflation in '80 and '81, but there was also a lot of building going on—building of airports and government offices, etc. They all bought a lot of our furniture.

In the early 1980s, I was president of the BIFMA, The Business and Institutional Furniture Manufacturer's Association, and I got to see what others on the board were doing in their businesses. They were all competitors. But we're all friends except in the marketplace. I learned a lot from that about trends, emerging technologies, and designs, etc. I also started a group called the Executive Committee. The Executive Committee had three technical groups, two in the Southern part of the state and one here in Green Bay. There were ten people, each one from a different noncompetitive company. We would meet once a month to go over various issues confronting our respective industries and businesses. And we found out that many problems were similar across different industries. It allowed us all to fine-tune our thinking and resolve problems effectively, learning from each other in the process. This Executive Committee has blossomed. They have now gone international. They're all over the United States now, but we were one of the three original groups in Wisconsin.

Within the company, we also had a group headed by a psychologist. The group included nine of our top people, our management team. We'd all meet once a month, and he would go around and ask each of us what we thought the major problems were in the company. Then we would all work together to resolve the issue. And we found that when people have a voice in important decisions, it really promoted confidence and team building, which are very important.

In 1963, we realized that we needed another plant because we were growing rapidly and that the best way to finance it would be to build the plant in the South using tax exempt bonds, which were offered in the South at that time. We flew to Mississippi, Tennessee, Alabama, and Virginia, and we looked at about twenty different sites in different cities. We got to know the South pretty well. In the end we selected Tupelo, Mississippi, which had about 25,000 people. They had a little industrial company where we could rewind motors and sharpen tools. There was a carton company nearby, which was also key, and there was steel nearby from Birmingham, Alabama. Tupelo was very progressive for the people there. There was good racial harmony. And they had the Northeastern Mississippi Medical Center. Tupelo gave us twelve to fifteen acres of land and the first bond issue was for about \$600,000. It was very inexpensive to build down there, and they all cooperated.

One time, we were in another town in Alabama. An old geezer and I started talking. He had been there for quite a while. And I said to him, "Tell me, what are the chances of succeeding in Mississippi for a northern businessman and a Republican?" He thought a moment and then said, "Well, if you are northern businessman, you're easier to skin than a bale of cotton." And he added, "If you're a Republican, the game laws are going to protect you." I never forgot that. And it was true. They did try to skin us for all kinds of extra expenses. But in all seriousness they're good people. The blacks and the whites worked together in harmony there, and they were glad to have work for men there, since most of the jobs in Tupelo at the time were for women working in the garment factories. Today, we have women working there too, naturally. There are about 800 people down there now and they have half a million square feet. We did do a lot of automating too and that's where the savings were. It was just incredible.

We've made a lot of money down there, and we've always paid a good wage. In fact, we've paid the top wage for that little area. We also did a lot of educational programs because down there the educational system is lacking. We would give the girls in the office writing courses and spelling courses and such. There were ten one-hour sessions before work in the morning and if they attended those they were given a day off. As a matter of fact, they really wanted to go to the courses. Here in Wisconsin, we didn't need that as much, but we did bring a professor in from the university to teach six of us Italian to help us with our work in Italy. And of course we schooled people on safety—in the plant and in the office. We also brought in university students from Poland, Denmark, Germany, England, Italy, and Czechoslovakia, and we put them in the plant or in the office so they could get the flavor of American business. They also gained real experience. And they would associate with our workers, so it was a good exchange of ideas.

### **Strategies for Motivating Employees**

There was a company that came up for sale about forty miles north of here. The company was called Warville Plywood Company. We bought 5 percent of their products, including their plywood seats and backs for chairs. When it came up for sale, I asked my Executive Committee—a lawyer and a banker—if they thought we should buy it. They said no. As I thought about it, though, I still thought we should buy it so I went back to the Executive Committee and asked if they would mind if we went ahead and bought it, if I raised the money from our employees so that they would also have a stake in the deal. And the Executive Committee agreed. So I asked everybody in the office who would like to participate in the purchase and about ten did. My secretary put in \$10,000, some put in \$50,000, some put in \$35,000. I sent our number three guy here to run the company and gave him 26 percent. I took 26 percent, and we split the rest among the contributing employees. Well, sales doubled in a year and it just did very well.

Eventually, we sold the company to a group from Mississippi, and everybody who put in a dollar got thirteen dollars back. That's how our employees were then able to buy Krueger stock, with the profits from this deal. They had money to buy Krueger stock, and that's how they were able to do the buyout from Northwestern Mutual and myself. I had 20 percent, and Northwestern Mutual had the rest. With that and with the options, the

group was then able to buy the company with the bankers' help. What made this successful was, first, having a top-notch financial man, so we knew where we were, what we could do, and what the cash flow was. Second, we had a vision to have new products every year, new products that would challenge the market, that were not just a "me too" but would challenge the market. And third, we had a team that worked together, all for the same purpose.

At the time, we were losing maybe \$5 million a year in sales because Castelli was pulling away from us. We were doing \$22 million a year at that time. To motivate the team, I said to our reps and to the office, if we can hit \$24 million in 1974, we will take everyone to Tahiti and we'll go to Bora Bora for a week. Well, everybody beat the hell out of the industry and we crossed \$24 million, more than that. So we sent the whole group to Tahiti. We had some ninety people, and we sent them over in groups of thirty. That experience really motivated people, pulled the team together, and tied together everybody. Who could expect that our little company would be able to reach \$24 million? But we did. So when we did the buyout, we were in a strong position. Northwestern Mutual had put in X number of dollars and they thought it was time to sell, and I was nearing retirement at sixty-five and I was ready to sell. So the management group decided to buy the company, and they did. By then, we were worth \$121 million.

We had a president of Green Bay Packaging Company, the president of Northwestern Mutual, some folks from my team, our lawyer, who was a labor lawyer as well. All were top-notch people. The management group came in with a price of about \$72 million, and then we negotiated and eventually settled at \$80 million. They got the financing and they worked it through the banks and through their options, which by then were very valuable, and the sale went off very well. Looking back now, though, I thought I knew my team better than I did. Sometimes you don't know some key characteristics of the team. And in choosing a successor, no successor will have the same ideas or the same principles you have, but you want to try to choose somebody who will carry the company to a higher level. I also hoped my successor would carry on some of my ideas about charity and contributing to the community.

On that, I've always believed that you shouldn't wait until you die to give something back to society. I believe you should give according to your means as you go along. If you're making \$100 a week, you give a percentage of that. If you're making \$1,000 a week you give something more. And don't make a big thing of it when you retire to say, "Now I'm going to give this." Don't wait because you may die and it will never happen. A lot of young people today aren't of that same opinion. I think they're more interested in boats and hunting and big SUVs and living it up for today; but I think that can come back and bite them. So I believe we have to train people, and teach by example. I certainly have tried. My wife Betsy has taught me a lot too. And the biggest lesson I learned from Al Krueger was that there's enough for everybody. And if you go through your life contributing along the way then you'll feel good when you retire. You'll have a good feeling about your company, too, and I do.

Last year the reps suggested we have a big get-together up in the country where we have a couple of cottages. We had a three-day retreat with all of the old management team and all the old reps and it was just like old-home week. Everybody loved everybody, and that's a wonderful feeling, especially as you get older. Remember, I'm no spring chicken, but I like to think that maybe I am. I think enthusiasm keeps you young. I think it also breeds more enthusiasm. I've always been enthusiastic. I get up in the morning and I love to go to work. I love ideas. Ideas are one of the key things for progress in America. Look at all of the new companies starting up all over—they come from ideas, and that's what I look for. And that's what I trained our reps to look for. I traveled with each rep for at least a week every year. We would go into the dealers' offices to see what products were there, and then we would discuss ways we might be able to make something like that only better. We would go out and talk with customers and really listen to what they had to say. I learned that getting out in the field was critical to our success.

It's different in Europe. When I first met Piretti, he was a young designer with millions of ideas. But, here he was, twenty-eight years old and enthusiastic, and bombastic in a way. He was so talented but there were limits to his growth in Italy because of rigid class structures. For example, Leo Castelli had a villa on the side of a mountain. They would often invite me and my wife Betsy for dinners there. The dinners were always festive, and they would invite the plant manager, and maybe twelve or fourteen others, but never Piretti. Finally, one day I took Leo out in the library and said, "Leo, this man is making your company. What's the matter with you?" I said, "Take him, put your arms around him, and love him like a son." The next time Piretti and his wife were at the dinner. But Piretti still never broke through to the next level. Eventually, Piretti left Castelli. He started on his own, had lines that he was going to start developing but didn't have any money to keep going. And I said, "Giancarlo we've been together a long time, I have some money, and I will lend you as much as you need, without interest until you pay me back." He never forgot that, so he has great loyalty to me. We just have a warm comfortable relationship.

### **Other Business Ventures**

When I retired in 1986, I had sufficient money and I was on a number of boards, but I wanted to do more to keep my mind active. You don't just sit in an easy chair and watch television. To keep your mind active, you have to be out there. Physically you have to be active, and mentally. And so, one of my good friends was retiring from a paper converting company that made wrappers, various paper products, and also diapers. He came across an eighty-foot-long diaper machine that made six diapers a minute. My friend had a senior sales engineer who had sold one of these machines at a price of \$1.5 million to a guy in Houston. In four years, the guy in Houston was a millionaire. The same thing happened with a guy in Portland, Oregon. Finally, my friend said, "I want to be a millionaire." So my friend talked with another friend of ours—we had all been in the same fleet during World War II so we had a strong bond and a sense of camaraderie. So we decided to raise \$1.6 million to buy the machine together.

There's an old saw about management: if you have an A product and a B manager, or a B product and an A manager, which would you take? You'd take the A manager and the B

product because the A manager would make that product an A product. It works every single time. Anyway, the manager for our diaper plant turned out to be an A manager. He put the plant in Ohio, not far from Cleveland. And he found a warehouse of half a million square feet at four dollars a square foot, and he rented the whole space. With \$100,000, he put the machine in there, and he started up the manufacturing. And by George, four years later we were doing \$50 million in sales.

The manager was just ingenious on so many levels. For one, he gave options to the management team and to the other people, which helped create strong incentives. Also, by locating the plant where he did, we were just 150 miles from Procter & Gamble, a regional distribution hub covering Chicago, Cleveland, and other major cities in the areas. Then he put a dollar coupon on every bag as a marketing tool. He did many things like that and the business just boomed. Eventually, we sold the plant and the ratio was ten to one on returns. Everybody running the plant got money too, so it was a wonderful deal for everybody.

Because we made diapers, an Englishman who had been a sales manager in southern Europe for Kimberly-Clark approached us with another idea. The Englishman had these friends who were developing machinery to manufacture a new, patented diaper-disposal product for the home. They didn't call it the Diaper Genie yet, but that's what it would become. At the time, the Englishman's friends were just three guys in England—an engineer, a designer, and an architect—designing products. The product they approached us about, the Diaper Genie, is plastic, with plastic tubing going down, and you put the used diaper in, twist it three times and then there's no odor. The Diaper Genie holds twenty-four diapers. At the end, you've got a string of pearls with no odor and you've got the simplest thing in the world. And the three guys in England had designed a machine to manufacture the Diaper Genie.

Anyway, Betsy and I were going to be in London so we went to visit with the team. We saw what they had and we were really impressed. We came back and reported the idea to our group. We quickly put a team together, raised \$2.4 million, including \$750,000 for the North and South American rights to make the product here. Once we'd raised the money, we built first a small plant and then a larger one in an industrial park outside of Cleveland. There were patents, for which we had to pay royalties, and the machinery was expensive. At \$150,000 a machine, we ended up with fifteen machines, although one person could run two machines, so it wasn't too labor intensive. All together, we had about thirty-five people on our team. And then we worked with Wal-Mart, with Toys R Us, with Target, and we realized we had a winner.

We realized that the Diaper Genie itself was a strong product, but it was in the replacements where we would really gain. It's just like razors and razor blades. It's replacement, replacement, replacement. We would sell replacements for \$5 and the machine for about \$29.95. Soon, it was the number one shower gift for young women who are expecting. And our manager was excellent at marketing. He went into the hospitals and had the item placed in the hospital catalogs. It was just an outstanding business. And we got big; after four or five years, we sold the company for more than

\$50 million. That's always the way it happens it seems. Somebody comes along, makes an offer you can't refuse, and that's what Playtex did. They were on an acquisition program, saw this as a moneymaker for them, and it was for us too—we made excellent money. When we sold it, the ratio was over fifteen to one. So it was a good thing. Everybody made money.

I've invested in many other companies as well. Some people keep their money; I like to reinvest it. So four of us from the Diaper Genie winnings invested in a Papa John's franchise. We just sold that in 2000. We had fourteen stores. If you have 14,000 families, you will make good money for a pizza place. If you have 12,000 families it's not so good, but you'll make money. If you have 10,000 you're investing with no return. We were going below the 10,000 mark and realized it was time to get out so we sold in 2000. The lesson overall is that sometimes you can't make a product better. Maybe you can distribute it better, or you can have a better vision for the design of the product, but there are some things you can't improve.

Currently, I'm investing in a company called Noodles, based in Boulder, Colorado. My wife's cousin has a son who is a dentist in Boulder. One of his patients told him about this idea he had for a restaurant chain. There would be fifteen different kinds of noodles from all over the world, with all different things to go with the noodles. By the end of this year, there will be fifty-five restaurants, in Denver, Boulder, Minneapolis, Madison, Milwaukee, Chicago, Washington, etc. They're expanding. At the time we got in, you could buy stock for \$2.50. I bought \$25,000 worth of stock. I got 10,000 shares. The next year, the stock was selling for five dollars a share and I bought another \$25,000 worth of shares. Next year they came along and it was \$12.50 a share. I bought another \$25,000 worth of shares. Last year they came along and it was twenty-three dollars a share. I bought 1,000 shares. This year it's thirty-one dollars a share. They did a \$10 million placement, and they're going to build 100 new restaurants. It's been a wonderful investment but, you see, it's also taking a chance.

### **Giving Back**

One of our main philanthropic interests is in the search for a cure for cancer. We had a daughter who was diagnosed with melanoma on her back when she was twenty-four. We did everything we could for her but it came back when she was twenty-seven and a half and she died when she was twenty-eight. Melanoma is a nasty, nasty death.

After she died, we founded a foundation in her name. It's called the Mary Hendrickson Johnson Foundation. She had been married for two years at the time. Through the foundation, we sponsor a free skin screening in four Wisconsin towns for anyone who wants to be screened. We have an affiliation with a local hospital that has excellent cancer centers, and we work with the four cities to plan the event, to provide TV and newspaper advertising. We do some work with the American Cancer Society as well, although they're not concentrating on skin cancer. Ours is a private foundation that will go on forever, and we pick up all the costs.

Another cause I contribute to is education. I believe that educating a person makes him a more valuable person, to himself and to the community, and to that end I have served as president of the State Vocational Technical Schools. I've been with them for ten or twelve years. They have twelve major centers and sixteen satellites throughout the state of Wisconsin. I believe that some people aren't geared for college and this is a great alternative for them. They may not be right for college, but they've got so much talent we should train them and give them opportunities, and that's what we're doing.

I was also on the University of Wisconsin Board of Regents in Madison. Wisconsin has a good educational system; it's costly but good. And then there's the private educational system. Living in Green Bay, I'm a good Methodist, but St. Norbert's is Catholic and it's a wonderful school. When you walk through the campus, the kids all smile and their programs are so good for teaching responsibility and discipline. We've given extensively to that school. I am the one and only Protestant that has ever been chairman of the Trustees, so my involvement is quite heavy. I can't say enough good things about them. My wife is also involved in a number of committees and educational programs at the University of Wisconsin in Green Bay. And that's an excellent school. If you can get through to people that education is important and that it will give them a happier life and a better family life, then you're a winner.

I've also been heavily involved with the Green Bay Packers since 1975. I have been on the Executive Committee and I enjoy it. When you're on the Executive Committee you can fly with the team, and your wife can too, if you want to. I found out one thing: it's lovely to fly with the team, but it's eight games here and eight games away and if you go to all of the games you don't have any life beyond football. Anyway, one of the projects I was involved with was building box seats. We built a box in one of Krueger's warehouses. I sold ten boxes in no time and afterwards everybody said, "Why didn't you call me?" So we built more box seats and they all sold well. Much later, I had to go off the Executive Committee by law when I turned seventy. But I was grandfathered to stay on the board. Now we have this new beautiful stadium, with \$295 million in improvements. When it came to finance the improvements, only Brown County added a half a cent to their sales tax to help pay off the bonds; but we now have 10,000 new seats. But, anyway, it's a joy. I love the Green Bay Packers and the spirit here. The stadium is outstanding, we're much closer to the field, and there's a great loyalty to the Packers.

### **Summary Reflections**

I use my talents the best way I can and my wife does the same. She's the best support you can have. I speak quite a lot to different groups on taxes and management. I was speaking one time when somebody asked me, "What was the best advice you ever had?" I said, "Well, that's to marry Betsy, my wife." And they said, "Who gave you that advice?" And I said, "Betsy." That wasn't true, but it was just the right thing to say.

In terms of entrepreneurial risk, I think the greatest risk is survival. When you make the decision to start, get everything in place to survive. After that, everything else will fall in place, if you are a true entrepreneur. I've taken chance after chance and they're not all winners. Now, remember, I didn't tell you about the one or two losers. But if you can

analyze why they failed, you can learn a lot. And generally it's something that you never expected. For example, we were approached once by the state of Wisconsin to take over an ice cream company that made specialty ice cream. The state approached us and said, we've got \$200,000 in this, and the federal government has \$300,000, and if you put in X number of dollars, you can take this over. It looked good, but it was a mistake. The state had already hired the manager, and he wasn't a good manager. He really bungled things. The lesson we learned was to know who you are going to hire; don't take somebody else's man. Know your man, and know the market, or you can get in too deep before you know what's happening. You have to have control.

I also think success today has shifted completely from physical things to computers and software. And you have to be schooled in that world. My wife has taught me how to be on the computer. She's on her fifth one. I think if you school the kids right, they can move right in. For me it would require reeducation. On a more personal level, I define success as being comfortable with what you're doing, being happy, showing progress, and having the respect of other people. And if you want to be an entrepreneur, if you've really got it in your heart, then go for it. Really go for it. Do your homework—that's so important. Put all the figures together, put all the ideas together, analyze them, and then if you make the decision to do it, go for it heart and soul.