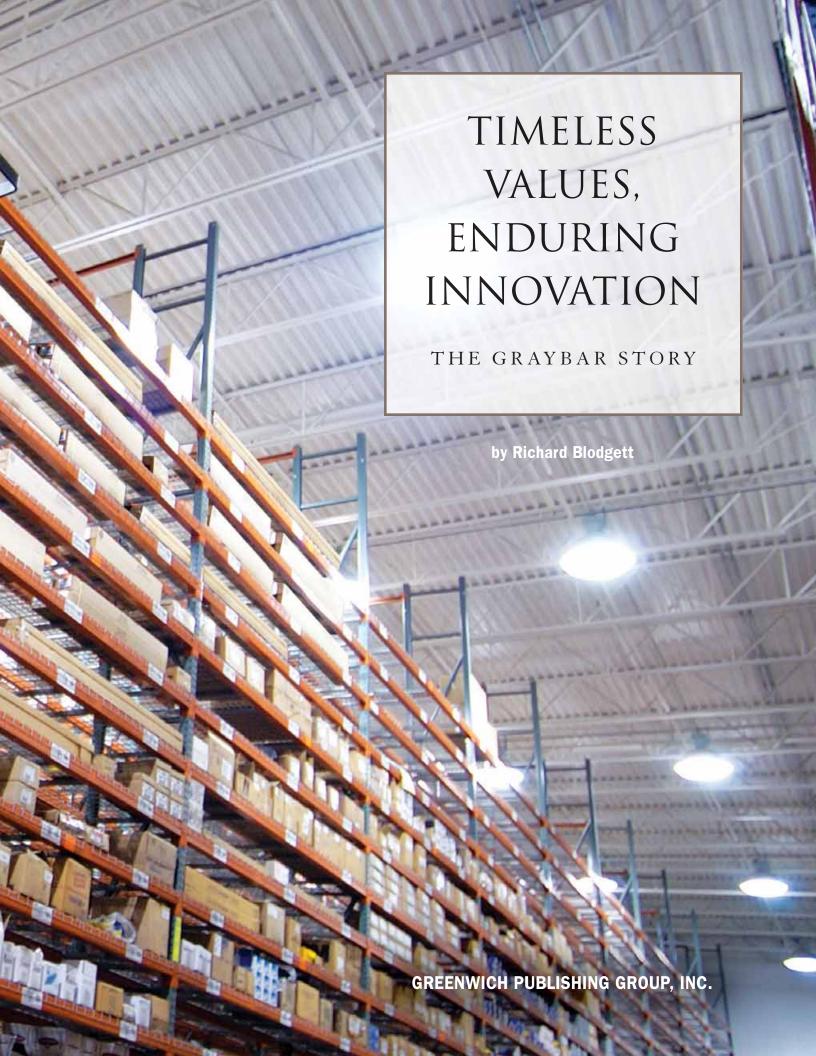
TIMELESS VALUES, ENDURING INNOVATION



THE GRAYBAR STORY
1869-2009







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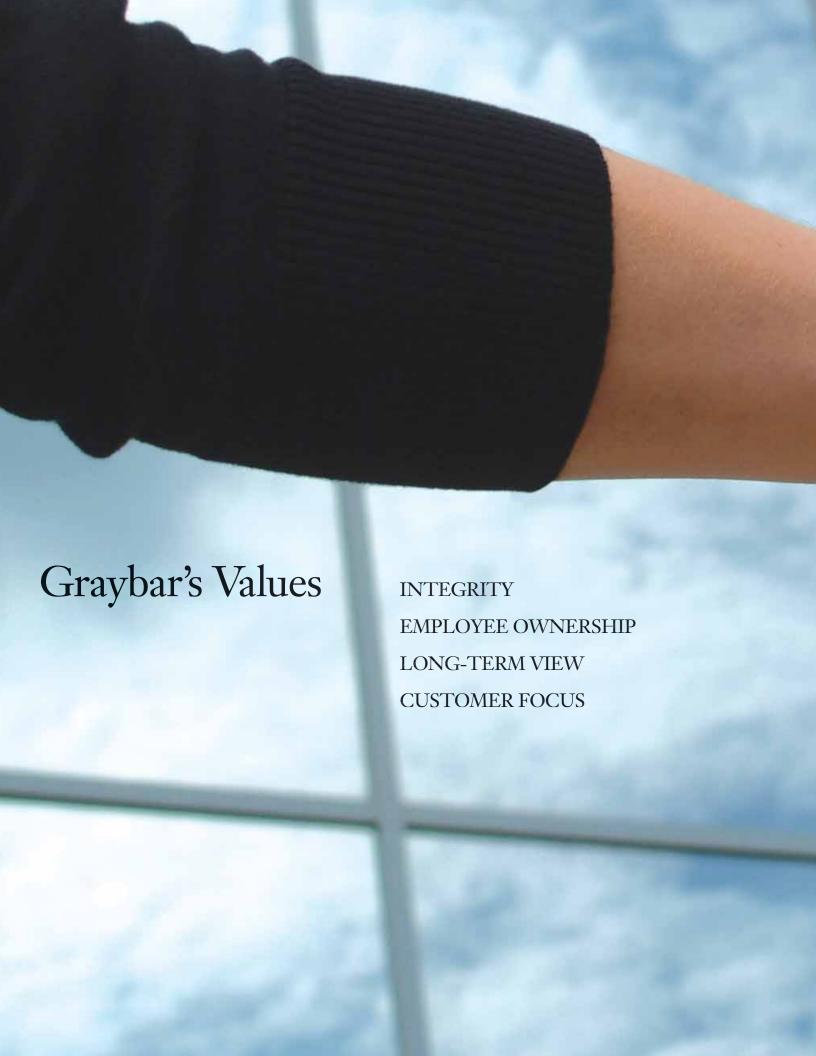
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Graybar would like to thank Scott Smith and David Torrence, who have helped document Graybar's history and milestone achievements through photography. All other images courtesy of Graybar Electric Company, Inc.













ou are about to read the story of a company that has grown and changed with America—a story that highlights the role of technology and entrepreneurship in the nation's economy. The company is Graybar, a leading distributor of electrical, communications and networking equipment, from basic products such as wire and cable to the latest high-tech communications gear.

Graybar is one of the oldest major companies in the United States and one of the largest employee-owned businesses in the world. It traces its roots to Gray & Barton, a small firm established in 1869 to manufacture telegraph equipment. In 1872 Gray & Barton changed its name to Western Electric and eventually became the world's leading manufacturer of telephones.

During the 1890s, to supplement its manufacturing operations, Western Electric developed a second business—the wholesale distribution of other companies' electrical products. This second business became Graybar.

when they purchased their company from Western Electric for \$9 million. B. C. Forbes, founder of Forbes magazine, called the purchase "an extremely important development," noting that Graybar was the first large U.S. corporation to be owned entirely by its employees.

Although the transaction was groundbreaking, its timing could not have been worse. Just nine months after the deal was completed, the stock market crashed and the Great Depression began. Graybar and its employee shareowners suddenly faced the most difficult business environment in American history. Graybar's sales dropped 67 percent between 1929 and 1932. Yet Graybar and its people survived the hard times of the 1930s and developed a corporate culture that continues to drive the company's success today. This culture is based on four core values:

Graybar is entirely owned by its employees and retirees. People "get a special sense of pride from working at an employee-owned company such as Graybar Electric," the St. Louis Post-Dispatch wrote in 2009.



integrity, employee ownership, long-term view and customer focus.

Robert A. Reynolds, Jr., chairman, president and CEO, says the company's values guide Graybar people in the business decisions they make each day. "Our values are very much ingrained in our work," he says. "They make clear what we stand for and provide a compass for our people."

These values, and how they are applied at Graybar, are recurring themes throughout this book.

In 2001 *BusinessWeek* described Graybar as "an old-fashioned company." This was said in praise as much as in criticism—and the description is indeed true if integrity, long-term relationships, customer focus and treating employees fairly are old-fashioned.

Distribution Facilities Nationwide

Based in St. Louis, Graybar sells thousands of electrical and comm/data (communications and data) products to contractors, industrial plants, government agencies and other wholesale customers. It has distributed some leading brands, including General Electric, Klein Tools and Square D, for more than a century, a remarkable testament to its long-term view and enduring business relationships.

Although Graybar is a *Fortune* 500 company with more than 240 branch locations in the United States, Canada and Puerto Rico, it is not a household name to the public because it does

not sell at retail or

to consumers.



However, its name is renowned in the electrical equipment and comm/data industries. In 2009 Graybar was selected as the "most admired" company in the field of diversified wholesaling for the third year in a row in a *Fortune* magazine survey of executives, directors and securities analysts. Equally impressive, it was chosen as the "most admired" company in the world, regardless of industry, for quality of management and long-term investment.

Graybar is also known for its use of advanced technology to fill orders quickly and accurately, control costs and meet the needs of customers and suppliers. In 2009, for the seventh year in a row, Graybar was named to the *InformationWeek* 500 list, which honors companies that use technology innovatively.

We're All in it Together

One of the more unusual aspects of Graybar is its ownership structure. Employees can buy stock once a year at \$20 a share. They sell their stock back to the company at the same price if they leave before they retire. Retirees can hold on to their shares and continue to collect dividends, but their estates must sell the shares back to the company, also at \$20. This tightly controlled arrangement allows employees to focus on long-term business results, shields Graybar from unwanted takeover bids and facilitates the continuous cycling of ownership

Chip Pasley, manager of customer service in Denver, is pictured with the branch operational team. His father and grandfather both worked in the electrical business. "When I told my dad and grandfather back in 1985 that I got a job at Graybar," he says, "they both told me, 'You just hired on with some of the best people we have known in our careers, and a great company. Don't ever take it for granted.' And I never have."







Robert A. Reynolds, Jr., above, is chairman, president and CEO. Below is an early Graybar stock certificate. Opposite, John Veland is manager of counter sales at the Birmingham, Alabama, branch.

to new generations of employees. As of 2009 nearly 5,800 employees and retirees owned Graybar stock.

The shares have been priced at \$20 since the 1930s. "People are surprised when they hear the price hasn't changed for years," says Matt Geekie, senior vice president, secretary and general counsel. "They scratch their heads and ask, 'What's that about?' But if we allowed the stock to float, our people might manage and behave more for the stock than for each other. It would be an irreversible change in our culture."

A stock that never appreciates in value may sound like a bad investment. But that is not true at all. The company has paid cash dividends every quarter since 1929, including an annual cash rate of at least 10 percent every year since 1941. It also pays occasional stock dividends. As

a result, the stock has provided an average annual total return well above 10 percent.

Reynolds believes there is a connection between the company's industry leadership and its ownership structure. "Employees care about the company because they own it," he says. "They go that extra

mile to get the job done." Retiree Nick Ciccone adds, "The profits come back to us. That's quite an advantage."

Graybar goes out of its way to take good care of its employee owners. It not only offers the opportunity to invest in the company, it also provides generous health, dental, disability and education-reimbursement plans. In addition, it has profit sharing and, at a time when many companies have eliminated their defined-benefit pension plans, is one of the few major corporations in America that still has a fully funded traditional pension program.

Beverly Propst, senior vice president of human resources, says, "We seek to hire people who are looking for a career, not just the next job. Our benefits are structured that way. Our compensation is structured that way. Everything is structured for the long term."

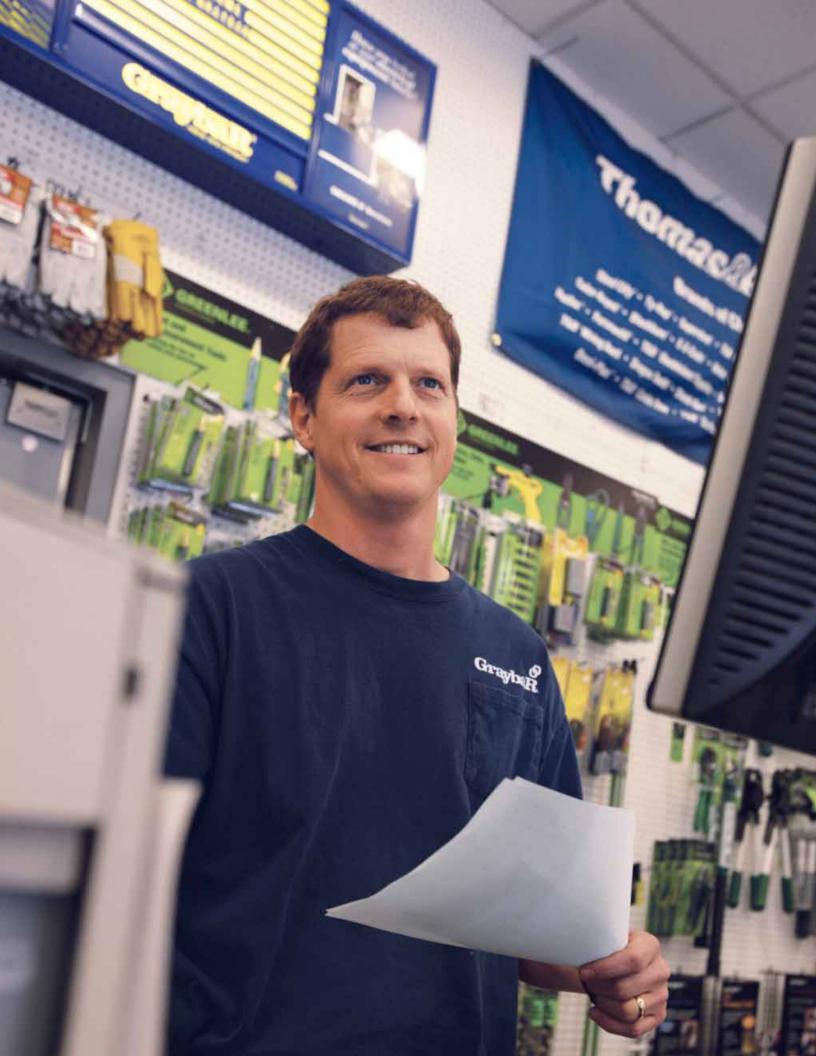
An important element of Graybar's longterm view is its promote-from-within philosophy. Every president in Graybar history started in an entry-level job, typically in a company warehouse, and learned the business from the ground up.

Graybar is also unusual in being one of the few *Fortune* 500 companies that does not have a corporate jet. Senior executives travel on commercial flights, just like everyone else. "We don't have a corporate jet because it's not a good use of our fellow shareholders' money," says Kathy Mazzarella, senior vice president of sales and marketing, comm/data. Moreover, Graybar does not award stock options, which have made executives at some public companies very wealthy. Reflecting a "we're-all-in-this-together" attitude, its senior executives are well paid but not with headline-grabbing sums.

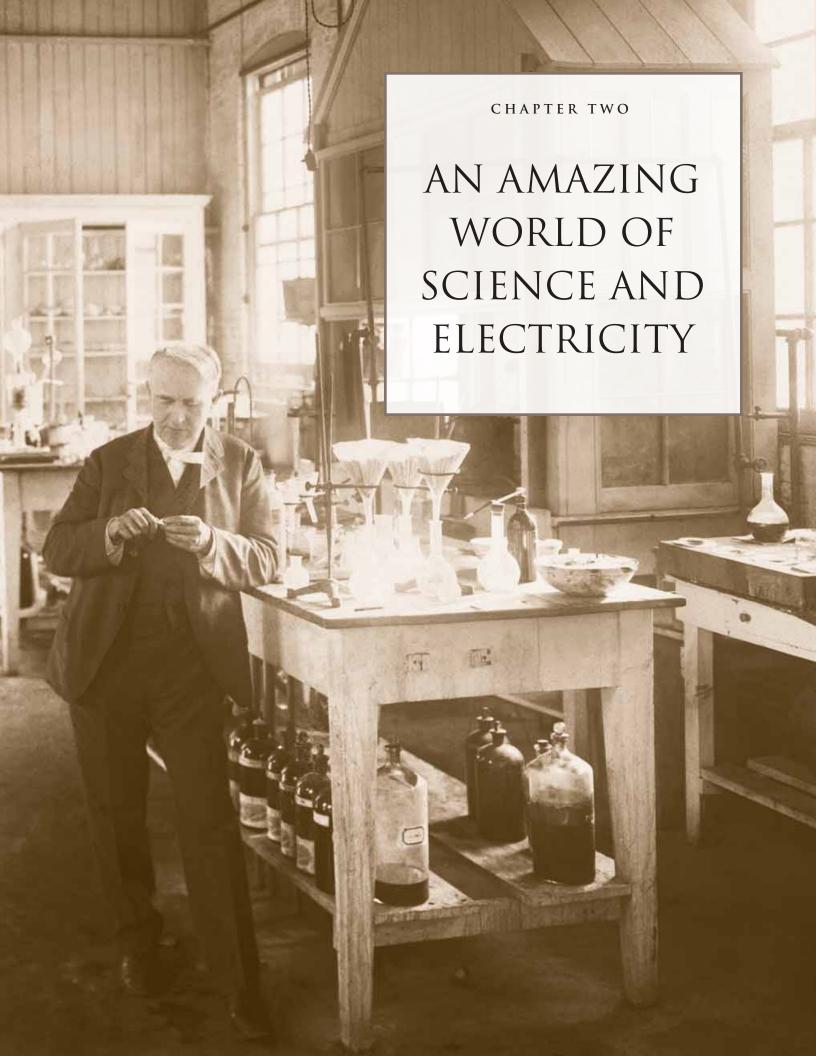
Quality Products in the Right Place at the Right Time

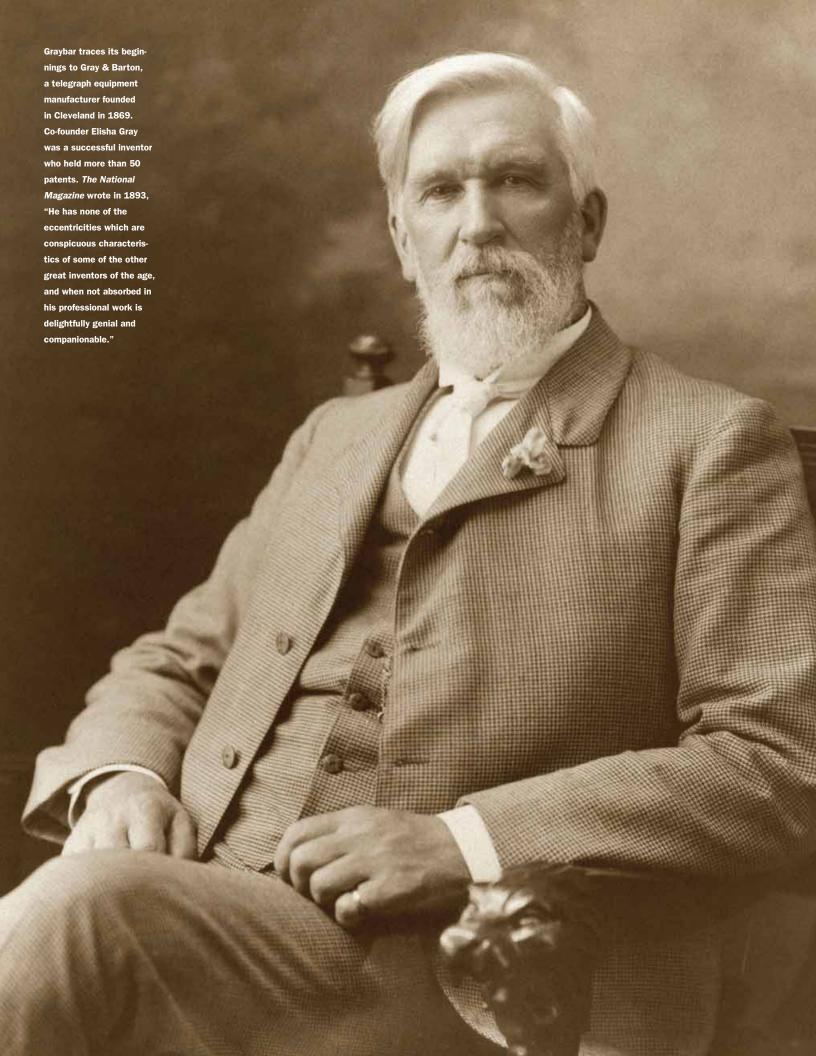
In 2009 Graybar celebrates the 140 th anniversary of its founding and 80 years of employee ownership. The company has survived and prospered by sticking to basics and remaining steadfast in its core values. "We roll up our sleeves and get the job done," Joe Sabatino, director of operations for the company's New York district, says.

Wholesalers play a central role in the economy by moving products efficiently from manufacturer to user. Graybar is known for distributing quality products from top manufacturers, with a constant flow of new products as technologies change. A 1926 advertisement said the products offered by Graybar were "like Sterling—on a silver spoon, a mark of quality through and through." The ad also said the Graybar emblem stood for "the right supplies delivered at the right time, right where you want them." That statement was like a manifesto for wholesaling success, a manifesto that remains as true today as it was more than eight decades ago.







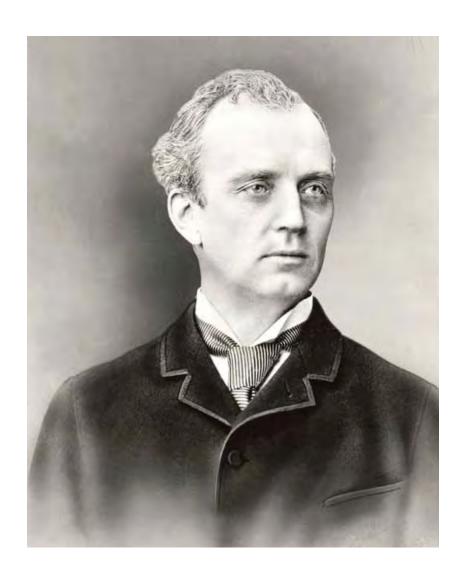


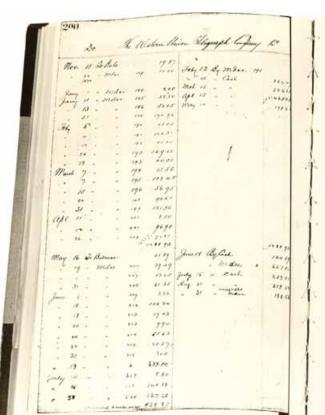
raybar got its start in an age of science, technology and the taming of electricity. Without electricity, its business would not exist.

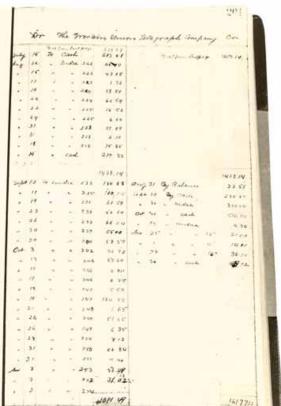
The company was founded in Cleveland by entrepreneur Enos Barton, inventor Elisha Gray and venture capitalist Anson Stager. All three partners were involved with the telegraph, an electrical device that was the greatest communication invention of the first half of the nineteenth century.

Barton, the youngest of the three partners, was born in upstate New York in 1842 and became a telegraph operator, working in New York City during the Civil War relaying messages from the front lines. After the war he was appointed chief telegrapher for Western Union Company in Rochester, New York, but quit in 1868 when Western Union trimmed all telegraphers' salaries by 10 percent.

Seeking his fortune, he moved to Cleveland and bought a one-half interest in a manufacturing shop owned by George Shawk. Barton had great ambition but little money, so he borrowed \$1,500—including \$400 from his widowed mother, who mortgaged the family farm—to finance the purchase. Mrs. Barton's \$400 mortgage has been







Co-founder Enos Barton, above, was a telegrapher and businessman. An early employee described him as "unassuming, quiet, with an almost uncanny grasp of business problems and an ability to analyze them." At left is a ledger Barton maintained early in his career, when he worked at Western Union.

Gray & Barton moved to
Chicago at the end of 1869.
Below, the Great Chicago
Fire of 1871 destroyed half
the city. The firm prospered
following the fire, making
replacement equipment for
Western Union and fire
alarms for other customers.
Right, telegraph operators
transmit news of British
war loans in 1914.

described as "one of the best investments in history."

Shawk & Barton opened for business in January 1869. It had six employees and specialized in making telegraph instruments, burglar alarms and other electrical devices. However, the two



partners did not get along, and the business fared poorly.

Elisha Gray then entered the picture. Born in Ohio in 1835, he was a child prodigy who had built a working model of a telegraph transmitter before he was ten. He studied electrical mechanics at Oberlin College and subsequently became an Oberlin professor as well as an inventor. One of his most famous creations was the telautograph, a facsimile machine using telegraph lines. He also conceived a primitive closed-circuit television called the telephote.

Gray relied on Shawk & Barton to make models for his experiments. Aware that the shop was losing money and worried that it might close, he bought Shawk's interest in May 1869 and became Barton's partner, whereupon the firm was renamed Gray & Barton.





Anson Stager was born in upstate New York in 1825 and became a telegraph operator and then a regional superintendent for Western Union. During the Civil War he took charge of telegraph services for the Union Army, rising to the rank of brigadier general. He rejoined Western Union after the war as vice president and general superintendent and became one of the most powerful executives in the telegraph industry. In November 1869 he was looking for a reliable supplier of telegraph equipment and found one in Gray & Barton. He knew Elisha Gray and Enos Barton personally, and he invested \$2,500 to buy a one-third interest in the partnership on the condition that it move to Chicago, where his office was located.

The new company needed an administrator with an expansive vision, an inventor with ideas for improving the telegraph and a capitalist with money and connections. It got all three in Barton, Gray and Stager.

Making Hay from the Chicago Fire

Fulfilling Stager's condition, Gray & Barton moved to Chicago in late 1869, taking space at 162 South Water Street in the heart of the commercial district. Western Union, through the influence of Stager, immediately became the firm's biggest customer. For Gray & Barton, the relationship with Western Union was a huge opportunity. Western was one of America's largest companies, capitalized at a then-astounding \$40 million, and it controlled a network of offices and agents that extended to nearly every community in the nation.

As equipment orders from Western poured in, Gray & Barton moved to larger quarters twice during the first year and expanded to a staff of 30. The Great Chicago Fire of 1871 ravaged the city, destroying Western Union's central division headquarters and most of its telegraph lines. In a stroke of luck for Gray & Barton, the fire was stopped two blocks short of

Anson Stager, standing, second from left, bought a one-third interest in Grav & Barton in 1869. He was extremely well connected. Here, he joins U.S. President Chester A. Arthur and others on a month-long vacation in Yellowstone National Park in 1883. The president is seated, center. **Lieutenant General Philip** Sheridan is seated to the president's right and **Secretary of War Robert** Todd Lincoln to his left. Many of the men in the photograph knew each other from the Civil War, during which Stager had led the U.S. military telegraph service.



Above, Gray & Barton's factory was located on Kinzie Street in Chicago in the early 1870s. Below, Elisha Gray's most successful invention was the printing telegraph, a forerunner of the stock ticker. At right is the earliest known photograph of Gray & Barton employees, taken in 1873. Elisha Gray is front center, holding a printing telegraph. Records do not indicate whether Enos Barton, who was actively involved in running the business at this time, appears in the photograph.







Gray & Barton was renamed Western Electric in 1872. The sign on the back of this delivery wagon highlights the company's three main businesses in the late nineteenth century: the manufacture of telephones, cable and other communications equipment; the manufacture of dynamos (electric generators) and motors; and the wholesale distribution of other manufacturers' electrical supplies. Western sold its dynamos and motors **business to General Electric** in 1909 and spun off its distribution business through the formation of Graybar in 1925. Opposite is a Sholes & Glidden typewriter, marketed by Western Electric in the 1870s.





its shop. The company prospered in the ensuing months as employees worked overtime to help rebuild Western Union's Chicago infrastructure and manufacture fire alarms for other customers.

One year later Stager convinced Western Union to acquire a one-third interest in Gray & Barton for \$150,000 and make the company its primary supplier of telegraph equipment. Gray & Barton changed its name to Western Electric Manufacturing Company (later shortened to Western Electric Company) and entered a period of dynamic growth. Stager became president (while continuing as Western Union's general superintendent), Barton secretary/treasurer and general manager, and Gray "company electrician," or chief inventor.

Barton managed the firm's day-to-day operations and was alert to opportunities not only in telegraphy but in other fields as well. A technological revolution was transforming the nation from a rural to an urban society and was spurring the growth of industry. Barton had an eye for technology and was willing to take a chance on new ideas.

In 1874 Western Electric obtained exclusive Midwest marketing rights for the Sholes & Glidden typewriter, the first to use a modern QWERTY keyboard. It also developed a





relationship with inventor Thomas Edison, purchasing the manufacturing and distribution rights for his electric pen, a duplicating mechanism that was the first electric-motor-driven appliance in the United States.

In addition, the company became involved in the development of the telephone, the greatest new communications device of the second half of the nineteenth century.

A Quick Shift from Telegraph Equipment to Telephones

Alexander Graham Bell's patent of the phone in 1876 set off a scramble as other scientists devised phones in competition with Bell's. In 1878 Western Union established the American Speaking Telephone Company to provide phone service in 55 cities. Western Electric acquired rights to the designs of Gray, Edison and others and began making phones for the new Western Union subsidiary.

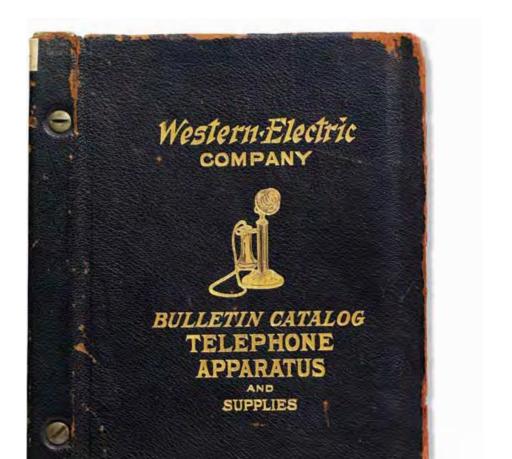
However, Bell and his American Bell Telephone Company (a predecessor of AT&T) sued Western Union and Western Electric, claiming patent infringement. The case was settled in November 1879 with Western Union withdrawing from the telephone business in return for

20 percent of the rental income from every Bell phone leased in the United States for the next seventeen years.

Western Electric was suddenly stuck with telephone manufacturing capacity for which it no longer had a customer. So Stager approached American Bell and sought an alliance. Noting that American Bell's telephone equipment needs were growing and Western Electric had idle capacity, he suggested that Western Electric manufacture phones for American Bell and its affiliates.

Events took an unexpected turn a few months later when financier Jay Gould gained control of Western Union and fired most of its top people, including Stager. Gould's actions accelerated the attempts of Stager, who continued as Western Electric president, to reach a deal with American Bell. At the same time, Western Union, fearing that Stager would cause trouble, decided to sever all connections with him by selling its stake in Western Electric.

The situation was resolved in November 1881 when American Bell acquired majority ownership of Western Electric from Western Union, Three months later American Bell Western Electric grew rapidly and became the world's largest manufacturer of telephone equipment after being acquired by American Bell Telephone Company in 1881. Left, advertisements emphasized the quality and durability of the phones the company made. Opposite, a Western Electric employee assembles an early telephone. Below is an 1899 catalog.







The telephone was an immediate sensation when it was patented by Alexander Graham Bell, above. At the 1876 **Philadelphia Centennial Exhibition, Brazilian Emperor Dom Pedro II put** a phone to his ear and quickly dropped it, exclaiming, "My God! It talks!" At right is a "loud speaking telephone," which amplified a phone conversation so that everyone in a room could hear it.



Elisha Gray and the Telephone: Does This Ring a Bell?

Alexander Graham Bell is known as the inventor of the telephone. But should credit belong instead to Graybar co-founder Elisha Gray? Historians have debated that question for years.

On Valentine's Day 1876 Bell and Gray each submitted an application to the U.S. Patent Office for a device to transmit the human voice over a wire—in other words, a telephone. After reviewing their competing applications, the patent office awarded a patent to Bell, saying his papers had arrived two hours before Gray's.

Gray sued, claiming that Bell had stolen his idea, and took his case all the way to the U.S. Supreme Court, where he lost. As a result Bell obtained what was perhaps the most valuable patent in history and won enduring fame as the telephone's creator.

Gray had many supporters who disputed the court's decision. His application, they insisted, was delivered to the patent office in the morning but remained near the bottom of the in-basket until the afternoon. According to this version, Bell's application was filed at noon, but Bell's lawyer requested that it be entered immediately in the receipt book—hence, Bell's narrow victory.

When Gray died in 1901, his obituary in the *New York Times* predicted he would "receive full justice at the hands of future historians by being immortalized as the inventor of the speaking telephone." That did not happen.

Two books have revived the controversy with a vengeance. The Telephone Patent Conspiracy by A.

Edward Evenson, published in 2001, says Gray may have filed his application with the patent office before Bell, but a clerk with a drinking problem was bribed by Bell's wealthy backers—without Bell's knowledge—to change the order of the filings and give Bell the victory.

The Telephone Gambit by science journalist Seth Shulman, published in 2008, goes further. It claims that Bell—aided by unprincipled attorneys and a corrupt patent examiner—got a sneak look at Gray's application and quickly copied Gray's idea before submitting his own papers. According to Shulman, Bell's lawyers then had the order of the filings changed so that Bell's came first.

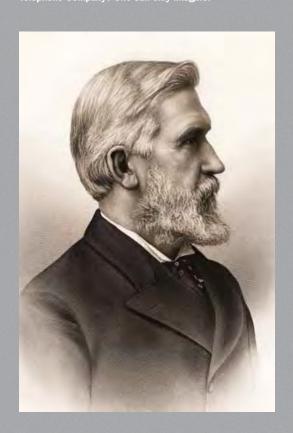
Regardless, Bell and Gray are only two of many claimants. In Germany a science teacher named Philipp Reis is generally credited as the telephone's inventor. He demonstrated his device in 1861.

Italian textbooks have long taught that Antonio Meucci, a Florentine immigrant living in New York, invented the telephone in 1871. In 2002, at the urging of Italian-American groups, the U.S. House of Representatives passed a resolution officially recognizing Meucci as the true inventor of the telephone. Passions ran high. The Italian newspaper La Repubblica lauded the vote and said Bell was a "cunning Scotsman" and "usurper" who had stolen Meucci's idea. The House of Commons in Canada, where Bell lived as a young man, responded by adopting a motion recognizing Bell as the true inventor. A member of the House of Commons said, "The Minister [of Canadian Heritage] must be aware now of the silly goings on in the United States capital where the U.S. House of Representatives passed a motion claiming that somebody other than Alexander Graham Bell invented the telephone."

The reality is that great inventions are often the work of many people. But the one who gets to the patent office first, even by minutes, usually receives all the credit and reaps the financial rewards. If Gray's papers had arrived officially before Bell's, would Graybar today be Graybar Telephone Company? One can only imagine.



Alexander Graham Bell, above, demonstrates an early telephone. Elisha Gray, below, submitted patent papers for a telephone on the same day as Bell, but Bell's application was processed first. As a result, Bell—not Gray—was awarded what has been described as the most valuable patent in history.





bet its future on Western Electric equipment by awarding the company an exclusive contract to manufacture Bell telephones in the United States.

The outcome of these events was stunning. Until mid-1881 Western Electric was the nation's leading manufacturer of telegraph equipment, soon to be the communications medium of the past. By early 1882 it was the world's leading manufacturer of telephones, the communications medium of the future.

"A Department Store of Electrical Apparatus"

Stager retired in 1885, and one year later Barton became president. He brought a distinctive management style to the company. He was "straitlaced, honest and paternalistic—traits that became commonly associated with Western Electric and the Bell System," according to the 1999 book *Manufacturing the Future: A History of Western Electric.* He also was cool-headed and down-to-earth. "If anything went wrong, his pet phrase was, 'It might be worse,'" Frank Du Plain, an early employee, recalled.

Barton had strong opinions and an inventive mind. He sometimes took it upon himself to write to Edison with suggestions. In



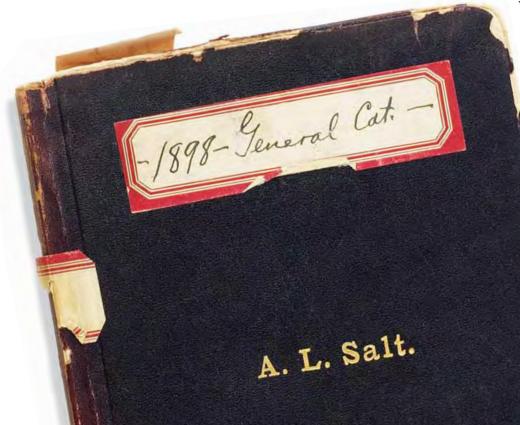
1877, when Edison was developing the incandescent light bulb, Barton wrote to say, "The 'candle that will not consume' is the thing required." Months later he sent Edison a blade of a rare type of grass, suggesting it might be the lightbulb filament Edison was searching for. There is no known record of Edison's response.

Just as the invention of the telephone in 1876 was a landmark in the history of communications, Edison's invention of the incandescent bulb in 1879 was a landmark in the history of electricity. Until then, electricity was supplied mainly by batteries. The popularity of Edison's light bulb created widespread demand for electrical power and led to the birth of the electric

utility industry. Edison opened the world's first commercial power station in lower Manhattan in 1882. Soon power plants were being built across the nation. As electricity became plentiful, thousands of new electrical devices—for the factory, office and home—were developed to make use of the new power source.

Barton wanted a piece of this action. Even though American Bell now owned nearly all of Western Electric's stock, he was not satisfied simply to serve American Bell's needs by manufacturing telephone equipment.

In the 1890s Western Electric began manufacturing a limited range of elec-



trical equipment, including transformers, fans and motors. But Barton sought more. He wanted Western Electric to develop a totally new business, which he referred to as a "department store of electrical apparatus." Under his concept Western Electric would distribute not only its own electrical products but also those of other leading manufacturers.

Western Electric formed a "supply department" to manage this new business. The department was the direct predecessor of Graybar.

Early Growth of the Supply Department

The new department was like a modern shopping mall in its depth and breadth of products. Western Electric promised to stock "all electrical supplies for which there is demand" and to provide information and prices on request for any electrical product it didn't stock. Then, as now, the department sold only to wholesale accounts.

Beginning in 1890 the department signed on dozens of well-known suppliers, including Bryant Electric Company (switches and sockets) and Klein Tools (clamps). Other suppliers such as Square D Company (industrial switches) and Westinghouse Electric Company (circuit breakers and lightning arresters) were added after the turn of the century.

In many cases the department offered several competing brands of the same item to give customers a choice. The 1898 catalog listed five brands of ammeters, three brands of pliers and two brands of theater lighting equipment.

The department distributed two brands of incandescent light bulbs, or lamps: Edison vacuum lamps made by General Electric Company and Sunbeam gas-filled lamps made by Star Electric Lamp Company. It began selling the former in 1896 and became exclusive distributor of the latter in 1897. Although Sunbeam lamps were nearly twice as expensive as Edison lamps, they were said to burn more brightly and last longer. Sunbeam "is a low-priced lamp if one is not blind to the question of quality," a marketing blurb in Western's 1898 catalog stated. General Electric acquired

the Sunbeam lamp brand in 1911 and kept selling it through Western Electric. GE continues today as one of Graybar's largest suppliers, selling various types of lamps—including incandescent, LED, fluorescent, high-intensity discharge and halogen—through the firm in an unbroken relationship that extends back more than 110 years.

The supply department also developed a sizable business selling Western Electric telephone equipment, including switchboards, phones and cable, to independent phone companies. The expiration of the first Bell patent in 1893 allowed other companies to manufacture phones and provide telephone service. Small, independent phone companies sprang up across the nation. Rather than shrinking from this competition, Barton recognized it as an opportunity and began selling Western Electric products to many of the independent companies.

Building a Nationwide Distribution Network

By 1901 the Western Electric supply catalog exceeded 500 pages. That same year the department opened a branch in Philadelphia, its first "house" (as branches were then called) devoted primarily to selling non-telephone equipment.

Civic leaders and the media welcomed the company wherever it went. In 1905 the *Atlanta Constitution* reported that Western Electric was building a local branch and warehouse at a cost of \$75,000 and said the facility would "employ many men."



Opposite, Edison's incandescent light bulb, invented in 1879, created the first widespread public demand for electricity. The 1898 Western Electric product catalog, opposite below, was owned by Albert Salt, future president of Graybar. Above is a 1917 Western Electric price list; below, a circa 1920 delivery truck.





The Richmond, Virginia, branch, above, was the first Western Electric supply facility to ship products by air. In 1918 Langley Airfield, about 80 miles from Richmond, needed some weatherproof wire as quickly as possible. Delivery by wagon would have taken a day, so the branch adopted the then-novel idea of using an airplane. The wire arrived at Langley three hours after the order was placed.

The supply department continued to grow even after Barton, its founding father, retired in 1908. By 1919 it had 42 offices and described itself as the "largest electrical jobbing organization in the world."

Transportation was a major factor in the organization and logistics of the department's business. The Richmond branch, opened in 1911, initially had two sales representatives—John Pearson, who traveled by rail, water and horse-and-buggy to cover all of Virginia and part of North Carolina; and Ralph Bouligny, who was located in Charlotte, North Carolina, and served customers in eastern North Carolina and parts of South Carolina.

Branch-office reporting relationships were

determined almost exclusively by freight rates. Electrical supplies could be shipped to Savannah by boat from New York for less than by rail from Atlanta—and almost as quickly. As a result the Savannah office, established in 1910, reported to New York rather than to Atlanta or Richmond.

The Birth of Western Electric Home Appliances

The department also developed an entirely new business: the sale of Western Electric brand household appliances and farm equipment. This new business was made possible by the introduction of uniform national electrical standards.

Early power plants were small and furnished electricity to their immediate, surrounding areas. Some generated direct current, others alternating current, and voltages varied from plant to plant.

In 1910 the United States brought order to this electrical chaos by establishing a national standard of alternating current at 60 cycles and 120 volts for residential service. The country also adopted the general-purpose sockets and plugs used today. "Those standards have not deviated one volt since then," Graybar Senior Vice President and CFO Beatty D'Alessandro says. "You can buy a fan that was built in 1920 and plug it into the wall, and it will still work."

Uniform electrical standards allowed the mass production of appliances and

spurred the use of electricity in the home. Just 8 percent of American homes were wired for electricity in 1902, rising to 24 percent in 1917 and 68 percent in 1929.

Seeing an opportunity, Gerard Swope, Western Electric's vice president of sales, championed the company's entry into the electrical appliance business. Because the Western Electric name was printed on every Bell telephone, he believed the public recognized and trusted the brand and would prefer Western Electric appliances over competing brands.

In 1915 the company introduced the Western Electric washing machine and the Western Electric vacuum cleaner. Other appliances followed, including sewing machines, clothes irons, fans, kitchen ranges, percolators, toasters and dishwashers. The company even introduced the fifteen-inch-high Western Electric "junior range," a fully functional, miniature electric stove for children. "Oh, lookee! A really, truly stove," declared an advertisement in *St. Nicholas Magazine*, a popular children's monthly. The advertisement pictured a young girl kneeling in front of her junior range, cooking a meal as two

GraybaR

Order

other girls, no more than five or six years old, looked on in awe.

Although the products were branded Western Electric, they were made for the company by others. The Western Electric sewing machine was originally manufactured by American Electrical Heater Company and later by White Sewing Machine Company, while the junior range was produced by Walker & Pratt Manufacturing Company.

The supply department distributed these products to retail stores throughout the United States. Appliances were expensive at first, and only the well-to-do could afford them. "Never before has there been such a need for electric appliances," a Western Electric ad in 1919 stated. "Servants are hard to get and still harder to keep."

Products for the farm included the Western Electric power plant, or The tag above was introduced in 1925 when Graybar succeeded to the supply business of Western Electric. Phone companies used glass insulators like the one below, circa 1900, to fasten wire to telephone poles.

Western Electric originally sold fans for use in factories and offices but began selling them for consumer markets in 1915. The electrical products industry was still in its infancy. Americans had to be convinced to wire their homes and purchase electrical products.



generator, and electrically powered milking machines, cream separators and butter churns. The generator was "really a splendid device," Graybar executive Herbert Metz wrote years later. It consisted of a small engine (manufactured by Fuller & Johnson Manufacturing Co.) that charged storage batteries (made by General Lead Battery Co.) that, in turn, supplied a steady flow of electricity. The apparatus included a regulator (made by General Electric) that automatically turned the engine on and off to keep the batteries fully charged.

Unfortunately, it was a commercial flop. Other companies, including Delco and Kohler, also introduced generators for the farm, and Western's product sold poorly in the face of stiff competition. In 1921, when crop prices plummeted and farmers struggled to remain solvent, Western Electric got out of the farm equipment business but continued to distribute household appliances.

An Emerging Schism and the Birth of Graybar

Senior executives at AT&T were never comfortable with Western Electric's expansion into non-telephone businesses. They repeatedly questioned whether distributing electrical equipment and household appliances was an appropriate activity for the manufacturing arm of a regulated telephone company.

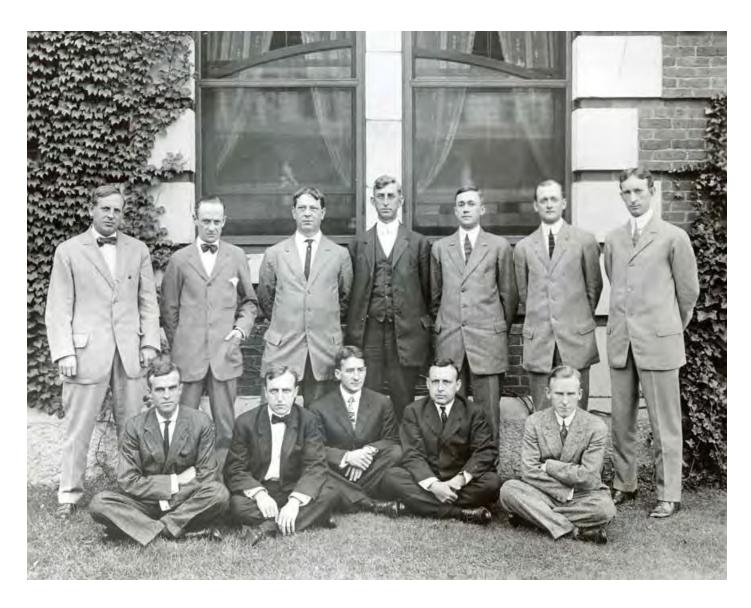
As early as 1904 AT&T President Frederick Fish wrote to Barton that "the telephone business of the Western Electric Company and the interests of the Bell operating companies [would] suffer to a substantial amount" unless Western "were able to devote all their time to the telephone business and not be distracted by outside matters."

Barton and his successors at Western Electric ignored these concerns and kept selling more spark coils, wall sockets, washing machines and other electrical products in the belief that this activity did not interfere with their ability to manufacture telephone equipment for AT&T. The department became a major operation within Western Electric, accounting for one-third of the company's 1920 revenues.

But growth and success only brought greater scrutiny, not only from AT&T but also from federal regulators. By 1915 regulators were openly questioning whether Western Electric should be involved in electrical equipment distribution. Whether regulators forced Western Electric to divest its supply department or simply suggested it do so is today unknown. But clearly they applied pressure.

Harry Thayer became AT&T's president in 1919. Almost immediately he began the process of shedding the Western Electric supply department. "A long-range plan was developed to divide, change and eventually sell the supply end of the business," Herbert Metz wrote.

In 1921 Western Electric's telephone manufacturing and product marketing operations were split into two main divisions: the telephone department, which made telephone equipment for the Bell System, and the supply department, which distributed electrical equipment to non-



Bell customers. In 1923 the two divisions were physically separated and were housed, wherever possible, in different buildings. That same year longtime employee Frank Ketcham was named supply department general manager. He and his staff moved out of the AT&T building in Lower Manhattan and took space in the Pershing Square Building on 42nd Street in midtown.

In 1925 Walter Gifford was elected AT&T president, succeeding Thayer. Gifford had been a young executive at Western Electric before transferring to AT&T in 1908. As Gifford settled into the president's chair, Thayer sent him a note attacking Barton in surprisingly bitter terms. Thayer claimed that Barton, "in gratification of his personal ambition, gave most of his

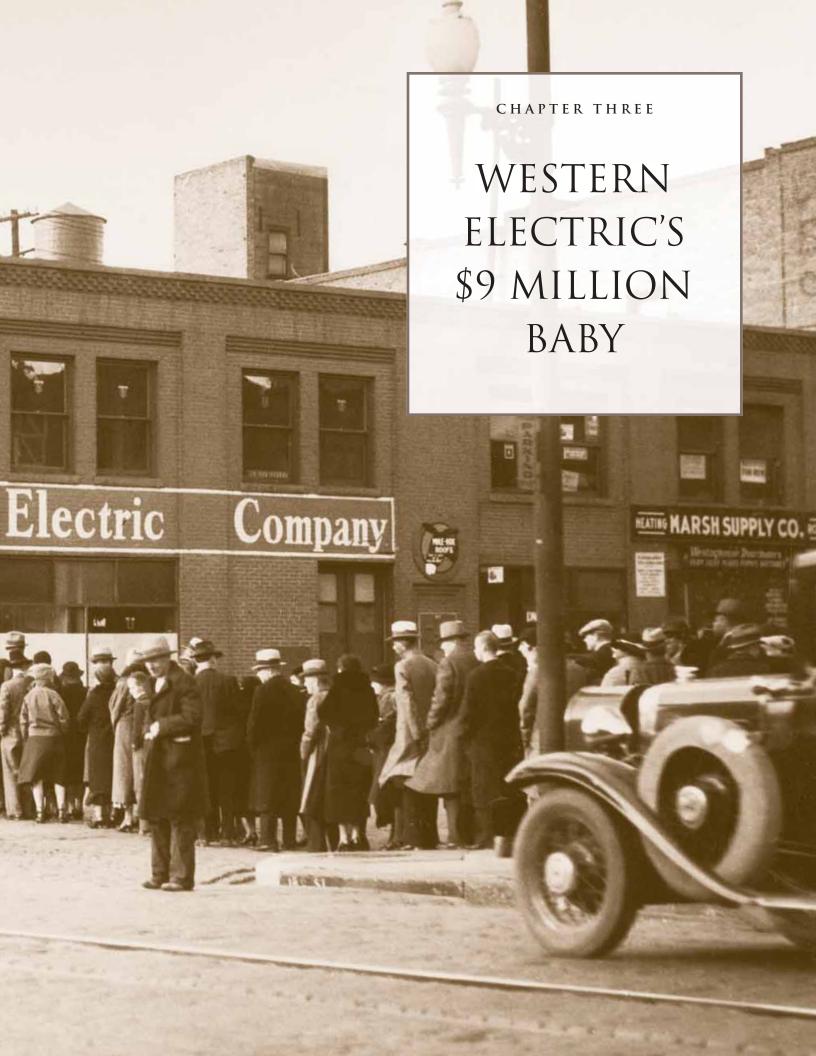
thought to the development of [Western Electric] as a general electric manufacturing company." He also said that when American Bell Telephone had acquired majority ownership of Western Electric in 1881, it had anticipated that Western would devote all its resources to supporting American Bell's telephone business. "Subsequent history," Thayer wrote, "has shown that any variation from that has been disastrous to Western Electric Company as well as the Bell System."

Taking up Thayer's cause, Gifford ordered Western Electric to give up its supply business as soon as possible.

From this series of events Graybar Electric Company, Inc. was born.

Gerard Swope, who championed Western Electric's entry into household appliances, is sitting, third from left, in this circa 1911 photo. Future Graybar president Frank Ketcham is standing, far left. Standing, fourth from left, is Fred Uhrig, the original holder of the Star Spangled Button, a plaque awarded to the Graybar employee with the longest tenure.





n November 1925 Western Electric began reorganizing the supply department into a separate corporation so it could be sold. Western gave the department's senior executives one week to name the new company.

More than 50 names were considered and rejected, including Faraday Company and Voltant Company, before National Supply Company was chosen. However, a National Supply Company already existed, and its owner would not sell the name. Resuming their deliberations, the executives chose Gray & Barton Electric Company. But Western Electric turned down the choice, wanting to reserve the Gray & Barton name for its own use. The executives then combined the names Gray and Barton to come up with Graybar, which Western accepted. "It's some job to get a new name for a 60-year-old baby in six or seven days," one supply department executive sighed.

Graybar Electric Company began operations on December 11, 1925, as a wholly owned Western Electric subsidiary with 2,110 employees, 55 offices and a capitalization of \$15 million. But as much as Western wanted to sell the company, it would take three years to find the right buyer—Graybar's employees.

Western Electric supply officials review a brochure announcing plans to form Graybar. The Graybar shield, as shown on the brochure, was inadvertently designed with a heraldic "bar sinister" from lower left to upper right, denoting illegitimacy. Right, a money clip displays the revised shield with a bar from lower right to upper left, denoting dexterity.







Above, Albert Salt was Graybar's first president, serving from 1926 to 1929. When he died in 1945, the New York Times wrote, "Noted for his successful dealing with men during his 50 years in business, Mr. Salt once summarized his philosophy of handling employees: 'If you want to slow a man down, try bawling him out.'" Right, Graybar's management team in 1926 consisted of, left to right, Executive Vice President Frank Ketcham, Vice President Leo Dunn. **President Albert Salt and** Vice President George Cullinan.

Graybar's Management Team Takes Shape

Frank Ketcham, the 50-year-old supply department general manager, was considered the oddson choice to head the new company. But Western Electric bypassed him in favor of 61-year-old Albert Salt, Western's vice president for purchasing, even though Salt had never worked in the supply department.

Although the reasons for selecting Salt are lost in history, Western may simply have believed he was the most seasoned manager available for the job. Ketcham became executive vice president and would succeed Salt as president three years later.

Salt turned out to be an excellent choice. One of Graybar's most pressing initial needs was to build customer and supplier awareness of its name, and Salt had a flair for marketing and promotion. Graybar executive Herbert Metz described him as "a very colorful man who loved publicity."

Like many executives in that era, Salt had relatively little formal education. As of 1920 fewer than 20 percent of Americans over age 25 had so much as a high-school degree. (Today, by

contrast, 85 percent of adult Americans are high-school graduates.) Companies placed a premium on experience, hard work and loyalty more than formal schooling.

Of Graybar's four top executives in 1926, George Cullinan, vice president in charge of sales, was the most highly educated. The son of Irish immigrants, he was a graduate of Williams College, where he had starred in football and track. His wife, Mary, was a graduate of Smith College—unusual in an age in which the odds of both husband and wife being college graduates were about one in 50.

Ketcham had studied engineering at the University of Michigan but dropped out after his junior year when his father suffered financial reversals.

Leo Dunn, vice president in charge of merchandising and accounting, had only a fifthgrade education, having left school at age eleven to work at an American Bell affiliate in Pittsburgh.

Salt had begun his career at age fourteen when he took a summer job at Western Electric



in New York as an office boy, running errands and polishing the brass bell-pull on the front door. He had completed the eighth grade and expected to return to school in the fall, but he liked his job and convinced his parents to let him continue working full time.

Smart and ambitious, Salt rose steadily in the organization, becoming a vice president when he was 48. Western Electric President Edgar Bloom said admiringly, "Albert Salt was the best office boy we ever had, the best clerk we ever had, the best salesman we ever had, the best purchasing agent we ever had, and he never knew when the whistle blew." Salt was an American success story. Starting in 1881 at \$252 a year, he became a company president in 1926 with an annual salary of \$40,000.

What's in a Name?

As Graybar's first president, Salt was a one-man publicity machine, trumpeting the new company's name to the nation. He gave speeches and sought out newspaper interviews. February 1926 marked the 50th anniversary of the invention of

the telephone. He used the occasion to write an article for *Telephone Engineer & Management* magazine about the future of the telephone industry—and, not coincidentally, to put in a plug for Graybar and its role in distributing telephone equipment.

Under his leadership the company spent \$1 million during its first year on magazine and newspaper advertising, a substantial sum in those days. Graybar's expenditures nearly matched those of major consumer product firms such as toothpaste maker Colgate Company, which had a \$1.2 million ad budget in 1926, and Campbell Soup Company,





Western Electric household appliances were re-branded Graybar in 1926. All Graybar appliances were manufactured for the company by others. The Graybar iron was made by American Electrical Heater Company, the sewing machine by White Sewing Machine Company and the fan by Westinghouse Electric Corporation.

which spent \$1.5 million on advertising. A half-page advertisement in the *Kansas City Star*, titled "Western Electric Supply Department Changes Name," stated that the creation of Graybar "involves no

change whatever in the existing distributing organization." It said Graybar intended to "play an ever-increasing share in the industrial development of this city—rendering service to the electrical contractor, the manufacturer, the public utility operator and all wholesale users of quality electrical supplies."

The company not only sold electrical and telephone equipment but also inherited the household appliance business of Western Electric. Western Electric sewing machines, vacuum cleaners and other consumer products were rebranded with the Graybar name. The company faced an immediate need to build public awareness of the Graybar appliance brand. It advertised its products in leading magazines such as

The Saturday Evening Post and engaged in publicity gimmicks not only for its household appliances but also for some of its commercial products.

Graybar even turned a corporate mistake into a publicity bonanza. Seeking an attractive design for use on its stationery and in advertisements, the company created a shield, or escutcheon, with the word Graybar on top, the word Quality across the bottom and a thick line or bar traversing the shield from lower left to upper right. It issued a press release announcing the shield, but the media yawned and didn't write a word about it. Meanwhile the company sent a picture of the shield to Henry Strippel, a heraldry expert at the New York Public Library. Strippel responded with the warning that a bar from lower left to upper right, as on the Graybar shield, was a "bar sinister" denoting illegitimacy. At his suggestion, the shield was redesigned so that the bar went from lower right to upper left, denoting dexterity.



Adopting the attitude that any publicity was good publicity so long as the Graybar name was spelled right, the company told the media about the mistake, resulting in dozens of articles in newspapers and magazines. *The New Yorker* wrote tongue in cheek that many New York taxi drivers had been planning to design heraldic shields for their cabs, but "some safer form of label will be popular in the near future" following Graybar's experience in having "inadvertently chosen for their brand the Bar Sinister."

The Graybar Building: A Huge Publicity Coup

Salt's greatest publicity coup resonates to this day: the naming of what was then the world's largest office building for Graybar. In 1925 Todd, Robertson & Todd—a major New York real estate firm—broke ground for a 30-story office tower at 420 Lexington Avenue next to Grand Central Terminal in midtown Manhattan.

J. Walter Thompson, the world's biggest advertising agency, signed on as the lead tenant, taking four floors. But the Thompson firm turned down the opportunity to have the building named for it, according to the 1980 book *Everybody's Business* by Milton Moskowitz, Michael Katz and Robert Levering. The firm had a strict policy of publicizing its clients, not itself, and felt that allowing its name to be put on a building would be inappropriate.

Thompson's decision opened the door for Graybar, which had no qualms whatever about seeing its name on a building. Albert Salt knew about the building through his friendship with James Todd, a partner in the Todd-Robertson firm. Both men lived in New Jersey and





sometimes sat together on the morning train to New York.

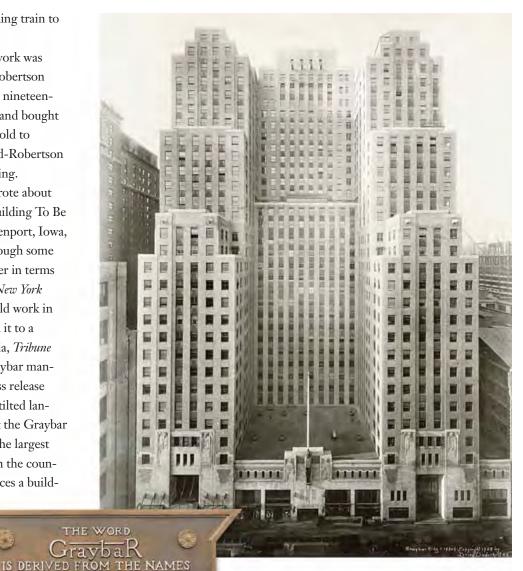
In May 1926, as the steel framework was being erected, Graybar and Todd-Robertson worked out a deal. Graybar signed a nineteen-year lease for a portion of one floor and bought some of the bonds that were being sold to finance the building. In return, Todd-Robertson named the tower the Graybar Building.

Newspapers across the nation wrote about the deal. "World's Largest Office Building To Be the Graybar," a headline in the Davenport, Iowa, Democrat and Leader declared. (Although some buildings were taller, none was bigger in terms of square feet of office space.) The New York Times noted that 12,000 people would work in the Graybar Building and compared it to a "small city." The Oakland, California, Tribune quoted William Berry, the local Graybar manager, as saying (probably from a press release rather than an interview, given the stilted language), "It is singularly apropos that the Graybar Electric Company, conceded to be the largest electrical merchandising company in the country, should have for its executive offices a build-

PROFESSOR ELISHA CRAY

ing of its own name and one which in turn enjoys the unique distinction of being the largest edifice of its kind. It is noteworthy, in addition, as indicative of the spirit of progressiveness prevailing, that such a distinction comes to a company after such a short period of corporate existence under its own name."

Being associated with the world's largest office building lent prestige to the Graybar name, and the Graybar name—which Graybar Electric was advertising heavily at that time—gave glamour to the building. It was a perfect symbiotic relationship. Salt was in his glory. In October 1926, speaking at a ceremony when the final steel



The Graybar Building in New York, above and opposite, had more square feet of office space than any other structure in the world when it opened in 1927. It was named for Graybar even though the company leased only a portion of one floor. The company departed in 1982, but the building continues to be named for Graybar. The plaque at left is still in the lobby.



beam was hoisted into place, he said the Graybar Building would "stand for generations as a living symbol of 20^{th} -century progress."

J. Walter Thompson eventually leased seven floors. Graybar never leased more than one. Moreover, Graybar left in 1982 when it relocated its corporate headquarters to St. Louis. Yet Graybar became so closely associated with the building that the owners kept the name even after the company had departed. To this day the building is one of the better-known office towers in New York and is still named for Graybar. The Graybar corporate logo is over the front door, and two bronze plaques in the lobby tell the story of Elisha Gray and Enos Barton. The current owner, SL Green Realty Corporation, has

even installed a display in the lobby recounting the history of Graybar to explain the origins of the building's name.

When it came to getting name recognition for Graybar, Albert Salt knew exactly what he was doing.

Growth in the Late 1920s

Graybar broke out of the starting gate like Man o' War at the Preakness. Sales advanced to \$77 million in 1926 from supply department sales of \$66 million in 1925. Sales fell back a bit in 1927 before picking up the pace and reaching \$86 million in 1929.

The 1920s were an exciting period of growth for the electrical equipment industry as the



economy expanded, the stock market soared and dozens of new electrical devices—including car radios, traffic lights, electric shavers, loudspeakers and motion picture sound systems—made their debut. In a key transition, electricity became the dominant form of energy used by factories, replacing steam. Electricity had provided less than 5 percent of the power for industrial machinery at the turn of the century. That figure rose to 53 percent in 1920 and 78 percent in 1929, creating demand for wire, conduit, switches, insulators and other products distributed by Graybar.

Graybar capitalized on the good times by adding more offices and signing up new suppliers. When the company opened an office in Opposite, a poster on a Graybar truck in San Francisco promotes the company's household appliances. Above, employees pose in 1927 in the Omaha office. Right, a 1930 brochure featured Chairman "Uncle Albert" Salt.

Published for Graybar Salesmen and Others Interested in the Graybar High-Steppers Campaign

No. 1

August 30, 1930



"Uncle Albert"



Fort Worth in 1927, its fourth in Texas, a local newspaper said "the demand for electrical equipment has grown to such an extent that additional distributing facilities for Graybar products have been necessitated." The company established a fifth Texas branch, in Beaumont, the following year.

Apart from Texas, Graybar opened offices in Knoxville, Dayton and other cities with growing populations and robust economies. By the end of 1928 it had operations in 72 cities coast to coast.

Ketcham said there was enough business to support 100 offices, but a tight job market made it impossible to find the people to staff them. New hires at Graybar "may and usually do start at the bottom," he told NEA News Service. However, business was so brisk "if a man is any good at all, he can't help progressing."

Western Electric products generated 16 percent of Graybar's revenues in 1926, surprisingly small given the fact that Western still owned the company. General Electric products were





counter and loading platform of the Brooklyn, New York, branch are pictured opposite and above in 1929. In that era, employees moved products by hand without the aid of forklift trucks or other modern equipment.

The stock room, service

equally important, also generating 16 percent of revenues. Graybar sold GE motors, generators, relays, sockets, switches and transformers in addition to lamps.

All told, the company had 200 suppliers and stocked 60,000 different items. Then as now, supplier selectivity was central to the Graybar philosophy. In 1926 business columnist B. C. Forbes quoted an unnamed Graybar executive as saying, "We have sought to earn the confidence reposed in us by refusing to handle, no matter



what inducement may be held out, any electrical product not measuring up to the best standards. The Graybar label, therefore, means something."

The company brought on new suppliers as product innovation created opportunities. Electrical fuses were critical to safety as more buildings were wired. In 1921 a small St. Louis firm named Bussmann Manufacturing Company invented the plug fuse with a clear window, making it possible to check at a glance whether a fuse had blown. Graybar began distributing Buss brand fuses in 1926. Bussmann eventually became the world's leading fuse manufacturer and is today the Cooper Bussmann division of Cooper Industries, continuing as a Graybar supplier.

Airport lighting was an important new market, one that Graybar served with General Electric and Crouse-Hinds products. As commercial aviation emerged in the late 1920s, airports illuminated their runways so that routes could be flown at night. In 1929 a U.S. Department of Commerce official told the city fathers of Ogden, Utah, "Light your field for night passenger plane landings, then establish a

weather bureau at the field, and you will have pilots and planes flocking to Ogden by the hundreds." Ogden installed GE beacons supplied by Graybar.

Other growth markets included street lighting and traffic signals. Graybar distributed lampposts, fittings and other streetlamp fixtures made by Benjamin Electric and the George Cutter division of Westinghouse Electric. In 1928 the company boasted that "progressive cities"—such as Champaign, Illinois; St. Joseph, Missouri; and Detroit—were becoming "veritable white ways" by illuminating their streets with Graybar-supplied lighting equipment.

Stepping into the modern age of electricity was, for many communities, a source of civic pride. In 1929, when the town of South Boston, Virginia, installed its first traffic light (supplied by Graybar), residents celebrated with a torchlight parade accompanied by a marching band.

The Golden Age of Radio

Beginning in 1926 and continuing for more than four decades, Western Electric sold its products directly to Bell System companies and U.S. government agencies and to all other customers in the United States through Graybar. Western used other distributors outside the United States. Western was known for the high quality and technical leadership of its telephone and electrical equipment. Any non-Bell, non-government customer in the United States wanting to purchase Western Electric equipment had to do so through Graybar, a wonderful position for Graybar to be in.

Of all the markets served by Western Electric—and thus by Graybar—in the 1920s, none was more dynamic than radio. The first commercial radio station, KDKA in Pittsburgh, began broadcasting in 1920, setting off a radio mania that saw industry sales of receiving sets double every two years during the decade. By 1931 more homes had radios than telephones. Western was the dominant U.S. manufacturer of radio transmitters through its participation in the "radio trust," which controlled nearly all the

Airport lighting, left, became a growth market in the late 1920s as airlines began flying night routes. Opposite, Graybar was the leading distributor of radio transmitters in the late 1920s and began to distribute receiving sets in 1928. Zenith brand radios, including the 1941 model shown opposite below, were wholesaled by Graybar from the mid-1930s through the mid-1980s.

radio patents in the United States. RCA was the dominant manufacturer of receiving sets. Other trust members included AT&T, General Electric, Westinghouse Electric and United Fruit. (United Fruit took part because it had developed radio technology to communicate with its banana boats.) Although the trust was controversial, it had the tacit support—initially, at least—of the federal government, which believed the development of radio broadcasting would be crippled by lawsuits unless a private-sector cartel owned all the patents and assigned manufacturing rights to specific companies.

Because of its relationship with Western Electric, Graybar was in the unique position of being the dominant distributor of transmitting equipment with virtually no competition from 1926 until 1932. The company sold Western transmitters to more than 100 stations, including WMAQ in Chicago, WLBW in Oil City, Penn-

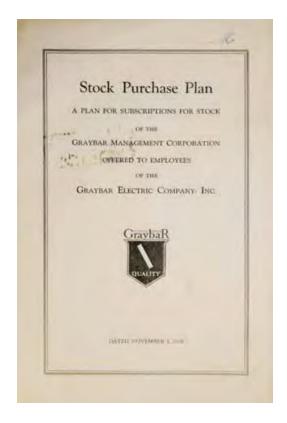
sylvania, and KOL in Seattle. In 1932, after federal regulators forced the trust to disband, firms such as Westinghouse Electric and Collins Radio Company began making equipment in competition with Western. Nonetheless, Western—with its manufacturing excellence and access to the research and engineering resources of Bell Laboratories—continued as a leader and introduced many technical advances such as the high-efficiency Doherty amplifier, which used less electricity to broadcast stronger signals.

Graybar's 24-year run as the premier distributor of radio transmitters continued until 1950, when Western withdrew from the business to satisfy regulators' demands that it divest its non-telephone operations. Graybar began distributing transmitters made by other companies, but it never again had the same large market share as it did when it sold Western Electric broadcasting equipment in the 1920s, 1930s and 1940s.





Graybar employees bought their company from Western Electric on January 1, 1929, for \$9 million. They originally owned stock of Graybar Management Corporation, a holding company that in turn owned Graybar Electric Company. The ownership structure was simplified in 1939 when Graybar Electric and Graybar Management were merged.



Graybar Employees Buy the Company for \$9 Million

As Graybar grew and prospered, Western Electric kept trying to sell it. But Western set a condition that no buyer was willing to meet: the buyer would have to maintain Graybar's generous pension, health and other employee benefit programs.

Metz wrote, "Let it be said to the everlasting credit of the Western Electric Company and the Bell System that they made it known that they would not consider the sale of the Graybar Company unless the purchaser agreed and had the wherewithal to back their agreement that every single plan and benefit the Graybar employees enjoyed under the Bell System would be theirs under the new owner."

When no buyer willing to meet these conditions could be found, Ketcham proposed that Graybar's employees buy the company, and Western Electric agreed. The idea made headlines across the nation when it was announced in November 1928. In a front-page article, the *New York Times* said, "There is no case in financial records where a company of the importance of the Graybar Electric Company has changed

ownership in such a manner"—that is, been acquired by its employees.

Albert Salt, ever an optimist, had his own cheery view. "The new set-up," he told the *New York American*, "will so energize employees that they will double their sales result."

Western Electric was determined to get the deal done as quickly as possible and ensure that Graybar continue as a financially healthy, viable distributor of Western products. Consequently, it made Graybar employees an offer so good they couldn't turn it down.

For starters, Graybar common stock was priced at \$100 a share, a bargain at six times annual earnings versus a price-earnings ratio of 19 for publicly traded stocks in November 1928, as measured by the Dow Jones Industrial Average. (Graybar stock was split five-for-one in 1939, reducing the price to \$20, where it has remained ever since.) Asked years later how the price for Graybar had been arrived at, Western Electric President Edgar Bloom said, "I personally fixed the figure, and the company was worth what the employees paid for it. I think, in fact, the assets exceeded what they paid for it."

Even more striking was the guarantee that Western Electric gave to buyers of Graybar stock. Western pledged to refund the full purchase price, plus 6 percent annual interest, to any employee who invested in the stock and later wanted to sell for any reason. Western said it would maintain the guarantee through the end of 1933. In a letter to Graybar employees, Bloom emphasized that their investment "is not subject to any risk whatsoever" for five years, a guarantee that few if any other equity investments offered then or now. Western even agreed to buy back the entire company in the first five years "if the purchase does not look attractive to the Graybar employees."

As a further inducement, Graybar employees who bought stock were offered a choice of payment plans to fit any budget: they could pay immediately, over four years through monthly payroll deduction or over five years in annual installments.



Frank Sisulak started with the supply department in Chicago in 1925 as an office boy and messenger and is one of the few surviving original Graybar stockholders. He still recalls paying for his initial shares through payroll deductions



Frank Ketcham succeeded Salt as president in 1929 and led Graybar through the difficult years of the Great Depression. "In selecting men for his concern," NEA News Service reported, "Ketcham said he regards a friendly disposition and the ability to cooperate and get along with others as the most important qualifications."

of 50 cents a week. He turned 100 in 2008 and continues to own stock and follow the company.

The total price to buy the company was \$9 million, and here, too, Western structured the deal to Graybar's benefit. Only \$3 million was due initially, financed by the sale of stock to Graybar employees. Western accepted \$6 million of Graybar nonvoting preferred stock for the balance, with the understanding that Graybar would repay the preferred when it could afford to do so.

When the sale closed on January 1, 1929, Graybar became the largest employee-owned company in the nation. In a press release, Ketcham hailed "a new era in the harmonious, mutual workings of capital and labor."

Most Graybar shareholders placed their stock in a voting trust. Who conceived the trust—whether it was Salt, Ketcham, outside attorneys or someone else—is unknown, but the idea has withstood the test of time. The original trust expired in 1938 and has been followed by a succession of voting trusts, renewed every ten years.

The trustees elect Graybar's board of directors and vote on other significant corporate matters, enabling Graybar shareholders to act with a single voice. "Basically the voting trust provides continuity and stability," according to Tom Dowd, retired senior vice president, secretary and general counsel. "It facilitates long-term planning and helps make employee ownership of the company feasible."

Fortitude During the Great Depression

The mood was upbeat when employees bought their company. Demand for electrical equipment was stronger than ever, driving Graybar's sales and earnings to new highs in 1929. In April the company paid its first cash dividend of \$1.50 per share of common stock and established an annual dividend rate of 6 percent. As if in celebration, the company's 1929 financial statement included an entry of \$170.89 "for the purchase of cigars," the first and only time such an expense has appeared in Graybar's financials.

However, the situation changed quickly. In

October 1929, just nine months after employees bought the company, the stock market crashed, ushering in the Great Depression of the 1930s. "All of a sudden, employees were saying, 'What happens now?" current Chairman, President, and CEO Bob Reynolds remarks. "Graybar had a lot of high achievers in those years. They made this company what it is."

One of those high achievers was Frank Ketcham, who became president in January 1929, succeeding Salt, who moved up to chairman and retired one year later at age 65. Ketcham would lead Graybar for the next twelve years through the most difficult economic times in its history. He was a demanding, hands-on manager who was known for his toughness and integrity.

Ketcham was born in Saginaw, Michigan, and learned the value of hard work as a youth. His father owned a logging business, and young Frank earned pocket money by raising pigs, which he sold to cooks in the logging camps. He attended the University of Michigan and worked summers on a Great Lakes freighter oiling the engines, but he dropped out of college in 1897 when his father's business collapsed. The Ketcham family moved to Kansas City, Missouri, where Frank and his father began raising cattle. "I remained in this business until the winter of 1900, when a severe cold spell killed the greater portion of our stock and left me practically penniless," he recalled. "I then decided that the cattle business was not to be my mission in life."

He moved to Chicago and found a clerical job in the advertising department of Western Electric, where he came to the attention of Enos Barton, who gave him his first promotion. Advancing in his career, Ketcham became manager of the Chicago supply branch in 1918 and later moved to New York to head Western Electric's entire supply department.

When the stock market crashed in October 1929, few Americans could imagine the hardships that lay ahead. There had been economic downturns before, but none matched the length and severity of the Great Depression. In 1929



America was enjoying its greatest prosperity ever. Industry was humming, and the unemployment rate was just 3.2 percent. Four years later industrial production had collapsed, and unemployment was an appalling 25 percent. The Depression inflicted a terrible human toll not only in the United States but also worldwide as hundreds of millions of people struggled simply to put food on the table.

Many business executives, including those at Graybar, were hopeful as the Depression began. When Graybar's sales dipped in the first half of 1930, Albert Salt was described by the *Graybar Herald* as "bubbling over with enthusiasm and optimism for the future of the company."

However, economic conditions only got worse. By 1932 Graybar's sales had dropped 67 percent from 1929, and the company was losing money for the first time in its brief history. The losses continued in 1933 as the Depression reached bottom, after which the company edged back into profitability and began a slow recovery. The company reduced its staff modestly in 1930 through attrition, but as sales continued to shrink, it laid off employees. By 1934 it had trimmed its workforce by about one third through a combination of attrition and layoffs.

Western Electric, Graybar's former parent, took an even bigger tumble. Its sales fell more than 80 percent from 1929 to 1932, and it lost money for three consecutive years from 1932 through 1934. Western sought to keep its people working by having them make jigsaw puzzles, radiator covers and other simple items, which it sold at cost. Nonetheless demand for telephone equipment slid so sharply that Western was eventually forced to reduce its employment by 75 percent.

Western was in an awkward position: it had guaranteed Graybar's common stock and did not want to reacquire the company. As a result, despite its own financial problems, it went out of its way to keep Graybar afloat as an independent business.

Employees from upstate
New York ham it up at a
sales conference in 1926
during Prohibition. One of
them pours drinks, presumably alcohol-free (or maybe
not), while another pretends to be a policeman
enforcing anti-liquor laws.

Senior officials gather at a management conference in Hot Springs, Virginia, in 1936. President Frank **Ketcham is seated seventh** from left. He is flanked by **Atlantic District Manager** Alfred Hallstrom on his right and Vice President George Cullinan on his left. Below opposite, **Western Electric was** known for its generous employee benefit programs, including pension, life, health and disability benefits. It insisted that any buyer of Graybar would have to maintain comparable benefit programs for Graybar employees.



Even as Western suspended dividend payments on its own common stock for three years, it loaned Graybar \$1.5 million so that Graybar could keep paying dividends on *its* stock. In fact, with Western's financial support, Graybar did not miss a single dividend payment during the Great Depression. Graybar employees were pleased with their investment and, as hoped, did not call on Western to repurchase their company.

Graybar management repeatedly expressed optimism during the Depression. In March 1932 Ketcham toured company offices across the United States to meet with employees and gauge the state of the business. In Kansas City he told a

local newspaper, "There has been somewhat of an ailment, but I should say we are on the mend. Everything is looking up. Things are more encouraging."

In a January 1933 letter to employees, he urged them to continue their "cheerful and active cooperation" and promised that Graybar would "come through these trying times with added strength."

Ketcham battled the Great Depression with sheer willpower, refusing to give in to bad economic times. His policy was expansion rather than retreat. Despite the Depression the company continued to broaden geographically by



adding fourteen new offices in the 1930s. But it staffed each existing office with fewer people to handle the reduced volume of business.

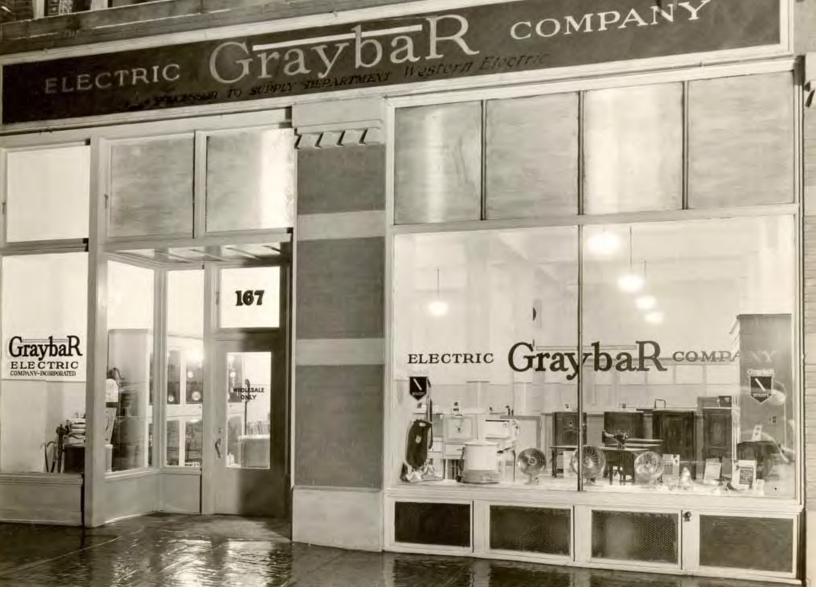
Ketcham even tried to jump-start the nation's economy with some home-grown survey work. In September 1932 Graybar polled its employees about their pent-up demand for new homes, automobiles, refrigerators and other items. It then projected the results to the entire U.S. population and issued a press release estimating that \$40 billion of "latent consumer buying power" existed in the United States. Major newspapers, desperate for positive news, reported the findings. "The survey would seem to indicate," the Wall Street Journal wrote, "that there now exists sufficient latent demand to restore consumption to the levels of more prosperous periods of recent years."

Graybar Stands by Its Retirees

Although Graybar was battered by the Depression, many of its retirees sailed smoothly through the economic storm, thanks to Western Electric's refusal in 1929 to sell the company unless its benefit programs were maintained.

Corporate pensions were still a rarity: as of 1932, just 2 percent of private-sector retirees in the United States were receiving them. Graybar retirees were among those lucky few. What is more, Graybar's pensions were generous by any standard. The average Graybar pension in 1935 was \$1,692, exceeding the \$1,160 median family income for all Americans.

In an unusual step, company representatives personally visited each Graybar retiree once a year during the Depression to check on their health and financial well-being, something that could not be done today because of privacy concerns. These visits were written up in brief reports that were circulated among senior management.



The company sold home appliances under the Graybar brand name from 1926 to 1934, when the Graybar appliance brand was discontinued. Pictured above is a wholesale distribution office in Salt Lake City. Opposite, "Know your Onions!" was the theme of the company's 1928 appliance sales conference.

Some Graybar retirees with relatively small pensions struggled financially. Social Security, Medicare and other federal benefit programs did not yet exist. Moreover the stock market had dropped nearly 90 percent between 1929 and 1932 (Graybar stock being an exception with its steady price), and thousands of banks had collapsed, wiping out the savings of millions of Americans.

There was sadness in a few of the reports. Emma McNanny, 65, was in "fair health" and was living with her brother's widow, according to the company representative who visited her in 1934. In addition to her pension, she received \$8.35 a month in government relief. Her total income was "barely sufficient for the necessities of life."

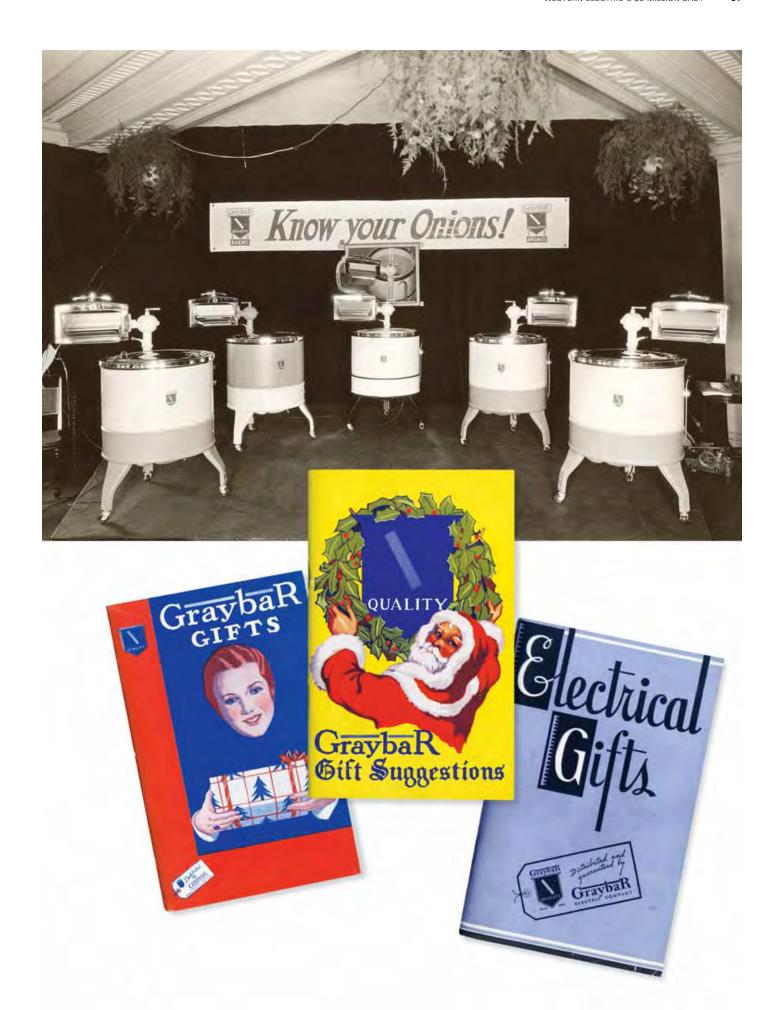
Some retirees developed additional sources of income to make ends meet. George Gould,

56, lived in "reasonable comfort" and supplemented his Graybar pension by raising chickens on his property in Florida. However, Robert Randolph, 67, was more typical. He was in good health and financially secure, collecting not only his Graybar pension but also receiving income from investments.

At a time when more than half of all Americans over age 65 lived in poverty, Graybar retirees were fortunate to have worked at a company with a well-funded pension plan that continued to pay excellent benefits even during the worst years of the Depression.

The Rise and Fall of Graybar Brand Home Appliances

Graybar's household appliance brand—encompassing washing machines, vacuum cleaners and other products inherited from Western Electric—



Graybar Hoopla



Herbert Metz was Graybar's advertising manager in the late 1920s, creating some of the company's most flamboyant promotions.
He later served as New York district manager and a member of the board of directors.

In its early years Graybar sometimes went to extraordinary lengths of showmanship to promote the products it distributed. In 1926, when Western Electric began manufacturing audiometers that measured sound levels, Graybar staged a joke-telling contest at a New York theater to demonstrate the new instrument. The contest featured comball humor that pumped up the audience of 2,000 and attracted media attention. The winning joke—that is, the one for which the audience reaction registered highest on an audiometer—was:

Jones: "Sorry, old man, but my hen got loose and scratched up your garden."

Smith: "That's all right. My dog ate your hen."

Jones: "Fine. I just ran over your dog."

The Oxnard, California, *Daily Courier* reported that the audience responded to the winning joke with a noise level "equal to that recorded at New York's famous intersection, Fifth Avenue and 42^{nd} Street."

In 1929 Graybar staged a kissing contest to showcase the hypersensitivity of Western Electric's newly introduced electric stethoscope. The event, which Graybar billed as a "scientific experiment," was held at Broadway's Majestic Theatre. Four showgirls—two blondes, two brunettes—were monitored with the device as they were kissed in rapid succession by five young men. The stethoscope was hooked to an amplifier so the audience could hear the actresses' heartbeats. "None of the showgirls had been kissed before (in the past 24 hours)," the Waterloo, lowa, Evening Courier said coyly. A brunette named Elsie Lauritsen was declared the champion "thrill kisser" when her pulse rate surged 66 beats during the succession of kisses. A headline in the Montana Standard proclaimed, "Gentlemen May Prefer Blondes but Brunettes Are Best Kissers."

These and other Graybar publicity stunts reflected the anything-goes spirit of the Roaring Twenties. Graybar toned down its promotional tactics with the onset of the Great Depression, and it has now been many years since the company used jokes and kissing exhibitions to demonstrate the products it sells.

underwent dramatic change in the late 1920s and early 1930s before succumbing to the lethal effects of the Depression.

For nearly a decade from 1926 through 1934, Graybar was a well-known consumer brand competing head-on with top names such as General Electric and Maytag. In 1928 the company announced plans for the "aggressive expansion" of its consumer business. It began by introducing Graybar-brand radios, manufactured for the company by RCA. Radios were among the hottest-selling consumer items in the 1920s, and Graybar's entry into this highly competitive field prompted an outpouring of media coverage with articles in the Chicago Tribune, New York Times and other papers. Graybar radios were expensive (the top-of-the-line Graybar 340 was priced at \$375, equivalent to nearly \$5,000 today) but incorporated the latest technology, including the newest generation of RCA vacuum tubes.

Graybar spent heavily to promote its radios, running ads in dozens of newspapers and magazines. These ads were prepared by Newell-Emmett Advertising Agency, a leading firm of the day, and featured visually striking art deco designs. One ad called Graybar radios "A Sensation!" and said their "perfection of tone" could not be matched.

The company also took to the airwaves, sponsoring the *Graybar Hour*, one of the first





radio sitcoms. The show was based on a popular comic strip called *Mr. and Mrs.* and featured a bickering couple named Joe and Vi. In one episode Joe forgot their wedding anniversary. When Vi reminded him, Joe guessed it was their tenth anniversary when it actually was their seventh, and all sorts of craziness followed before they kissed and made up. Graybar spared no expense in developing the show as an advertising vehicle, even commissioning the great Broadway entertainer George M. Cohan to write the theme music. The *Graybar Hour* ran Saturday nights on CBS Radio from 1929 through 1931 before being cancelled during the Depression.

The next new consumer product, which debuted in 1929, was the Graybar Stimulator, a body-toning device. The stimulator played to the Jazz Age ideal of a supple physique. It had a wide belt attached to an electric motor. The user leaned against the belt and switched on the motor, which vibrated the belt and the user's body. "You can eat just what you please and as much as you please," one ad promised, "and still be slim and lithe if you use the Graybar Electric

Above, employees show high spirits at a 1928 merchandising managers conference. Below left, Homer Briarhopper and the Dixie Dudes perform in 1954 on WNAO, the first television station in Raleigh-Durham, North Carolina. Graybar supplied wire, conduit, circuit breakers, panel boards and Klieg lights for the new station.

Below are early Graybar employee service pins. At right is the Dallas office in the 1930s. Air conditioning was not yet widely used. Fans and open windows provided the only relief from summer heat.



Stimulator a few minutes every day."

The company envisioned an array of healthrelated products. "With the success of the stimulator as inspiration," it announced in October 1929, "Graybar has decided to go further into the health field." Weeks after launching the stimulator, the company introduced the Graybar Sunshine Health Lamp, a double-carbon arc lamp that "closely approximates sunshine." A full-page advertisement in The Saturday Evening Post showed a woman at the beach, relaxing in the sun, and the same woman in her home, basking in the rays of a Graybar Sunshine Health Lamp. "It does for you what natural sunshine does," the ad declared. "And what's more, just imagine getting those stimulating healthful rays all over your body ... with no clothes to interfere!"

Continuing its expansion, in 1930 the company introduced the Graybar refrigerator, competing in a field dominated by well-established brands such as General Electric and Frigidaire. The refrigerator was made for Graybar by ILG Electric Ventilating Company of Chicago. The timing seemed perfect. As of 1930 just one in ten American households had an electric refrigerator. That same year, Freon—the first low-cost, nontoxic refrigerant—was commercialized, transforming the refrigerator from luxury to necessity (and putting the iceman out of business). By 1940 nearly 40 percent of households had an electric refrigerator, and by 1960 virtually every home in America had one.

The Graybar refrigerator was the last of the company's new consumer products. Although Graybar entered the refrigerator business just as demand began to accelerate, it soon faced the sober realities of the Depression. Maintaining and building a consumer brand is expensive, and Graybar could no longer afford to spend heavily on advertising and promotion. As the economy sank and sales of Graybar consumer products slumped, Ketcham and other senior executives—who had been so enthusiastic about creating a major consumer brand—reluctantly gave up the idea.

Graybar discontinued its consumer line in







The processing of incoming mail was a huge task in the 1920s. Envelopes were opened and looked through when they arrived. On Saturday all the week's envelopes were checked a second time to make sure no orders or payments had been overlooked.

1934. However, its distribution network—based on strong relationships with the many retail stores nationwide that had sold Graybar products—was still a valuable asset. Not wanting to squander this asset, the company began distributing other companies' appliances to the same stores. Mom-and-pop retailer Hooper Appliance in Madison, Wisconsin, was selling Graybar brand products as 1934 began. As 1934 ended, it was selling Crosley appliances supplied by Graybar.

Graybar eventually became the nation's largest appliance and housewares wholesaler, distributing dozens of brands, including Zenith, Kelvinator, Hotpoint, Stromberg-Carlson and

Whirlpool, but without the full costs of advertising and promotion, which were borne largely by the manufacturers rather than by Graybar. It continued in the appliance distribution business for the next five decades.

New Technologies, New Products

Despite the tough economic times of the Depression, technology continued its relentless march, and Graybar marched with it, distributing a variety of new products.

When police department radios made their debut in 1929, Graybar immediately entered the market and became a leading supplier. By 1935 it had sold Western Electric transmitters and receivers to police departments in more than 40 cities. Radios transformed law enforcement by replacing the cop on the beat with the officer in a radio-equipped patrol car.

Graybar also developed an important business distributing Western Electric hearing aids. Western invented one of the first wearable hearing aids in the early 1930s, a godsend for people with hearing problems. Previous hearing aids were carried in large boxes that were placed on table tops. The new wearable devices were made possible by the miniaturization of vacuum tubes. A wire connected the earpiece to the microphone and batteries, which were strapped to the body or carried in a shirt pocket. One Graybar ad asked, "Can a hearing aid make people happy?" It answered with a picture of a young girl sitting on her grandmother's lap and saying, "You're not a crosspatch any more!"

In the late 1930s General Electric installed fluorescent lighting in Graybar's Chicago district office to test the product before offering it commercially. Fluorescent-lamp technology had been known for decades, but GE was the first company to develop a practical fluorescent bulb. The test was successful, and Graybar became a major distributor of GE fluorescent lamps.

Graybar Faces an Antitrust Indictment

The late 1930s also saw one of the most frightening episodes in Graybar history: its indictment on criminal charges of price fixing. In 1938 the Roosevelt Administration stepped up federal antitrust enforcement by appointing Yale law professor Thurman Arnold to head the antitrust division of the Justice Department. Arnold had written a bestseller, *The Folklore of Capitalism*, which satirized capitalism and claimed that antitrust laws had not been enforced for 50 years. His views reflected the mind-set of many Americans who believed that business was responsible for the Depression and should be held accountable.

Arnold quickly obtained indictments against companies in the automobile, dairy and other industries, mostly on charges of unfair trade practices and price fixing. Nearly 1,000 companies in various industries were eventually indicted in perhaps the greatest antitrust crackdown in U.S. history.

In December 1939 Arnold turned his attention to the construction industry, obtaining an indictment against Graybar and twelve other companies on charges they had conspired to fix prices of electrical supplies in Detroit. It was a difficult and embarrassing time for Graybar, as its name was suddenly linked in newspaper headlines to words like "price fixing" and "conspiracy."

Arnold believed "the mere bringing of an indictment usually lowered prices," according to law professor Spencer Weber Waller in his 2005 biography of the antitrust chief. To ratchet up pressure, Waller says, Arnold "would indict the individual defendants and fingerprint them like ordinary criminals." Accordingly, Graybar's Detroit district manager was indicted, fingerprinted and arraigned.

Although Graybar initially pled not guilty, the company and other defendants in the Detroit case changed their pleas to no contest in January 1941. Graybar was fined \$5,000, and its district manager was fined \$2,500. By then the federal govern-

ment had lost its zeal for antitrust enforcement and was focused instead on working with industry to mobilize for war.

A Pivotal Year for Graybar

By 1941 the nation's economy was again expanding, and Graybar was growing with renewed vigor. Indeed 1941 was one of the great years in the company's history. Not only did sales jump to \$143 million, surpassing those of 1929 for the first time, but the 75 percent gain over 1940 was by far the largest yearly sales percentage increase the company has ever achieved.

Earnings rose a more modest 30 percent in 1941, then retreated a bit in 1942 through 1945

Graybar employees completed the purchase of their company in 1941 by making the final \$1 million payment to Western Electric. Western's board of directors issued this statement of congratuations.

Graybar Electric Company Recognition of A Notable Achievement

Seventy-two years ago, in 1869, Enos Barton and Slisha Gray, two young men with meagre resources, organized the partnership of Gray and Barton, to manufacture and sell a limited line of electrical products.

electrical products.

From this modest beginning developed the Western Slectric Company, which became the world's largest manufacturer of communication equipment and the largest distributor to the general munication equipment and the largest distributor to the general market of a wide variety of electrical equipment manufactured by others.

In 1921 the magnitude of the business made it advisable to segregate the merchandising activity in the electrical supply field from the company's principal function of manufacture and supply of communication equipment to the Bell System, and by December 1925 the electrical supply business was incorporated as separate company, the Graybar Electric Company—a name a separate company, the founders of the Gray and Barton coined from the names of the founders of the Gray and Barton partnership of 1869.

Subsequently, in 1928, an arrangement was entered into whereby the employees of Graybar could immediately acquire ownership of the voting stock of the Company and later the entire capital interest of the business by redemption of the preferred stock out of the earnings of the business.

of the earnings of the business.

In the intervening twelve and one-half years, notwithstanding years of adversity in the depression of the 1930's, the business has been carried on so ably and with such marked success that on this day, June 30, 1941, the final step has been consummated and the Graybar Electric Company is now fully owned by its employees.

Truly an example of far-sightedness that required courage and mutual confidence to embark upon, its achievement is the more remarkable as an outstanding example of the able and co-operative efforts of the men and women in the organization who made the success of their company their own success. To our associates of long standing, the employees of Graybar To our associates of long standing, the employees of Graybar To our associates of long standing, the employees of Graybar To our associates of long standing, the employees of Graybar To our associates of long standing, the employees of Graybar To our associates of long standing, the employees of Graybar To our associates of long standing, the employees of Graybar To our associates of long standing, the employees of Graybar To our associates of long standing and extend best

who made the success of their company that the success of Graybar To our associates of long standing, the employees of Graybar Electric, we offer our congratulations and extend best wishes from Western Electric for continued success We shall take pride of kinship in your further progress.

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Alfred Nicoll, above, led Graybar from 1941 to 1952. He was a San Francisco native who had joined Western Electric in 1911 as a salesman. He poses below, front row in the dark jacket, with the corporate staff.

due to higher wartime taxes. Earnings would not top their 1929 level until 1946. Nonetheless, Graybar had survived the Great Depression and was well on its way to becoming more successful than ever.

On June 30, 1941, Graybar bought back the last of its preferred stock held by Western Electric, ending Western's financial interest in the company. Newly elected Graybar President Alfred Nicoll thanked employees for "bringing to a successful close the job which was started in 1929 to make the company 100 percent employee-owned." Graybar's employee shareholders were sitting pretty. As of 1941 the overall stock market was down 70 percent from its 1929 peak. Graybar common stock, by contrast, had held its value, not changing even a penny. In addition Graybar's shareholders had collected cash dividends of 6 percent every year since 1929—and, on top of that, they now owned their company free and clear. The Amarillo, Texas, Globe said veteran employees such as Roy Bell, manager of Graybar's Amarillo branch, held "substantial chunks" of Graybar common stock. In light of the consistently favorable returns, Bell said, "most of us wish we had more."



The returns only got better. Having redeemed the preferred stock and eliminated its dividend costs, Graybar increased the dividend on the common stock, paying a regular dividend of \$1.20 per share and an extra dividend of \$2.00 in 1941, for a total yield of 16 percent. It has paid cash dividends of at least 10 percent annually ever since.

Nineteen forty-one also witnessed a change in senior leadership as Nicoll, 52, succeeded 66-year-old Frank Ketcham, who retired. Nicoll was born and raised in San Francisco, where he graduated from high school and worked in a retail shop before joining the Western Electric supply department in 1911 as a salesman. He eventually became Graybar's San Francisco branch manager and then district manager before transferring to New York in 1939 as assistant to the president, becoming president two years later.

Longtime employee Frederick Warburton, in a 1980 book about the company, described Nicoll as "a firm but gentle disciplinarian" who was "warm and compassionate.... His wishes were followed because his workers respected and trusted him."

Graybar in World War II

Ketcham had led the company through the hard times of the 1930s. Nicoll now faced a different challenge: how to cope with a wartime economy.

"During 1941," Nicoll wrote in Graybar's annual report, "our business changed rapidly until our activities were almost entirely devoted to furnishing material and equipment either directly or indirectly for the government to use in its war effort." From 1941 until the end of World War II in 1945, the company had to deal with supply shortages, wage and price controls and a dramatic shift from serving existing customers to serving new customers in the defense industry and armed forces—and do so efficiently and effectively even though one-quarter of its employees departed for military service.

A smaller staff handled more business, rallying to wartime needs. Retiree Elsie Minton, who

Brother, Can You Spare a Penny?

One of the little-known episodes in Graybar history was its pioneering role in distributing parking meters. After Oklahoma City became the first municipality to install the devices in 1935, dozens of other cities followed suit. The nation was still in the grips of the Depression, and Graybar was looking for new products to boost its revenues. It decided to sell parking meters even though they were mechanical and outside its core business of electrical equipment.

The company did not have to look far to find a supplier. Newly-formed Karpark Corporation was located in the Graybar Building in New York. It had designed a meter that would accept a penny for twelve minutes of parking or a nickel for one hour. In 1936 Graybar supplier Herschede Hall Clock Company of Cincinnati agreed to manufacture Karpark meters, fitting them with solid-brass clock mechanisms that made them among the most durable on the market.

Graybar became the exclusive distributor and sold Karpark meters to more than 30 cities over the next decade, but not without some unusual incidents. One of its first sales was to Sioux City, Iowa. Unfortunately the Iowa Supreme Court ruled months later that parking meters were an illegal form of taxation and outlawed their use in the state. Graybar took back the meters it had sold to Sioux City.

The company also supplied meters to the District of Columbia. Given the newness of the devices, the rules surrounding their use were still in flux. A driver named Robert W. Waldron became the first person to run afoul of the district's meters when he parked at one, saw there was unexpired time and didn't bother to deposit a coin. He was arrested, convicted and fined five dollars. The judge told Waldron there was "no excuse" for cheating the government by parking on a previous motorist's nickel.

Parking meters were unpopular from the start. Angry motorists in some communities splashed them with paint or destroyed them with hammers. As a result many cities worried that the machines would be a cost burden rather than a profit maker. To alleviate these concerns, Graybar sold Karpark meters for no money down, with payment to be made with the funds collected from them. Typical was the arrangement with Troy, New York, in which Graybar





OLEAN, N. Y. chooses the accurate and dependable

KARPARK AUTOMATIC!

None of the widest business streets in the world. Karpark Automatic Meters will efficiently serve the best interests of the residents and merchants of this progressive industrial trading center in western New York State.

Karpark's proven record of superior performance over long periods of time justifies this unqualified selection of its automatic meters to do an important job. The presence of Karpark Meters on city streets is a sure sign of an astute and capable municipal government.

The Karpark Corporation will help you solve your parking problems —inquiries for detailed information are welcomed.

All Karpark Meters are licensed under the patents of VEHICULAR PARKING, Ltd.

THE KARPARK CORPORATION

During June we hope you will remember to mention Ton American Crys.

received 75 percent of the take until all the meters were paid for, which took three years.

Graybar stopped selling parking meters in the mid-1940s to concentrate on growing postwar demand for electrical and communications products. Speaking of the company's decade-long involvement with the parking meter, Graybar executive Herbert Metz said, "We had a very interesting and quite successful experience in pioneering it." Olean, New York, was one of many cities that purchased Karpark meters from Graybar. Early meters allowed twelve minutes of parking for a penny and one hour for a nickel. Products are stored in the basement of the St. Louis warehouse.

worked in the Atlanta branch during World War II, says, "You felt dedicated, you really did."

Graybar's biggest challenge was not to sell products but to find them. Its sales representatives spent much of their time negotiating with suppliers and advising customers on ways to subIn another instance Pan American Airways received an emergency call to build military housing at an air base. Within a day Graybar had reviewed the construction plans, identified all the required electrical materials, begun to secure supplies and made initial deliveries. "It takes



stitute readily available products for those that were scarce.

A 1944 brochure cited nearly 200 examples of the "real value" Graybar provided "in speeding up the war effort." The company took on one unusual assignment after another. A defense manufacturer needed a special type of safety switch for a secret control. The switch was required immediately, but the maker of the switch said delivery would take six weeks. A Graybar employee in Newark, New Jersey, adapted a standard switch that was in stock, and delivery was made in 24 hours.

experience to handle a job this fast with accuracy," the 1944 brochure stated.

To help keep the Panama Canal operating efficiently, the company supplied 50 miles of special telephone cable, recruited sixteen skilled workers in the United States to install it, provided tools and tropical clothing for the workers and arranged for their passports and transportation.

Graybar even provided space in its warehouse in New York City for one of the most clandestine ventures of the war: Bell Laboratories' "Project X," which involved the invention of an unbreakable speech enciphering and transmission system. The technology developed in the Graybar warehouse was used to scramble telephone calls between the U.S. and British governments and is widely regarded as the beginning of the digital revolution.

Nearly 600 Graybar employees served in the armed forces during World War II—such as Albert Hiller of the Philadelphia branch, who enlisted in the Army Air Corps and became a bomber pilot, flying 35 missions over Europe; and Stewart Sage of the Chicago branch, who served with the Navy in the Pacific and was awarded a Purple Heart and Bronze Star. Sadly, not everyone returned. More than 20 Graybar employees lost their lives in combat.

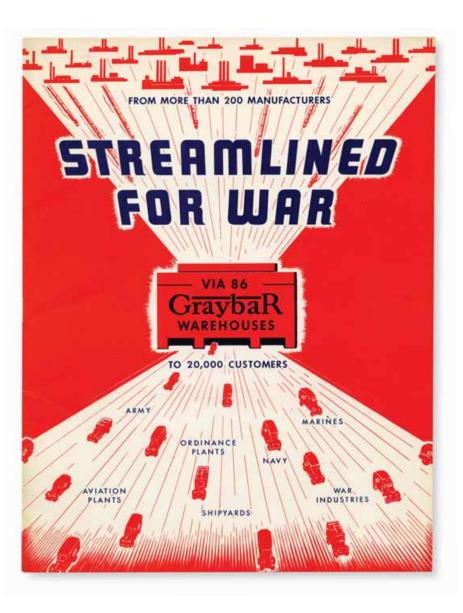
Women replaced the men who went to war and were pioneers: they were the first Graybar women to advance beyond secretarial, typing and clerical positions. Elsie Minton had joined the Atlanta branch in 1936 as a typist and became an office salesperson (today called a customer service representative) during World War II. In fact, five of Atlanta's six office salespeople, all men, enlisted in the armed forces and were replaced by women.

Minton says that, contrary to popular belief, women did not automatically lose their jobs when the men returned. The men came back in 1945 and 1946 over a period of months, easing the transition. In addition many of the men were immediately promoted as Graybar staffed up for postwar growth. Consequently many of the women in Atlanta kept their positions, although Minton says Graybar at the time was "strictly a man's company." Supervisory jobs continued to be held exclusively by men.

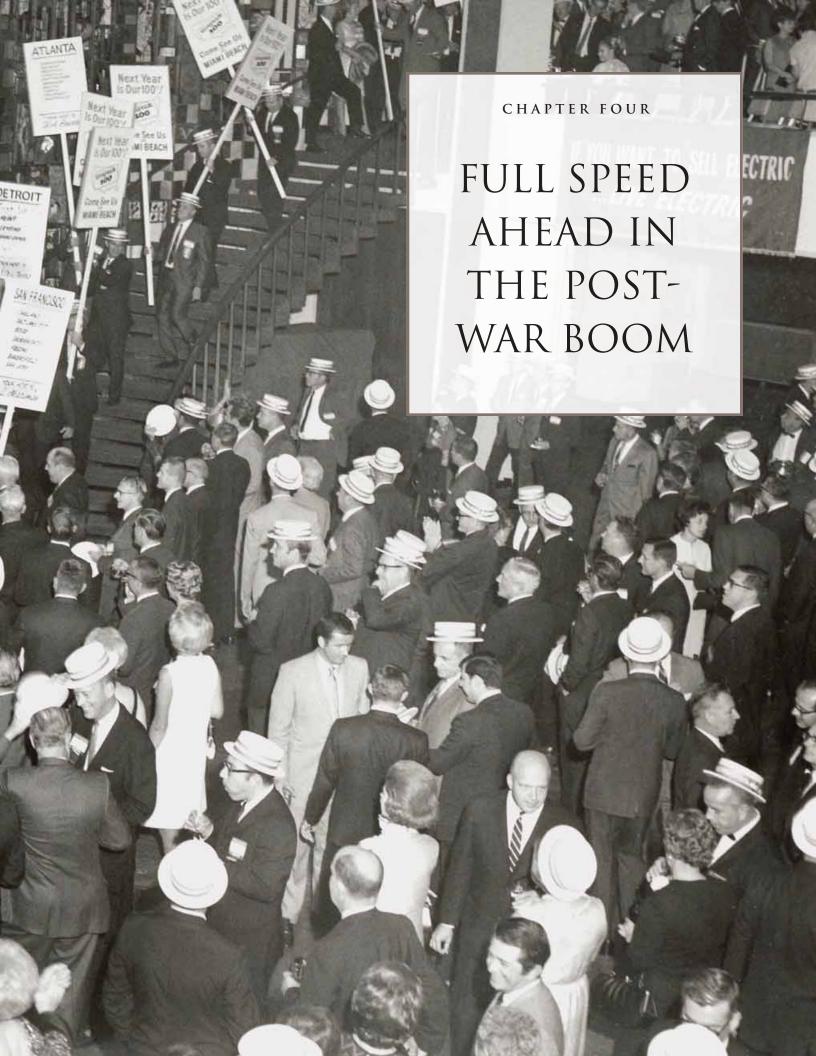
The war had another impact on Graybar: because of personnel shortages, the company's geographic expansion came to an abrupt halt. From December 1940, when the company opened a branch in Des Moines, Iowa, until March 1945, when it opened one in Corpus Christi, Texas, it did not inaugurate a single new facility—the longest period in Graybar history without the opening of a new branch.

In 1945, as the war neared its end, Nicoll expressed optimism about the postwar outlook. He cited a number of markets that he expected to boom, including electric power plants and transmission lines, reconversion of industrial plants to peacetime use and modernization of office buildings. Because of its focus on military needs during the war, Graybar had lost contact with some of its prewar customers. Nicoll expressed "faith in the ability of the Graybar field organization" to win back those customers and add new ones.

He was right. The nation's gross domestic product would double in the decade after the war. Graybar would do even better, nearly tripling its revenues. Graybar provided equipment to defense contractors and the military during World War II. In addition, nearly 600 Graybar employees served in the armed forces. President Alfred Nicoll wrote in 1944, "We are making a real contribution to winning the war and to backing up our associates in the Armed Services."







Below is the Chicago branch warehouse in 1947. Opposite, Chicago District **Manager George Cossman,** left, and President Alfred Nicoll pause in the doorway as they leave the district office on Clinton Street in Chicago on June 25, 1947, for the last time. Graybar (and Western Electric before it) had occupied the **Clinton Street address for** more than 60 years. The district relocated to new facilities on West Jackson Boulevard.

redicting the future is difficult in any circumstance, and this was especially true when World War II ended in September 1945. Memories of the 1930s were still vivid in the minds of many Americans. As a result there was widespread concern that the Depression would resume now that government wartime spending was about to wind down.

Nationally syndicated columnist Ray Tucker wrote, "Fears of another 1929 nosedive are predicated on the realization that extensive reconversion of war plants will require a great deal of time, and that the interim result will be widespread unemployment." The chief economist of a major Cleveland bank warned, "After every great war there is a period of depression."

Graybar ignored these concerns and bet on economic growth, launching an ambitious expansion program. Graybar was right: the U.S. economy surged in the decade after the war, fueled by pent-up demand for cars, washing

machines, electric stoves and other consumer products. Electrical contractors, a core Graybar market, expanded at a dizzying pace as millions of GIs returned to civilian life, got married and had children, creating demand for housing. The annual value of building contracts awarded in the United States increased sevenfold between 1945 and 1955 and then doubled between 1955 and 1965. Virtually all the new structures needed wire, cable, conduit, switches, fixtures and other electrical supplies. By investing heavily to open more branches and modernize existing branches, Graybar was able to grow with its customers and serve their needs.

Go West (and Southwest), Young Man!

The company focused much of its postwar expansion on the West and Southwest, where population gains and economic development were especially strong. In 1953 Los Angeles passed Philadelphia to become the nation's third largest city and later passed Chicago to become



GRAYBAR







Salesmen, above, attend a 1947 conference for outside construction products. **Opposite, Charles Powell,** vice president, sales, third from right, and other Graybar officials view a Western Electric radio transmitter in 1948. **Graybar was the exclusive** U.S. distributor of Western **Electric transmitters from** 1926 until 1950, when Western withdrew from the transmitter business. Left, a brochure for new employees summarized Graybar's history and values and detailed its employee benefit programs.

Graybar expanded rapidly following World War II, opening new branches and modernizing many of its existing branches. The Hammond, Indiana, branch is pictured below and Los Angeles opposite, both in the 1950s. the second largest. In 1962 California displaced New York as the most populous state. Between 1945 and 1962 Graybar opened nearly a dozen new branches in California, Arizona, New Mexico and Texas.

Florida's population more than doubled between 1945 and 1960, and Graybar expanded there as well.

The company also opened branches in smaller cities—in states such as South Dakota and Vermont—to serve the rural electric cooperatives and independent (non-Bell) telephone companies that flourished after World War II.

All told, Graybar inaugurated 50 branches in the fifteen years from 1945 through 1960 in one of the greatest bursts of new locations in its history.

Visiting Los Angeles in 1949 to inspect a new Graybar warehouse, President Alfred Nicoll told the *Los Angeles Times* he was "amazed" at the postwar expansion of the local economy. He said Graybar was investing in facilities in Los Angeles and other cities because "we feel we have to be ready to grow along with the community."

When the company opened a branch in

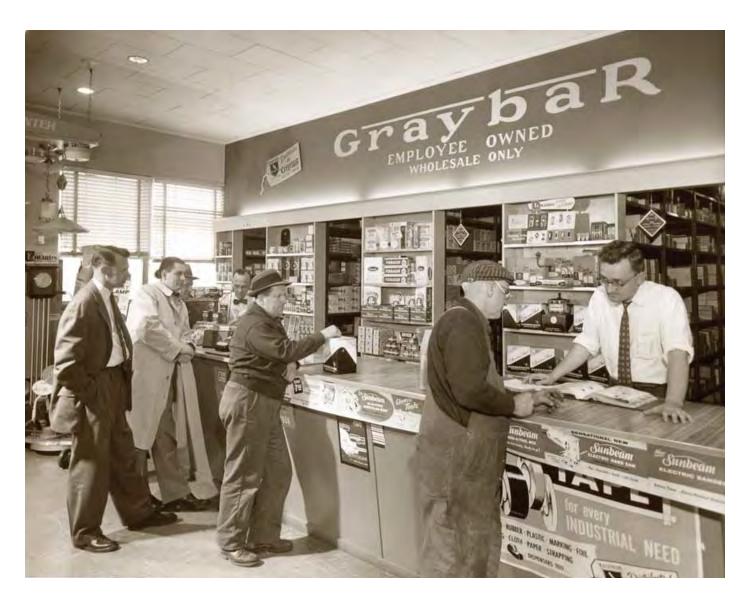
Abilene, Texas, in 1953, the *Abilene Reporter-News* emphasized the economic benefits of having an employee-owned firm like Graybar set up shop. Branch manager Howard Coldwell told the paper, "The profits are divided back with us. Thus all the money is spent here—at least I know mine is."

Then as now, many Graybar employees had an innate aptitude for electrical equipment. Charles Overlease, manager of the Long Beach, California, branch, established in 1948, was the son of an electrical contractor and "grew up in an atmosphere of gadgets, wiring, circuit specs and all the other paraphernalia of the industry," the *Long Beach Press-Telegram* reported. It said he "knows every wire in the electrical business."

Higher Revenues, Erratic Profits

Graybar's revenues increased rapidly following the war, but earnings were a different matter. Every time they went up for a year or two and seemed to gain momentum, they veered off course and came back down. Earnings advanced to a new high of \$11 million in 1947, dipped to a postwar low of \$3 million in 1954 and did not





reach another new high until 1966.

Several factors contributed to this roller-coaster earnings performance. For one, competition in the electrical distribution business intensified after the war, cutting into margins. As the economy grew, the number of electrical wholesalers in the United States increased from 2,000 in 1945 to nearly 4,000 in 1960.

Inflation and taxes also took their toll. It is hard to imagine today how high federal tax rates were in the 1950s. In 1952 the top federal corporate income tax bracket, including excess profits tax, was 70 percent, and the top individual bracket was an astonishing 92 percent. Nicoll, like many other corporate executives, believed taxes were out of control. He complained in





President Willard Henges, center, shakes hands with Vice President George Hessler at a party in May 1953 celebrating Henges' 40th anniversary with the company. Assistant Vice President Robert Sayre looks on.

1952 that federal tax rates were "unrealistic and confiscatory in nature and against the principles of freedom of enterprise."

In addition the Korean War from 1950 to 1953 created strains in the business environment. Graybar provided materials for defense contractors and the armed forces, as it had done during World War II, and some of its employees were recalled to military duty—such as Lee Scott of the Phoenix branch, who had flown combat missions over Europe in 1944–45 and was reactivated in 1951. Many nonmilitary products distributed by Graybar were subject to government allocations during the Korean War. "We could only get a limited amount of wire, a limited amount of many things," retiree Don Lang says. These allocations, together with wartime wage and price controls, made it "most difficult to operate a business profitably," Nicoll wrote.

New Technologies, New Products

Despite these challenges, the fifteen years after World War II were a golden age for Graybar and its shareholders as the company expanded its branch system, added new suppliers, products and customers and paid the highest cash dividends in its history.

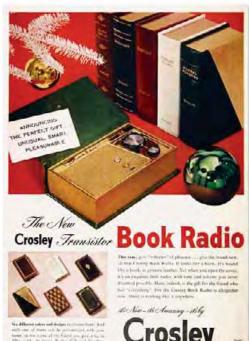
New products after the war reflected the opportunities, concerns and technologies of the time. Some of these products seem offbeat in retrospect. New in 1951 was Corrosite plastic paint, which the *Wall Street Journal* said was impervious to radioactivity and "helps thwart the dangers of radiation from atomic explosion." In 1954 Graybar became the exclusive national distributor of taped elevator music produced by Magne-Tronics, Inc., a startup company that attempted to compete with Muzak.

Although Corrosite and Magne-Tronics are now largely forgotten, Graybar added other products that have withstood the test of time. In 1952 Minnesota Mining & Manufacturing Company (3M) invented the Scotchlok connector for splicing wires. Graybar was an early distributor of the new device, which saves time and money by eliminating hand splicing. More than half a century later, Graybar continues to distribute an array of Scotchlok connectors and crimping tools.

The invention of the transistor in 1947 was a pioneering event in electronics, allowing miniaturization far beyond that possible with vacuum tubes. Graybar distributed one of the first transistor radios: the Crosley "book radio" in 1954. The book radio looked like a hardcover novel and was bound in leather with a title printed on the cover and spine. The on–off switch and other controls were accessed by opening the cover. In those days it was considered impolite to tune out the world by listening to music; the book radio allowed a user to appear to be reading a book while actually taking in a favorite radio program.

An initial trickle of transistor-based products turned into a gusher. Graybar evolved with this trend. In 1959 the company sold the Federal





The transistor, above, invented at Bell Laboratories in 1947, allowed the miniaturization of electrical products to a degree never before possible. The Crosley book radio was an early transistor-based product distributed by Graybar.



Aviation Administration the first transistorized portable test equipment to measure the strength, clarity and background noise levels of audio communications between air traffic controllers and pilots.

A Dividends Bonanza in the 1950s

When it came to dividends, Graybar shareholders never had it so good. The company paid cash dividends of at least 21 percent every year from 1945 through 1959. In 1956, at the peak, it paid \$6.20 per share for a cash yield of 31 percent based on the \$20 stock price.

When Stan Swartz was discharged from the Army in 1945 and signed on with Graybar in Flint, Michigan, he told his boss he was too poor to buy stock. But the boss, branch operating manager Mel McCauley, insisted—and even accompanied him to a local bank and vouched

for him so that Swartz could take out a loan to help finance the purchase. In that era stock was offered every three years. With the high dividend rates of the period, Swartz was able to use his dividends to repay the loan within three years and was ready to buy more shares in the next offering. He continued to buy stock until he retired in 1975. "I love Graybar," he says. "It's done me well." To further reward employees, including those who didn't own stock, the company established its first profit-sharing program in 1956.

The outsized cash dividends of the late 1940s and 1950s were followed by a 100 percent stock dividend in 1960. Al Feige joined the company in 1956 in Louisville and bought his first 32 shares of Graybar stock in 1960 just before the 100 percent dividend, which immediately doubled his holdings to 64 shares. "My dad thought,

'Man, that's great," Feige recalls. "He said, 'Buy all the stock you can. If you need money, I'll help you pay for it." Feige purchased his full allotment every time the stock was offered. "The best thing I ever did was work for Graybar," he quips. He spent 39 years with the company, retiring in 1995, and he now collects a Graybar pension, dividends on his stock and income from his profit-sharing account as well as Social Security. "The second best thing I ever did was retire from Graybar," he remarks.

The 1950s also saw Graybar withstand a challenge to its ownership structure. In 1953 a longtime employee named Edward Martin quit to go into business for himself. The company, under its corporate charter, had an option to buy his Graybar stock at \$20 a share (an option it continues to exercise today whenever an employee leaves before retirement). Seeking a higher price, Martin sued in federal court to invalidate the option. The court sided with Graybar, ruling that the option served a legitimate business purpose by ensuring that Graybar stock "never fell into the hands of an outsider." The ruling was upheld by the U.S. Court of Appeals for the Seventh Circuit. Even though he lost in court, Martin came away with a handsome profit. He had invested \$6,800 in Graybar stock from 1929 through 1950 and had received \$19,500 in cash dividends over time. Following the court decision, he sold his stock to the company at the option price for \$11,300—for a total of \$30,800 in dividends and sale proceeds, not bad for a \$6,800 investment.

There also was a change of leadership as Willard Henges became Graybar's fourth president in 1952, succeeding Nicoll, who retired. Henges had dropped out of high school at age fifteen to join the Western Electric supply department as a receiving clerk in the St. Louis warehouse, becoming a salesman five years later. He was Graybar district manager in St. Louis and then in Cleveland prior to Navy service during World War II. Returning from the war, he became a vice president in 1950. Henges was "flamboyant, fun-loving, happy and most loyal

to his old friends," Frederick Warburton wrote. Henges sometimes encouraged employees to perform better by urging them to "get on the first team!"

Boot Camp in the Warehouse

Many retirees have fond memories of Graybar in the prewar and postwar years and sometimes talk with amusement about their first jobs. Nearly all new male employees began in entry-level positions in company warehouses.

Morrie Paulsen started in Wichita in 1940 and wore roller skates to speed about the warehouse and deliver orders to the sales counter.

John Flagg began in the New York ware-house in 1947. When the company received a lamp order from the Dakota apartment building on Manhattan's Upper West Side, four miles north of the warehouse, he mistakenly shipped the lamps to an address more than 1,000 miles away in the Dakotas, "which the bosses didn't particularly care for." He survived the incident and went on to become a regional vice president and director.

Don Lang joined the company in 1951 and was one of six college graduates assigned to the warehouse in St. Louis. "We used to kid whether you could sweep the floor better with your degree than I could with mine," he says.

Warehouse work was physically demanding. Prior to the 1950s, when Graybar bought its first motorized forklifts, products were lugged by hand from one spot to another or pushed on dollies. The forklifts Graybar did have were hand-cranked. "It was all muscle power," Stan Swartz says. Still, there were few complaints. Working in the warehouse helped familiarize new employees with the company's products and operating procedures before they interacted with customers. "It's one thing to read in a training manual what's expected of you," retiree Arnie Breitung says, "but to actually see it and work with it meant a lot more."

After several months in the warehouse, new hires typically became office salesmen (customer service representatives) or worked at the counter,



"From Clerk to President of Graybar in 39 Years," the New York Times wrote in 1952 when Willard Henges was named president. He had joined the **Western Electric supply** department at age fifteen as a warehouse receiving clerk. Opposite, Henges looks on as two other officials discuss the latest Crosley television sets. Television was a dynamic growth market after World War II: just 9 percent of American homes had a TV in 1950, increasing to 87 percent a decade later. Graybar distributed Crosley, Zenith, Sylvania, Raytheon, Hoffman, **Hotpoint and other early**

The Star Spangled Button



Mabel Latham, above, standing at the podium, had been with Graybar for 49 years when she received the Star Spangled Button in 1961. Hugo Leckelt, right, standing directly behind the button, was honored in 1957 after 49 years of service. Opposite,
Chairman, President
and CEO Bob Reynolds,
left, presents the button
in 2006 to Richard Ball,
center, assistant accountant in the Chicago district
office with 46 years of
service.





Hockey has the Stanley Cup and sailing the America's Cup, but Graybar has its own venerable object: the Star Spangled Button, which is awarded to the employee with the longest tenure. Some employees, such as the late A. A. "Tommy" Thompson, have delayed their retirement for the sole purpose of winning the button. Thompson received the button in 1995, his 45th year with the company, and held it for three months before retiring. "It makes you feel good to get that button," he said. "It's very old and it's an important part of the company's heritage."

The "button" is actually a framed, 21-by-21-inch plaque. In January 1915 Western Electric introduced a

service pin for employees who had been with the company at least ten years. The pin had a star for each additional

five years of service. Two months later a group of employees in Chicago made a large brass version and presented it with a combination of humor and affection to their long-time colleague Fred Uhrig. Uhrig had started in Chicago as an office boy and had recently been promoted to Kansas City district manager. The plaque was dubbed the

Star Spangled Button because of its nineteen stars—five for Uhrig's years of service and fourteen for various personal achievements.

Everybody had a good laugh, and Uhrig hung the plaque on his office wall, not thinking much more about it. But as time passed, the plaque became in his mind an honor that should be preserved. He died in 1932 and bequeathed it to John Valenta, the senior employee in Graybar's Chicago branch. Valenta kept the plaque for ten years until he retired, giving it to Alfred Hallstrom, a vice president in Philadelphia with nearly half a century of service. Thus began the tradition of entrusting the emblem to the Graybar employee with the greatest seniority. As of 2009 the plaque had been held by a succession of 40 men and women. Each guardian of the trophy personally hands it to the next in a ceremony arranged by Graybar.

"We've had secretaries and bookkeepers hold the button," Thompson said. "You don't have to be a senior vice president. All you have to do is stick it out and become the most senior employee." Willard Henges, a 50-year employee, is the only president ever to win the award, receiving it in 1962 from Mabel Latham, a Dictaphone operator with 49 years of service. Henges retired one year later and presented the button to Ellen Corcoran, a 47-year veteran in the St. Louis branch.

The current holder is Larry Smith, senior counter sales representative in Boise, Idaho, who received the plaque in 2007 from Richard Ball, a 47-year employee in Chicago.

As of 2009 Smith had been with Graybar for 46 years.

Who says long-term employment with one company is a thing of the past? Graybar has a "button" that proves otherwise.

after which they moved on to sales positions in the field or transferred to other assignments. Graybar's on-the-job training was legendary. Young employees became so well grounded in sometimes hired away by other firms.

Storm started as a typist in the Lansing, Michigan, branch in 1951. She had previously worked at Oldsmobile but was forced to quit when she became pregnant with her first child; Oldsmobile did not employ women with children under age two. She left Graybar when she gave birth to her second child. She planned to be a stayat-home mom, but her old boss at Graybar phoned one day and asked if she would return temporarily to fill in for a woman who was going on vacation. "I said, 'Sure, I'd be happy to," she recalls. "That woman never did come back from her vacation. I ended up working at Graybar for 36 years."







Women greet attendees at a Graybar conference.
Until the 1980s many companies, including Graybar, employed women as clerks, stenographers, secretaries and bookkeepers but not in sales, marketing or management positions.

1954 as an invoice clerk after graduating from the University of Georgia. Most Graybar locations had policies governing the conduct of female employees, as was common in business back then. For instance, women at the corporate headquarters in New York were not allowed to smoke in the office (men were) or wear slacks.

However, women in some Graybar branches were beginning to fight back. The men in Atlanta were allowed to smoke at their desks, while the women were required to go to the ladies' room to smoke. Management even assigned an employee to maintain a log showing when each woman entered the ladies' room and when she came out. "One day the women rebelled and went back and forth into the rest

room all day," Douglas says with pride in her voice. They kept up their protest until management admitted defeat and gave the women equal smoking rights.

Male employees faced their own restrictions. Life in the postwar years was much more formal than it is today. Although blue jeans were acceptable attire for those working in a Graybar warehouse, other male employees were expected to wear jackets, ties and long-sleeve, white shirts. Most businessmen, not just those at Graybar, always wore hats outdoors. The salesmen at Graybar supplier Crouse-Hinds distinguished themselves by wearing black derbies.

There were even expectations as to the type of car a Graybar sales representative could drive.

In 1952 Don Lang and his wife, Shirley, bought a used Ford convertible. "It had overdrive, undercoat, V-8 engine, white sidewalls—just a spiffy-looking car," Lang says. "We loved that car." But if Lang were to become a salesman, he would not be allowed to call on customers in that automobile, the branch manager warned. "To become a salesman, I had to get rid of that car because it was too ostentatious," Lang says. "So I ended up buying a Ford two-door that I absolutely hated. I thought it was a silly thing, but I had to do it because I wanted to be a salesman so bad."

Career Paths in Sales, Finance and Warehousing

Being a Graybar sales representative—working for a top company selling quality products—was a great job even though the starting pay was relatively modest. Frederic Leggett, an early manager of the New York branch, sometimes welcomed recruits with the words, "The first five years, you may starve to death. The second five, you may almost break even. The third five, things may be a littler easier. After that your income will be in five figures like mine. So if you want to be an admired business executive and an

established pillar of society, come with us."

Although Leggett's statement was a colorful exaggeration, the point was well taken: Graybar was not a place to get rich quick. Ted Wieber started with Graybar in Minneapolis in 1956 at \$265 a month, turning down \$290 a month from Cargill Inc.

On the other hand, Graybar's benefits, including stock ownership and profit sharing, were among the best in corporate America. Moreover, sales representatives could succeed or fail based on personal effort, a key attraction of the job to this day. "I was master of my own destiny," says Wieber, who was a Graybar salesman in North Dakota in the 1960s. For those with higher ambitions, sales offered a route into management. Wieber advanced to St. Louis district manager and then to a corporate staff position before retiring in 1994.

Many new salespeople were assigned to rural territories, working primarily with independent telephone companies and rural electric cooperatives. Retiree Jim Mercier says, "They'd put you on the road and give you a lot of small accounts. If you could scurry around and almost pay your own way the first year, then Below, Graybar representatives attend an electrical products trade dinner in 1946. Demand for wire, cable, conduit, fixtures and other construction products boomed after World War II as millions of returning soldiers got married and bought homes.



they'd start feeding you larger accounts."

Arnie Breitung completed his training in Chicago in 1953 and went on the road in Iowa. He loved his job. "I'm a small-town guy from Wisconsin," he says, "and the customers I met in Iowa were like the people I grew up with."

Virtually every little town in Iowa-and in many other states, for that matter-had its own telephone company. Many of these companies employed old-fashioned equipment, including magneto (hand crank) phones and plug-in switchboards but were beginning to upgrade to common-battery and dial systems. Breitung visited each of his customers every two or three weeks to discuss new products and take orders. "Sometimes when I talked with the telephone guy, he would be halfway up a pole or sitting in his truck," he recalls. "I had my catalogs in the trunk of my car. I'd open my trunk and say, 'Step into my office." He adds, "You met their families, you became their friends. It was a very comfortable type of selling."

Richard Haney, a Graybar salesman in western Oklahoma in the late 1960s and early 1970s, frequently stayed overnight at customers' homes because many of the towns in his territory didn't have hotels. He says his customers were "country people," and it was important to be part of their community. "The first thing you learned was not to wear a tie," he says. "You had to wear one in the office in Oklahoma City, but you wore a sports shirt with no tie and no jacket when you met with customers." The owner of the phone company in Cheyenne, Oklahoma, was a hog farmer. Haney sometimes helped feed the herd before going inside and writing up an order for telephone equipment.

The pace of business was slower than it is today, and communications were far more rudimentary. "You mailed your orders to the office," Haney says. "You sure didn't call them in. That cost too much." From those simple beginnings Haney eventually became a Graybar senior vice president, director and voting trustee, retiring in 2000.

Not every graduate of Graybar's on-the-job





training went into sales. Brent Morgan started in the Cleveland warehouse in 1965, worked initially in sales, was drafted into the military in 1967 and joined the financial staff in Cleveland when he returned in 1969. He spent the rest of his career in finance, retiring in 1998.

Among other functions, the finance staff reviews customers' applications for credit. The ability to make credit decisions quickly and consistently helps build customer relationships. Morgan cites the example of Filnor, Inc., a manufacturer of electrical products and controls in Alliance, Ohio. In 1970, shortly after it was founded, Filnor applied to Graybar to purchase supplies on credit. Morgan approved the application and worked with Filnor as its sales expanded and its supply and credit needs increased. As of 2009 Filnor had been a Graybar customer for nearly four decades. When asked what he liked best about his work in finance,

Morgan replies, "The ability to grow with customers. I see customers' trucks on the road today, and I know I opened those accounts for Graybar."

For some, warehousing was itself a career.

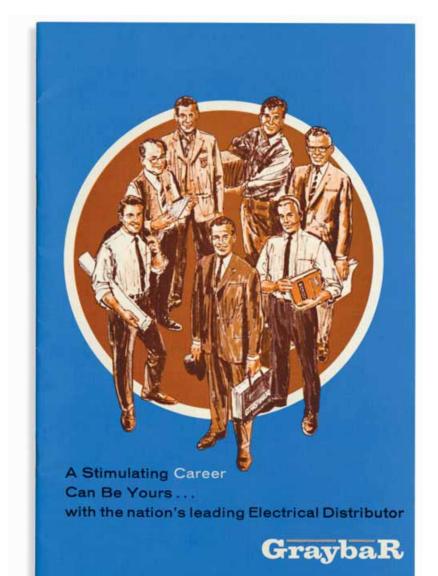
For some, warehousing was itself a career. John Schooley started in the Tampa, Florida, warehouse in 1963, became Orlando warehouse manager the following year, Tampa district warehouse manager in 1970, corporate warehouse manager in 1980 and manager of corporate properties later that same year, retiring in 2000. When he started, products were typically piled on a warehouse floor or stacked on pallets. Some locations were installing their first racks. He says the warehouse has changed enormously over the years, not only with the use of electronic inventory controls and other modern equipment but also with the creation of today's zone warehouses.

Hard-Earned Growth in Household Products

Graybar had two main divisions in the postwar years: the supply division, which sold electrical and communications equipment, and the appliance division, which sold appliances and housewares to retail stores.

Graybar's appliance business was never highly profitable due to intense competition and narrow margins. Moreover, the business was seasonal. Every fall Graybar's retail store customers would stock up on products for Christmas, and in January they would return whatever was unsold or damaged. Retiree Douglas Peck says "the business would drive you nuts" when the products came back in January. When current Chairman, President and CEO Bob Reynolds joined the company in 1972, he started in the Boston warehouse, sorting and clearing out newly returned products. "That's what I did for weeks," he recalls.

But tough competition did not stop the company and its people from building the largest and most successful appliance distribution operation in the country, wholesaling refrigerators, washing machines, TV sets, air conditioners, electric fry pans, waffle irons and numerous other con-





sumer products. At its peak in the 1950s and early 1960s, this business—referred to good-naturedly as "pots and pans"—accounted for nearly 25 percent of Graybar's annual revenues.

Some people in the supply department looked down on the appliance business because of its limited profit margins. However, President Willard Henges supported the business whole-heartedly. In 1952 he told the Long Beach, California, *Press-Telegram*, "The push-button era has arrived for the American family with electrical appliances today doing more work than at any other time in the nation's history." He predicted continued strong demand, saying, "Folks have been accustomed to a high standard of living, and they're not going to give it up."

Graybar distributed some of the best-known

brands in the nation, including Sony, Westinghouse, Whirlpool, Kelvinator, Oster, Norelco and dozens of others. Each district negotiated its own distribution deals. For instance the Chicago district sold Norge major appliances such as refrigerators while the Kansas City district sold Hotpoint. As a result, when the Des Moines branch changed districts from Chicago to Kansas City in 1953, it stopped selling Norge and began selling Hotpoint.

Even within districts, individual branches sometimes varied widely in their approach to the business. In the Philadelphia district, the Baltimore office had a relatively modest appliance operation, while the Philadelphia branch was a major distributor of small appliances such as toasters and electric blenders. Competition in

Graybar managers pose with Playboy Bunnies in 1965 at a meeting of the National Electrical Contractors Association. The 1968 recruiting brochure, opposite, said, "We like to employ men and women who are seeking an association of long duration with our Company."



Graybar provided marketing support to the retail stores to which it wholesaled appliances. Here, actress Eva Gabor appears at a W.T. Grant store in Houston in 1957 to promote Hotpoint TV sets. Left to right with Gabor are Jon Cochran, specialty appliance manager for Graybar's Houston branch; Ray Long, a Graybar salesman who helped design the W.T. Grant window display; and Weldon Kennedy, appliance promotion manager for Graybar in Houston, who arranged Gabor's appearance.

Philadelphia was robust. "There were maybe a dozen small-appliance distributors in the city, and all of them had similar products," retiree Fred Meyer says. "So the challenge was to get stores, not products." Distributors in Philadelphia jockeyed constantly to sign up stores by offering co-advertising programs and other incentives.

A key selling point for Graybar was its nationwide team of home economists who were available for in-store product demonstrations. "Miss Dorothy Link, home economist with the Graybar Electric Company, will be present on Thursday, Dec. 20 to prepare the coffee in the Coffeematic and fry the doughnuts in the Fryryte," retailer Herdman Electric of Greeley, Colorado, advertised in 1951. "Samples of the food will be given to all store customers."

Distributing appliances was more freewheeling and promotional than selling electrical supplies. Morrie Paulsen, who was in charge of appliance sales at the Wichita branch in the late 1940s and later became manager of Hotpoint sales for the Kansas City district, says, "You can't romance a telephone pole. You can't romance a coil of wire. But you sure can romance a toaster. You sure can romance a fry pan. Boy, you can make that baby sizzle!"

Paulsen, a natural showman, often took part in Hotpoint cooking demonstrations in small towns in Kansas. He sometimes dressed outlandishly—for instance in black shorts, white socks, and shirt and tie—to make the demonstrations more entertaining. "I'd help the economist stir up the stuff like you see on TV today," he says. "I just had a ball doing that."

Fewer than half of all American farms had electricity at the end of World War II, but the situation changed rapidly with the postwar growth of rural electric cooperatives. By 1956 electricity was available to 98 percent of the nation's farms, and many rural families were buying their first electric appliances. "The gals would come from miles around to see how to cook on an electric range," Paulsen says of the Hotpoint demonstrations in Kansas. "We were the big show in town."

Move, Move and Move Again

As the company grew and added more branches, it increasingly transferred managers from location to location to broaden their experience.

Transfers were a fact of life not just at Graybar but at most other large companies as well.

Retiree Claude Ashton says, "Graybar always promoted from within, and that meant you had to be willing to move to a better position in a different city if you wanted to get ahead."

Ted Wieber adds, "If you were offered a better job in another location and turned it down, you'd better have a good reason for turning it down. Otherwise your career could grind to a halt." Employees who preferred to stay in one location could have successful, fulfilling careers at Graybar but were unlikely to advance into management—which some didn't care about anyway.

Austin Doyle joined the company in 1952 after graduating from Drake University. He was 22 years old, ambitious and "full of vim and vinegar," he says. He began in the appliance warehouse in Des Moines and worked in ten different cities during a 40-year career, eventually becoming southeastern region vice president in Tampa and a member of the Graybar board of directors.

John Flagg worked in a series of seven cities. In one well-traveled stretch, he transferred from Kansas City to Denver in 1967, to Miami eight months later and to Tampa two years after that.

In the decades after World War II, most wives didn't have jobs outside the home. As a

result transfers were less complicated than they are in today's world of dual-income families, when one spouse's career is affected if the other transfers. Even back then, however, transfers were often difficult on wives and children. Flagg says he and his three daughters "still laugh a bit about the fact that we moved around so much," although it wasn't always funny at the time. "The move to Miami was especially tough," he says. "The kids had just gotten used to Denver, and everything was going great."

Employees still transfer today but seldom to the degree they did years ago. Carrie Johnson, Graybar's director of corporate and marketing communications, notes that the workplace is changing. Some of today's employees enjoy the experience of living in different cities and are willing, even eager, to relocate if that's what it takes to get ahead. Others are reluctant to move because of family issues, including a spouse's career. "We have to be sure we don't bypass talented people simply because they can't move every four or five years," she says.

Graybar Adjusts and Grows in the 1960s

Graybar's revenues shot past \$500 million in 1964 and topped \$750 million five years later. As in every decade, the company introduced new products and technologies in the 1960s.

Early in the period, at the height of the Cold War, Graybar began designing and marketing civil defense siren systems to warn of nuclear attack. In 1963 it supplied a 110-siren system, manufactured by Federal Sign and Signal Company, to Outagamie County, Wisconsin. The unit was said to be the first of its type to serve an entire county. The *Oskhosh Daily Northwestern* wrote, "In addition to its designed purpose—to warn people in the event of enemy aggression—the warning devices can be used to alert persons residing in the county in the event of a possible tornado or a similar impending disaster."

Microwave communications equipment was another new market. In 1963 Graybar sold eight solid-state microwave terminals to the Sierra Pacific Power Company of Nevada. The units, John Reine led Graybar from 1963 to 1969. In 1969 he told *Electrical Wholesaling* magazine, "We change with the times. But we don't just jump into things without being sure of what we're doing. We try to be very careful and to plan things in terms of our investment. We try to reduce the element of risk."



manufactured by Lynch Communications Systems, were used by Sierra Pacific to communicate between its control center in Reno and its main power plant and two substations. The *Nevada State Journal* said the terminals featured the latest "multiplexing equipment to provide voice and data channels, remote VHF radio control, a solid state microwave alarm system and other channels."

The electrical contractor market was strong throughout the decade. In one of its larger sales, Graybar supplied recessed fluorescent fixtures for use throughout Cleveland's new 40-story Erieview office tower. Erieview was the city's second tallest building when it was completed in 1964. The fixtures were manufactured by the Wakefield Lighting Division of Wakefield Corporation.

There was also a continued orderly management succession. In 1963 John Reine became Graybar's fifth president and the first college graduate to head the company. His election signaled the growing importance of education in the United States. By 1963 nearly 10 percent of Americans were college graduates, compared with less than 3 percent at the beginning of the century. The days when men like Albert Salt,

who did not have a high-school degree let alone a college diploma, could rise to senior positions in major corporations were dissolving into the past.

Reine had grown up in the farm community of Bothell, Washington, and had studied engineering at Princeton University. On graduating in 1927, he took a job in Graybar's Seattle warehouse and eventually became Chicago branch manager, central district manager and then a staff vice president in New York before being named president, succeeding Henges, who retired.

Downturns in Communications Equipment and Appliances

Even as some markets soared, others sank. The telephone industry enjoyed tremendous growth after World War II. When the war ended, fewer than half of all U.S. households had a telephone. The portion reached 50 percent in 1948 and kept rising to 87 percent in 1970 as a phone became the basic necessity it is today. "The bells are ringing a happy tune of growth for the telephone industry," the *New York Times* wrote in 1957. This growth was initially good for Graybar since it created record demand for telephone equipment.

But as the phone industry got bigger, it began to consolidate, with large companies acquiring smaller firms. The trend was striking. There were 6,200 independent telephone companies in the United States at the end of World War II. By 1955 there were 5,100, and by 1963 there were 2,700, slipping further to 1,800 in 1972. "Small mom-and-pop companies had been very important to Graybar," Claude Ashton says. "For many Graybar locations, the local phone company was their major customer. As the industry consolidated, Graybar's telephone business began to dry up."

Warren Hannibal, a Graybar sales representative in San Jose, built a thriving business in the 1950s selling equipment to independent phone companies in California. His largest customer was the Western California Telephone Company



in Los Gatos. In 1963 Western California Telephone was acquired by General Telephone & Electronics Corporation (GTE). GTE had its own equipment subsidiary, Automatic Electric Company, and it did not buy from outside suppliers such as Graybar. "Suddenly I lost my largest account," he says.

The Graybar branch in Rocky Mount, North Carolina, was established in 1954 to serve one customer: Carolina Telephone & Telegraph Company. When Carolina Telephone was acquired by United Utilities Inc. in 1969, sales of the branch plummeted, and it was closed.

To make matters worse, Graybar's relation-

ship with Western Electric, its former parent, began to wind down. Western was having trouble keeping up with the Bell System's growing demand for telephone equipment. Consequently, it placed strict limits on the amount of apparatus it would sell to independent phone companies through Graybar. Lead-covered cable was an example. It was used for underground installations and was in great demand as phone companies converted from overhead to buried phone lines. Other manufacturers such as Habirshaw Cable and Wire Corporation also made the product, but Western cable was the standard of quality. Yet Graybar could no longer obtain

Graybar used creative imagery in its sales promotions, including this photo for a 1963 incentive program with a "space race" theme. Employees dressed as launch technicians gaze at a ceiling at New York's Hayden Planetarium onto which the heavens are projected by the device behind them. Gordon Colwill, inside construction sales manager, points upward as if the sky's the limit for salesmen who exceed their goals.



The portable Wash-A-Matic was one of the unusual products distributed by Graybar in the 1960s. It was used to clean ceiling panels.

enough Western lead-covered cable or other Western equipment to meet its customers' requests. Jim Mercier, who became a Graybar sales representative in 1949, says, "Sometimes I would have to say to a customer, 'Sorry, I can't fill your order."

With Western's encouragement, Graybar added other telephone equipment suppliers, including Stromberg-Carlson, ITT/Kellogg and Siemens. "We sold an awful lot of Stromberg-Carlson and ITT phones over the years," Mercier says. Nonetheless, Graybar's communications equipment business, long a core of the company, peaked in the mid-1960s and began a relentless, decade-long decline.

Graybar's appliance division also faltered as discount retailers such as Wal-Mart and Kmart grew in size and further squeezed the margins of appliance manufacturers and distributors. The

outlook was clear: Graybar could no longer earn satisfactory profits in major appliances such as ovens, refrigerators and washing machines. One by one, Graybar's districts stopped selling large appliances.

Small appliances, or housewares, had more favorable prospects. "There is every reason to believe that this class of goods will continue in strong demand," President Reine wrote in 1968. Small appliances included such products as TV sets, toasters, electric fry pans and electric shavers.

Graybar developed an especially strong relationship with Zenith Radio Corporation and distributed its complete line of TV sets, stereos, radios, tape recorders and other consumer products in many parts of the United States. Zenith became Graybar's flagship consumer brand and remained profitable into the 1980s. Graybar even formed a special Zenith Products District,

launched in 1973 in Atlanta with branches in Cleveland, Chattanooga, Knoxville, Nashville and Little Rock—an early example of Graybar tailoring its operations to meet the needs of a particular supplier or customer.

Computers Start Transforming the Workplace

The advent of computers and the formalization of training were two of the big events for Graybar in the 1960s. In 1964, in one of its earliest uses of a computer, Graybar transferred 75,000 names on its direct mailing list to magnetic tape. "We now employ the speed and versatility of the electronic computer for list maintenance, for fulfilling literature requests and for monitoring the follow-up calls made by our salesmen," Reine announced.

In 1966 the company leased a Honeywell H-200 to process pension and dividend payments and the New York district payroll. However, companywide use of a mainframe to help manage the business was still more than two decades away.

As electrical products became more complex, Graybar introduced its first product training programs, beginning in 1965 with the Sales Application Manual (SAM) home-study course. More than 1,600 employees enrolled. To supplement SAM, the company adopted the Sales Situation Management (SSM) program developed by General Electric. SSM was described as "a conference-type program led by trained Graybar personnel to demonstrate and present, in logical form, the knowledge and techniques of understanding and managing the sales situation."

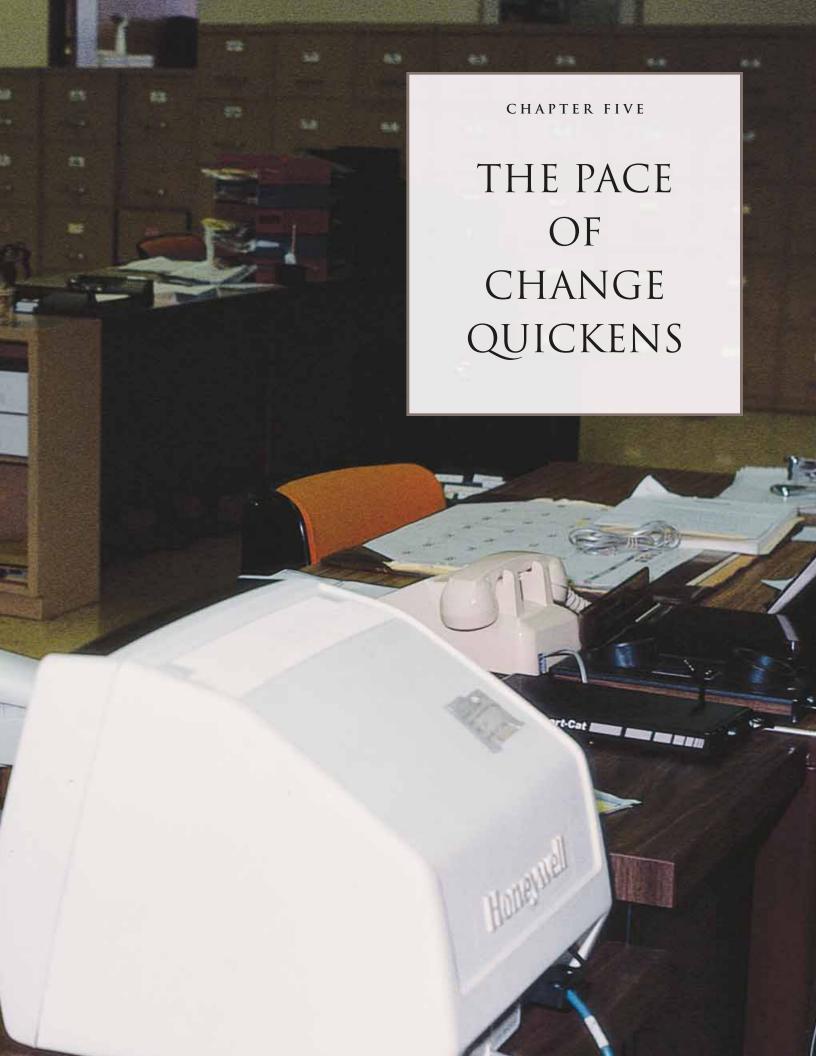
Meanwhile Graybar continued to perform well and grow despite the downturn of its telephone equipment and major appliance businesses. By 1968 the company had 146 branch offices versus 86 at the end of World War II. Employment was 4,700, up from 2,400 in 1945. Although earnings were still erratic due to cost pressures and narrow profit margins, revenues in 1968 were nearly five times those of 1945. Moreover the company continued to pay dividends each quarter without fail.

But the dynamics of Graybar's financial results were about to change. By 1968 the dramatic sales growth of the postwar years was in the past. As the 1970s loomed, the company entered a period of slower growth with more consistent earnings.

On December 11, 1964,
Graybar's annual sales
passed \$500 million for the
first time. President John
Reine wrote in the company's annual report,
"Our business benefited
from the tremendous
growth of the economy
during 1964.... Reports
from all districts indicate
a continuance of good
business and we can look
forward to another profitable year [in 1965]."







Below, Graybar's 100th anniversary in 1969 was celebrated throughout the company. Opposite, Vice President Doral Eardley and his wife, Marguerite, pose in front of a cake at a meeting of the National Electrical Contractors Association.

n 1969 Graybar celebrated the 100th anniversary of the founding of Gray & Barton with events across the nation. In Lima, Ohio, a company luncheon at the Milano Club was attended by branch employees, the mayor and other local dignitaries. The San Mateo, California, branch, which had recently moved to larger quarters, held an open house with displays of electrical equipment from 65 suppliers. The San Mateo Times wrote, "Graybar, the nation's largest independent distributor of electrical materials, points with pride at its new development illustrating growth and progressive service to its customers."

That same year, Bernard Whaley became Graybar's sixth president, succeeding John Reine. Whaley was a southern gentleman who dressed impeccably. Born in Portsmouth, Virginia, he graduated from the University of Richmond and joined Graybar in the Richmond, Virginia, warehouse in 1936. He became a credit manager in Richmond and then financial manager and later manager of the Kansas City district. He was corporate executive vice president and treasurer before being named to Graybar's top job.

Whaley was a "brain" and a "doer," according to employee-author Frederick Warburton.



During his tenure Whaley implemented major changes in the company's marketing and compensation programs. In addition he was unrelenting in his insistence on ethical conduct, a Graybar tradition. James Hoagland, who succeeded Whaley as president in 1980, says, "He was an absolute straight arrow. There was only one way to do it, and that was the right way. Straight as can be."

A Landmark FCC Decision

Whaley took charge as revolutionary changes were beginning to transform the telephone equipment industry into the highly competitive marketplace it is today. For Graybar these changes were disruptive in the 1970s but set the stage for the robust growth of its comm/data business starting in the mid-1980s.

The changes began in 1968 with the Carterfone decision by the Federal Communications Commission (FCC). The Carterfone was an acoustical device that connected a telephone to a two-way mobile radio so that the phone could be accessed from any location within radio range an early version of wireless.

AT&T said the Carterfone violated its Tariff 132, which prohibited customers from plugging their own equipment into the phone network. At that time phone companies owned all the equipment, right down to each individual telephone, and leased it to customers.

However, the FCC struck down the tariff and ruled that telephone customers could buy their own equipment and attach switchboards, fax machines and other gear to their phone lines. The decision created an entirely new market for Graybar—the interconnect industry, which installs and maintains business phone systems. In 1970 Graybar established a communication engineering department in Wilmington, Delaware, to serve the interconnects and added suppliers such as Nippon Electric Company (NEC) to provide them with PBX (private branch exchange) switchboards and other products. Graybar continues to distribute NEC business phone systems today.





"The interconnects became a real opportunity for Graybar," retiree Claude Ashton says. "My job [in the 1970s] was to try to get the branches to support our effort to build this new business. It did finally happen, but it was a slow process because the inventory had to be in place and the people had to be trained to sell to this new breed of customer."

Graybar and Western Electric Part Ways

The opportunities created by the Carterfone decision were not only slow to develop but were more than offset, initially at least, by a dire turn of events: in 1970 Western Electric stopped selling equipment through Graybar. Asked whether Western's decision was shocking, retiree Wilbur Robinson, then a Graybar sales representative in California, says, "It was to me."

Western did not replace Graybar with another distributor. Still struggling to meet the equipment needs of the Bell System, it simply pulled the plug on sales to independent phone companies—and therefore on sales through Graybar. Graybar's relationship with Western Electric, its former parent and longtime supply partner, was now at an end. President Whaley wrote, "Western Electric, which in 1969 was one of our largest and most important suppliers of





products carrying good profit margins, is today, because of circumstances over which no one could possibly have had any control, no longer supplying us any products."

The relationship had already been winding down for several years. By 1969 sales of Western products accounted for less than 10 percent of Graybar's revenues. As a result, the end of the relationship was significant but not devastating for Graybar in terms of revenues. Many Western products could be replaced with other brands. What really hurt was the impact on profits. "Western was our most profitable line," retiree Chuck Andersen says. "Nothing else came close." Graybar's earnings took an immediate hit, declining for the next three years before bouncing back. Some Graybar veterans still mourn the day when Western Electric and Graybar parted company.

Then another surprise occurred: the purchasing departments of Bell System telephone companies unexpectedly opened their doors to distributors such as Graybar. Graybar had traditionally sold products to Western Electric but not to the Bell phone companies, which bought all their equipment and supplies from Western.

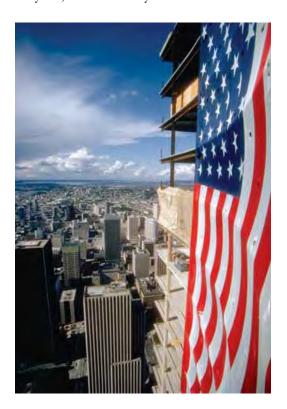
However, as the 1970s began, federal antitrust regulators were urging AT&T and the

Above, Bernard Whaley, seated center, led Graybar from 1969 to 1979. Opposite, John Reine, Whaley's predecessor, holds an old-fashioned magneto telephone while Harold Geneen, chairman and president of International Telephone & Telegraph Corp., holds a modern phone on the occasion of Graybar's 100th anniversary in 1969. Graybar began distributing ITT telephones after World War II. At left are ITT products in Gravbar's Kansas City warehouse.

Many cities experienced a construction boom in the 1970s and 1980s, creating demand for products supplied by Graybar. Below is the 76-story Columbia Center, under construction in Seattle in the early 1980s.

Bell companies to give other suppliers a chance. The Justice Department was intent on "forcing AT&T's purchasing to take place in a competitive environment," according to authors Stephen B. Adams and Orville R. Butler in their book *Manufacturing the Future: A History of Western Electric.*

Warren Hannibal was one of the first Graybar sales representatives to break into this new market. In the early 1970s he sold a shipment of office-telephone buzzers to Pacific Telephone & Telegraph Company, an AT&T subsidiary. "You cannot believe how many buzzers Pacific Bell bought," he says. Subsequently, he sold wire connectors with Mylar inserts to Pacific Bell. "I can't tell you how many millions of those connectors they bought over the years," he states. Graybar even created a



"Products for Bell" program to identify opportunities to market equipment to Bell System companies.

Thus Graybar's relationships with its telephone equipment suppliers and phone company customers were turned on their head. Graybar was no longer a distributor for AT&T subsidiary Western Electric but now counted AT&Towned phone companies among its customers. And it was distributing equipment to an entirely new market, the interconnects, even as its traditional market of independent telephone companies continued to shrink.

Unfortunately the net effect of these developments was negative. Graybar's communications business dwindled as it lost access to Western products and as sales to independent telephone companies fell sharply. Communications products—comprising telephone equipment, cable television equipment, security systems, industrial electronics and related products—had accounted for more than 20 percent of Graybar's revenues in the 1950s. By 1970 they were down to 12.3 percent and in 1975 they reached an all-time low of 6.9 percent of revenues.

By the late 1970s, according to Ashton, many of the products Graybar sold to phone companies were being stocked at the district rather than the branch level. "The business that had once been so huge in some of the individual Graybar branches had dried up to the point where the branches could no longer afford to carry inventory," he says.

\$1 Billion and Growing

However, even as Graybar's communications business foundered, other markets flourished, resulting in overall corporate growth. Graybar's sales passed \$1 billion in 1974 for the first time, prompting the company to give every employee a \$100 government savings bond. Retired Vice President and Controller Jim Kipper, who joined Graybar in early 1974, says, "I thought I had died and gone to heaven, to work for a company for a year and have them give me a \$100 savings bond. That was a pretty big deal."

The contractor market was especially strong as commercial construction boomed. The annual value of building contracts awarded in the United States increased more than 120 percent in the 1970s. "Our bread and butter in the '70s was our traditional electrical business—wire, transformers, lighting fixtures and products like that



for construction, commercial and industrial markets," Kipper says. A milestone was reached in 1974 when sales to the construction market exceeded half of Graybar's revenues for the first time.

Selling to contractors is highly people-oriented. Retiree Nick Ciccone notes that industrial and government customers typically have rules and policies that must be followed in making purchases. However, individual electrical contractors and small contracting firms seldom have such rules and "can buy from anybody they

want," he says. Winning their business requires a lot of hard work by the leadership of a branch, including getting out and meeting prospective customers, building local awareness of the Graybar name, having the right products at competitive prices, providing good service and offering credit to customers who qualify.

Graybar has many long-term relationships with electrical contractors such as Miller Electric Company of Jacksonville, Florida. Graybar and Miller have grown together since the latter was founded in 1928. Ron Autrey, Miller Electric's

The 37-story office tower at 747 Third Avenue in New York, erected in the early 1970s, is another of the many commercial structures built across the United States.

Opposite is a sales counter staff in the 1980s. Deregulation of the telephone industry and rapid advances in communications technologies created new opportunities in the distribution of communications equipment, as indicated by the variety of telephones on the wall. Opposite below, Graybar introduced an integrated supply program in 1974 to help customers reduce their inventories.

president, says, "When I joined the company in the '70s, we were much smaller than we are now and the days were much longer. The Graybar salesmen and sales managers were right there with us after hours pricing jobs. Boyd Whitney literally worked fourteen-hour days with Miller Electric as a Graybar salesman." Other suppliers sometimes asked Autrey why Graybar got so much of Miller Electric's business. "I would say, 'Because their work ethic translates into better service," he recalls.

Graybar has increased its sales to Miller Electric as the company has expanded to additional cities. "As we have moved into Atlanta and Little Rock and other cities, we have always contacted our major vendors and appealed to them to support us in terms of customer development and distributor service," Autrey says. Has Graybar done that? "Absolutely," he replies. As of 2009, Miller had offices in more than a dozen southern and southwestern cities and was one of Graybar's largest customers in the electrical contracting field. Graybar serves Miller Electric with a coordinated program that provides the same pricing and service to all locations.

A New Focus on the Customer

Graybar also grew its exports in the 1970s. A 1971 federal law provided tax incentives for companies that created export firms called "domestic international sales corporations" (DISCs). Graybar launched a DISC the following year. It subsequently opened an export office in Miami and a subsidiary in Singapore. In 1979 Whaley wrote, "There are Graybar sales representatives now in Saudi Arabia, the Caribbean and Latin America, and plans are progressing to increase representation in the Middle East, Far East and Latin America."

At the same time, the company became more customer-focused in its marketing. Business conditions in the 1970s were among the most difficult in 40 years as the great economic expansion that had flowered after World War II finally lost its bloom. The decade saw a combination of slow economic growth and high inflation, giving rise to the word "stagflation." Another new

term, "Rust Belt", came into the language, referring to the industrial base of the Midwest, an important Graybar market, which went into decline.

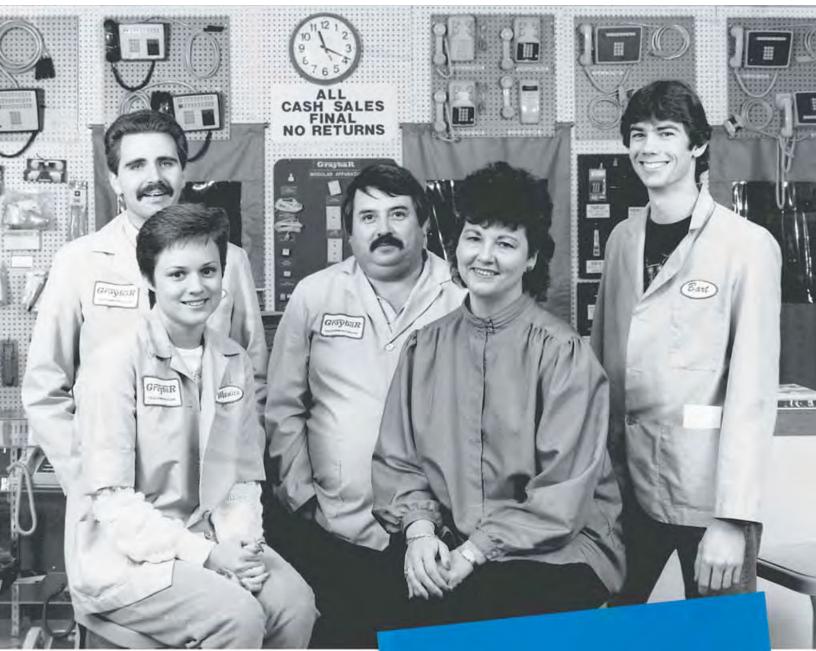
Edward McGrath, CEO from 1989 to 1995, says Graybar didn't have to worry much about marketing until the 1970s. "When we started out in the 1920s, we were part of Western Electric," he says. "Then we got carried through the '30s by Western's financial support. After World War II we could sell anything we could get our hands on because there were supply shortages and everybody needed new homes and washing machines. So it wasn't until the '70s that we had to start scrambling and look for business."

In the face of an unsettled economy, the company viewed sales and marketing as keys to its success. In 1969 Graybar established a five-year plan to increase its revenues by understanding customers' needs better, training employees more thoroughly, opening more branches and upgrading the company's sales literature and marketing presentations.

"We have changed to a policy of catering to the customer's needs," Whaley wrote in 1972. While such a policy may seem self-evident, it represented a fundamental shift for Graybar. The company's supply operations traditionally had been organized into five product-based departments: inside construction products, outside construction, power apparatus, lamps and lighting, and communications. "We were looking at products and where to buy, not where to sell," Hoagland states.

Charles Kirkpatrick, who led the large and influential Chicago district, tried a different approach. In the 1960s he rearranged his district into four market-based departments: electrical contractor, industrial-commercial, power utility and communications. "For several years Chicago was the only district that was facing its customers," Hoagland says.

After much debate, Kirkpatrick's approach was adopted companywide in 1972. In explaining the impact of the change, Whaley said Graybar was:



- Determining what the customer wants;
- Selecting suppliers for the stocks we will carry for the customer;
- Liquidating inventories of products that do not fit into the pattern;
- Increasing inventories of products that do fit, to a quantity which should practically eliminate stockouts; and
- Modifying stock purchase and inventory control methods so that they completely support the marketing policy.





Graybar established
Gamma Beta Epsilon in
1977 to honor its most
successful salespeople.
Below, Dorothy McGuire,
secretary to Graybar's
general advertising and
sales promotion manager,
modeled a hard hat that
met new OSHA federal
safety standards in 1973.



Further emphasizing the role of sales and marketing, in 1977 Whaley established Gamma Beta Epsilon to honor the company's top-performing sales representatives and locations. He was inspired by his own election in college to Phi Beta Kappa, the national academic honor society. Gamma Beta Epsilon has two chapters: the Sigma Chapter for individual sales representatives and the Upsilon Chapter for districts and branches. Membership is one of the company's highest honors.



The Shock of \$12-a-Barrel Crude Oil

The 1970s saw the first great wave of products designed to improve energy efficiency. Today energy conservation is a given for most businesses, and Graybar distributes hundreds of "green" products such as compact fluorescent lamps, variable-frequency drives and soft-start motors.

But energy conservation was not always a priority. The world changed forever when the price of crude oil jumped from \$3 to \$12 a barrel during the 1973–74 Arab oil boycott, driving up prices of electricity, heating oil and other types of energy. When the price of gasoline went from 38 cents to 45 cents a gallon in late 1973 and then passed 55 cents in 1974, the Billings, Montana, *Gazette* wrote, "Just about everybody with wheels is keeping fingers crossed, hoping for the best and cussing the whopping increase in the cost of gasoline."

Corporations became energy conscious almost overnight. Electrical product firms responded with dozens of new energy-saving devices and technologies—such as Lutron solid-state dimming switches, York time switches, Honeywell fuel-saver thermostats and Emerson heat-reclaim systems, all of which were distributed by Graybar.

In a rare instance of marketing products under its own brand name, in 1978 the company introduced Graybar Meter Miser fluorescent lamp fixtures. Components were made by Day-Brite, General Electric and other manufacturers. Meter Miser products featured newly developed magnetic ballasts—current regulators that control the power delivered to fluorescent lamps—that reduced electricity use by up to 20 percent.

New Compensation Programs and Corporate Structures

The company also modernized its human resources programs by creating its first pay grades based on job category and performance. Until the 1970s pay at Graybar was something of a catchas-catch-can affair: employees with similar titles

and responsibilities were often paid differently based on the decisions of individual managers. "For instance, we had managers who didn't think single people should be paid as much as married people," according to Hoagland.

The company hired management consultants McKinsey & Company to develop detailed job descriptions and establish pay grades. "It was a real task," Hoagland says. The compensation plans implemented in 1974 were forerunners of the compensation programs at Graybar today.

The company also realigned its organizational structure. In 1972, as more branches were added, operations were divided into five regions—Northeastern, Southern, Central, Southwestern and Western-which were in turn divided into 23 districts. This marked the beginning of an ongoing search for the optimal organizational alignment. By 1979 the company had five regions, 25 districts and 178 branches, but this structure proved unwieldy. The regional organizations were eventually eliminated, and the number of districts was cut back. As of 2009 the company had thirteen districts, more than 240 branches and seven zone warehouses in the United States, as well as 30 offices in Canada and Puerto Rico.

Undisputed Sovereigns of Their Realms

In Whaley's time, district and branch managers were still monarchs of their realms, running their operations with relatively little involvement from corporate headquarters so long as they met revenue and profit goals and didn't violate any rules. "It was only when you weren't making money that you got more help than you wanted," Richard Haney remarks. Even the federal court in the 1953 *Martin* decision, which upheld the \$20 price of Graybar stock, noted that Chicago District Manager W. E. Guy was "practically autonomous in dealing with matters in his district." (District heads were called managers until 1995, when the title was changed to vice president.)

Prior to the widespread use of air travel after

World War II, district managers had considerable freedom because of distance. Face-to-face meetings with corporate staff were impractical. Hoagland says, "How long do you think it took the fellow in Seattle to get to New York by train? Maybe three days." Even in the 1980s, prior to the availability of sophisticated financial software, corporate staff didn't have access to the business results of a district or branch for weeks,

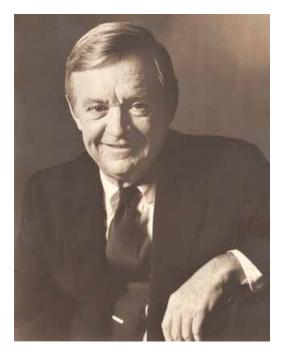


making it all but impossible to exercise day-today oversight.

Employees who were branch or district managers in the 1970s and 1980s recall their experiences warmly. Larry Giglio, senior vice president of operations, managed the New Orleans branch for six years beginning in 1984. "I wanted to run a business, I wanted to be responsible for my unit, and that's what I had," he says. "As part of a corporation, you had to answer to somebody. You couldn't do anything you wanted, but you had a lot of leeway."

Giglio subsequently was Cincinnati district manager, where he had the unusual experience of becoming an instant multimillionaire, even though his windfall lasted only briefly. Because he was new to the district, his pay information Prior to the widespread use of computers in the 1980s, Graybar's business was paper-intensive.
Inventory records were handwritten, and product information was listed in thick catalogs. The Kansas City branch is pictured above.

James Hoagland was
CEO from 1980 to 1989.
He refocused Graybar by
moving its corporate headquarters from New York
to St. Louis, withdrawing
from the low-margin
household products distribution business and
emphasizing growth in
the contractor and communications markets.



had not yet been programmed into the district computer, and a typist mistakenly made out his first check for \$4,000,000 rather than \$4,000. Such was the camaraderie in the district office that no one attempted to hide the mistake from Giglio, the new boss. Instead he was presented with the multimillion-dollar check and had a chance to touch it but not keep it, while everyone enjoyed the humor of the moment.

Dennis DeSousa, senior vice president—U.S. Business, became manager of the San Jose branch in 1987 at age 28. "I think branch manager, if it's not the best job in the company, is tied for being one of the best jobs," he says. "You're running a little business." San Jose was unprofitable when he took charge, but by 1990 it was one of the more profitable branches in the company as evidenced by its induction into the Upsilon Chapter of Gamma Beta Epsilon, Graybar's esteemed honor society. "It was very exciting for the people in the branch to participate in the turnaround," he says.

But times change. "I don't want to say there is less autonomy now because I can't say that I interact with the corporate office every day," Chris Olsen, New York district vice president, says. But he notes that his bosses at headquarters can use their computers to check immediately on how well his district is doing, right up to the

previous day's results, and they can reach him instantaneously by e-mail or cell phone if they have any questions. "I think what's happened, not just at Graybar but in business in general, is that people are held accountable to do what they're told to do," he says. "And that's fine. It's the way business should be."

Hello, St. Louis; Good-Bye, Household Products

Whaley retired at the end of 1979 and was succeeded by Hoagland, a second-generation Graybar employee. His father, Walter Hoagland, had spent 44 years with the company, retiring in 1944 as a vice president and director.

Hoagland graduated from Colgate University, served in the Navy during World War II and joined Graybar in Chicago in 1946. He spent nine years in that city, advancing from office salesman to quotation clerk and then outside salesman before transferring to Milwaukee as branch manager. He subsequently returned to Chicago as district manager of supply sales and, in 1970, became Chicago district manager, the same position his father once held. He moved up to central region manager, corporate vice president of operations and executive vice president before being elected president and, later, CEO.

Hoagland says he managed "by the bottom line." He adds, "Every job ought to have some tangible measurement of accomplishment." He had a reputation for being a demanding boss, but the late Senior Vice President Tommy Thompson commented, "I would say more charming than tough. He has a great, subtle, wry sense of humor. He is well educated. He's a literary guy—very bright."

One of Hoagland's first major decisions, which surprised many employees, was to move the corporate offices from New York to St.

Louis. Graybar had been headquartered in New York for more than half a century, but the costs of doing business there were escalating. Low costs and efficient operations are vital to success in electrical products distribution, an industry with tight profit margins. Hoagland says he chose St. Louis not only because of its cost

Meet Me in St. Louis

For years Graybar was headquartered in the heart of New York's business district in midtown Manhattan, but that changed when James Hoagland became president in 1980. "I had some plans," he says, "and one of the first plans was to get out of New York." He says the cost of doing business in the city was too great, and many employees were reluctant to work there because of housing prices, taxes and long commute times.

Graybar formed a committee—comprised of Hoagland, Secretary and General Counsel George Tulloch and Vice President and Treasurer Carl Owen, Jr.—to investigate potential new locations. "We wanted to be in the central time zone," Hoagland says, "because it's easier to manage a nationwide business from a central geographic location. Second, we wanted to find a place where our employees could have a reasonable commute, buy a house at a reasonable price and send their kids to good public schools."

The committee visited several cities before choosing Clayton, Missouri, on the outskirts of St. Louis. "I was in the room when Jim told the staff the company was moving," current Chairman, President and CEO Bob Reynolds says. "There was shock. He asked if there were any questions. One person finally asked, 'How's the weather in St. Louis?' And he said, 'Colder [than New York] in the winter and hotter in the summer.'"

The move was completed in 1982. It affected the headquarters staff but not any of the districts or branches, and it involved about 5 percent of the company's employees. The majority of headquarters staff transferred to St. Louis even though many initially had reservations about the idea. Holly Temple, a native New Yorker, had joined the company in 1963 out of high school as a receptionist. She says moving to St. Louis "was the most traumatic thing I ever did." As a New Yorker who relied on public transit, she had never owned a car and did not even have a driver's license. "I had to learn to drive at 37," she says. But she adjusted, got her license and soon enjoyed life in the Midwest. She continued to advance in her career and became a Graybar general accountant before retiring in 2006. She continues to live in the St. Louis area today.



Graybar is now a fixture in the city, and it is hard to imagine it being located anywhere else. Moreover St.

Louis continues to offer a decided cost advantage, just as it did in 1982. As of 2008 the St. Louis region had the second lowest cost of living among the nation's 20 largest metropolitan areas, while New York had the highest, according to the Council for Community and Economic Research. The group's cost-of-living index, which measures the relative cost of goods and services for professional and managerial households, was a thrifty 90.2 for St. Louis and a luxuriant 220.3 for New York in the second quarter of 2008.

"It was a phenomenal move," Reynolds says. "I don't think we would be nearly as successful today if we were still in New York. It wasn't an easy decision for Jim to make. It disrupted a lot of lives. But he did his due diligence and made a great decision." Hoagland, second from left, stands in front of Graybar's new headquarters building under construction in Clayton, Missouri, a suburb of St. Louis. With him are, left to right, Robert Hyland, regional vice president of CBS radio and chairman of the St. Louis **Regional Commerce and Growth Association** (RCGA); Gene McNary, county executive; and James O'Flynn, RCGA president.

advantages but also because of its central geographic location and quality of life.

He also acted quickly to close Graybar's household products distribution business. Unlike the relocation to St. Louis, the decision to get out of household products was not a surprise. "By the 1970s our appliance business was dying," retiree Austin Doyle says. "It was becoming less and less profitable, and we all knew that."

As of 1981 household products accounted for 11 percent of the company's revenues, down from more than 25 percent at their peak two decades earlier. The company had already phased out major appliances such as refrigerators. What was left was the Zenith products division, which was still modestly profitable, and smaller appliances such as electric shavers, hair dryers, toasters and blenders. The company sold its inventory of small appliances in 1982 and closed the Zenith products division six years later. In explaining the changes, Hoagland wrote, "We determined that our role as a distributor of housewares and personal care products was not bringing an adequate return on the assets invested and that we would be better served employing these assets in other markets."

Jim Hoagland, seated center, is photographed with his management team.





Telephone Deregulation and New Communications Technologies

Following its withdrawal from housewares, and with its industrial markets showing signs of weakness, Graybar sought to reignite its growth. The convergence of two factors—telephone-industry deregulation and rapid advances in communications technologies—created new opportunities in the comm/data market. Hoagland says, "We worked hard [in the 1980s] to develop our communications business." The efforts paid off: the company's communications product activities, which had gone into a deep sleep in the mid-1970s, suddenly awakened, more refreshed than ever.

Deregulation occurred in 1984 when AT&T settled federal antitrust charges by splitting into seven regional telephone companies (the so-called Baby Bells) and one long-distance carrier (AT&T).



A newly formed AT&T subsidiary, AT&T Technologies, took over Western Electric's factories and became AT&T's manufacturing division. As a result Western Electric, with which Graybar had shared decades of history, no longer existed.

One year after the breakup of AT&T, the *New York Times* wrote that deregulation "has already produced lower long-distance rates, a telephone industry teeming with competitors and a rush of new communications technologies." Graybar and other telecom equipment suppliers scrambled to sell products to the newly independent Baby Bells. At the same time, AT&T Technologies began selling equipment to telephone, industrial and commercial firms through Graybar and other wholesalers. Graybar's role as a distributor for Western Electric, which had ended in 1970, was now reestablished with AT&T Technolo-

gies, although on a nonexclusive basis.

"Being able to sell AT&T products changed our marketplace significantly," Kathy Mazzarella, senior vice president of sales and marketing, comm/data, says. "We became a player again." Graybar's resurgence in the communications business was remarkable. As of 1980 communications products accounted for less than 10 percent of the company's revenues. They topped 20 percent of revenues in 1986 and reached 34 percent in 2000. Communications equipment became a larger business for Graybar than it had ever been, even in the peak years of the company's relationship with Western Electric.

In 1987 Graybar issued a 640-page telecom equipment catalog with separate sections for data products, fiber optics and networking. The catalog included dozens of products that hadn't even existed three or four years earlier.

Graybar opened one of its earliest zone warehouses in the 1980s in East Peoria, Illinois.



After Graybar acquired its first mainframe computer, a Honeywell-Bull, in 1987, employees such as Fran Lane, above, stopped using typewriters and learned to work with desktop terminals.

Electronic Technology Reshapes Graybar

Graybar participated in the 1980s technology revolution not only as a seller of products but also as a user of new technologies. Electronic technology began to change the way the company managed its operations and interacted with suppliers and customers.

Technology helped jump-start Graybar's logistics business. Following the breakup of AT&T, the company took over warehousing and logistics for Southwestern Bell, one of the new Baby Bells. This marked the first time an electrical products distributor had managed a major customer's warehouses.

To operate the warehouses efficiently, Southwestern Bell, Graybar and McDonnell Douglas developed one of the earliest sets of EDI (electronic data interchange) protocols. These protocols allow computers to communicate with each other in standard formats so that purchase orders, invoices, shipping notices and other documents can be transmitted and processed electronically, eliminating paper documents.

Graybar soon was providing supply chain management services to other companies, including electronic products manufacturer Texas Instruments. It even opened a branch in a Texas Instruments factory to supply products on demand.

Other programs that are integral to Graybar also got their start in the 1980s. In 1982 the company introduced an experimental system to

enable customers to order products online. The Internet did not yet exist. The original Graybar system was based on computer-to-computer communications over ordinary phone lines. The company also developed a VendorNet program to submit purchase orders to suppliers. Fourteen suppliers were taking part by 1988. From that small beginning, Graybar today places orders and receives invoices electronically with the great majority of its suppliers.

Graybar opened its first regional zone warehouse in Bethlehem, Pennsylvania, in 1984. The facility was located half a mile from the Allentown-Bethlehem airport for easy access to air transport. By 1987 the company had established three more zone facilities—in East Peoria, Illinois; Upland, California; and Shreveport, Louisiana. Through a combination of the zones and the branches, it was able to deliver products to most customers within 48 hours. By 2000 the company had nine regional zone warehouses and was able to deliver products to 98 percent of its customers within 24 hours. Purchasing magazine quoted Graybar Vice President Edwin Keith, now retired, as saying the company was redeploying—not increasing or reducing—its inventory. "We're just moving the inventory to where our customers need it," he said. Zone warehouses continue to play a key role today. As of 2009 the company had seven zone warehouses and three regional service centers.

Graybar acquired its first mainframe computer, a Honeywell-Bull, in 1987. The use of mainframes was common in many industries at that time, but wholesalers were late to the party. Graybar was one of the first distributors—if not *the* first—to utilize a mainframe to help run its business.

"Our first priority when we put in the Bull system was to develop a transactional, customer-related focus, and then to manage inventory," McGrath says. Prior to the installation of the mainframe, each branch handwrote its inventory records on four-by-six-inch cards. There was a separate card for each product, showing the number of units in the branch warehouse. The



card was updated in pencil whenever some of the product was added to inventory or sold. "People were pretty meticulous about maintaining records," retiree Ernie Chappell says. "But it was a lot of work. Everything was manual."

Each branch closed at year-end for an extended weekend to reconcile the products in the warehouse with the amounts listed on the cards. All branch employees took part, working long hours counting products and updating the cards until the inventory audit was completed, typically in three or four days. Golden "Sonny" Harper, retired senior vice president of operations, says, "It was a monster getting ready for the year-end physical inventory. And the inventory itself was conducted in the week between Christmas and New Year's when people would rather have been home with their families." With the aid of computers, inventories today are audited over the course of the year on a rolling "cycle count" basis, eliminating the end-of-the-year crunch.

Conversion to the Bull mainframe, which involved hand-keying virtually every product, customer and financial record into the computer, branch by branch and district by district, was completed in 1990.

In 1989, as conversion to the mainframe was under way, Hoagland reached age 66 and retired. During his ten years at the helm, he had revamped the company by moving its headquarters to St. Louis, closing its housewares business, revitalizing its communications products business, opening its first zone warehouses and leading it into the digital era. However, growth had been modest during his tenure: Graybar's revenues had increased at an annual rate of 3½ percent, due in part to the company's withdrawal from household appliances.

It would be up to Hoagland's successors to build on his changes, accelerate the company's growth and create the Graybar we know today. Improvements in forklift trucks allowed Graybar to stack products higher and more efficiently in its warehouses.





Kathy Mazzarella, top right, joined Graybar in 1980 and became the company's first female vice president in 1998. Today she is senior vice president of sales and marketing, comm/data, and a member of the board of directors. Gravbar's first female board member was Juanita Hinshaw, bottom right, who joined the board in 2000; she retired five years later. Below is a 125th anniversary pin. Opposite, electrical conduit is a staple of the contractor market and one of Graybar's top-selling products.

ince 1989 Graybar has emerged as a very different company in some ways but has remained essentially unchanged in others. In a period when the distribution of electrical and comm/data products has become increasingly competitive, Graybar has made large investments in technology to take costs out of the distribution chain and keep pace with the needs of its customers and suppliers. "Technology is the big change," Bob Nowak, Phoenix district vice president, asserts. "It puts information at our fingertips that we never had before and allows us to serve our customers faster and better."

In addition Graybar has repositioned itself by moving away from being solely a supplier to providing logistics and other value-added services—from being a "pick, pack and ship" company to becoming one of America's largest providers of managed distribution and supply-

chain services. "We do more logistics management today than ever because our customers don't carry much inventory," New York District Vice President Chris Olsen says. "Twenty or 30 years ago a contractor would have his own warehouse and trucks, and industrial companies carried a lot more inventory. They'd call on Monday and you could deliver by Friday

because they had backup inventory. Now many companies have gone to just-in-time delivery and depend on distributors to stock the product and manage inventories for them. They don't even ask for next-day delivery. It's simply part of the business."

The company has continued to evolve by adding new products such as surveillance cameras, motion sensors and other security devices, a sign of our uncertain times and the need to protect people and property. And it has expanded its government sales, as indicated by a series of contracts in 1998 to provide maintenance, repair and operations (MRO) products to military

installations in Hawaii, Alaska, southern California, the northeastern United States, Texas and Louisiana. The 1998 contracts covered not only electrical products but other items as well—even barbecue pits and lawn and garden supplies. "We don't normally sell non-electrical products," Olsen reports. "However, we do so on request when a customer prefers to deal with one supplier."

The company also expanded into Canada beginning with the acquisition of Ellis & Howard of Kitchener, Ontario, in 1992. This was followed by the purchase of Harris & Roome of Halifax, Nova Scotia, in 1997. Today Graybar Canada is a wholly owned subsidiary with 28 branch offices from coast to coast.

In making these changes, the company has stepped up its growth and become larger and more profitable than ever. It took Graybar sixteen years to double its sales from \$1 billion in

1977 to \$2 billion in 1993. It took six years to double them again to \$4 billion in 1999.

Still another change has been the increasing role of women. Kathy Mazzarella became



Graybar's first female vice president in 1998. Two years later, Juanita Hinshaw was named senior vice president and chief financial officer and became the first female board member. Hinshaw retired in 2005. Mazzarella, who was



appointed to the board in 2004, now serves as senior vice president of sales and marketing, comm/data, continuing to be a role model for many other female employees. "Not long ago I met a





Edward McGrath spearheaded major technology investments during his presidency from 1989 to 1995. In addition, the company expanded to Canada, below, during his tenure, beginning with the acquisition of Ellis & Howard of Kitchener, Ontario, in 1992.

young woman in the Boston office who told me she aspired to be president of Graybar one day," Mazzarella says. "That was the first time I ever had a young lady come up to me and say that. I thought, 'Wow, how times have changed!'"

But Graybar has remained the same in other ways, including its core values of integrity, employee ownership, long-term view and customer focus. "Everything begins and ends with our values," Senior Vice President-U.S. Business Dennis DeSousa points out.

Additionally, the company has resisted the industry trend of consolidation, which has seen many large mergers in the electrical distribution field. Graybar made several smaller and midsized acquisitions in the 1990s, each of which extended the company into a new geographic market or brought it particular capabilities. However, it has preferred to expand organically rather than through mergers. Reynolds says the company's objective is to be the best distributor and a leader in the markets it serves. "Growth is essential," he says, "but we seek controlled growth. Most important, we want to keep getting better at what we do. And we want to continue to attract capable people, use technology to

our advantage and maintain our unique culture of employee ownership. If we do all those things, we will be more successful than ever."

Changing of the Guard

Many of these developments were already gaining traction in 1989 when President and CEO Jim Hoagland retired. He was succeeded by Ed McGrath, a third-generation Graybar employee whose father was New York district operating manager.

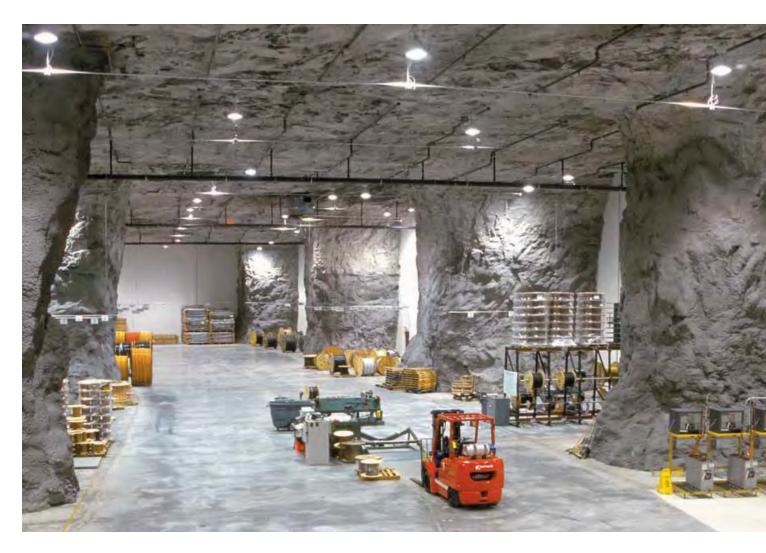
McGrath graduated from Fordham University in 1952 and served three years as a Navy officer. Returning to civilian life, he interviewed with ten companies and resisted the idea of working at Graybar, having had his fill of hearing about it as a child. However, he narrowed his choice to General Electric and Graybar and says he chose the latter, despite his earlier reluctance, "because it offered the best deal." He started as a warehouseman in Philadelphia, progressing through several operating positions there. He then worked in a series of other locations, including Wilmington, Delaware; Washington, D.C.; and Los Angeles. He became Graybar's vice president of operations in 1979 and executive vice president nine years later.

McGrath has an outgoing personality and wonderful sense of humor and is highly regarded by his many friends in the company. Richard Offenbacher, senior vice president of sales and marketing, electrical, says, "Ed is someone who carries himself very well—extremely smart, very friendly, enjoyable to work with and work for. From a business standpoint he was very innovative." Unlike most previous presidents who had backgrounds in sales, McGrath came to the presidency with a background in operations. He pioneered many operational improvements during his tenure.

Influx of New Technologies

The 1990s were a technophile's delight. They saw the ascent of fiber optics; ever-faster transmission and processing speeds; the emergence of the Internet; a profusion of networking and con-





nectivity devices; and the convergence of voice, data and video.

Embracing technology, Graybar launched pilot programs in bar coding, paperless ware-housing, vendor-managed inventories and specialized inventory deployment. In addition it continued to improve its GraybarNet online ordering system. "We have reached a point where we are ready for some quantum leaps in service capability, speed and productivity," McGrath wrote in 1993. "Our goal is to streamline service, speed delivery and have a process in place which will support meaningful service guarantees. Graybar people have more tests, experiments, pilots and customer-tailored programs under way than ever before."

McGrath also capitalized on existing programs such as the opening of zone warehouses

and the installation of the Bull mainframe. As operations vice president he had been directly involved in launching both of those initiatives in the 1980s.

He continued to expand the zones and saw value in their ability not only to manage inventories better and fill orders faster but also to stock specialized products not carried by the branches. He cites the example of explosion-proof sirens for refineries and chemical plants, which sold in such limited numbers that the branches couldn't afford to stock them. "In the entire United States, a dozen of those sirens might be sold each year, and we might sell two or three of them," he says. "Delivery would normally be in twelve to fourteen weeks because nobody carried them in inventory." But Graybar decided to stock a few of the sirens in its zone warehouses,



The Springfield, Missouri, zone warehouse is located 100 feet underground in a limestone quarry. Advantages include a natural 62-degree temperature and cost savings from not having to build walls or a roof.







knowing they would eventually sell. In fact, when it opened a zone warehouse in Upland, California, one of the first orders the facility received was from Union Oil Company for an explosion-proof siren. "We said we have it and can get it to you tomorrow," McGrath recalls with pride.

The zones also represented a first step toward centralized corporate purchasing of inventories. Traditionally every branch bought its own inventories with relatively little corporate oversight. But the zones demonstrated that bulk purchasing was less expensive, and the Bull mainframe allowed corporate headquarters in St. Louis to monitor branch inventories on a real-time basis. As a result corporate headquarters took over inventory purchases for the branches beginning in the early 1990s. Many branch managers objected, arguing that buyers in St. Louis could not possibly know what products the customers of their branch were likely to need. But centralized purchasing proved itself over time. It would be impossible today to manage Graybar efficiently without centralized buying, which reduces costs not only for Graybar but also for its suppliers through economies of scale.

Concurrently, the products distributed by Graybar became technologically more complex. The company responded by creating separate electrical and comm/data businesses

Fiber optic cabling is stored, left, in a Graybar warehouse and is cut to length, above, to fill a customer order.







and realigning its sales teams to specialize in one business or the other. In 1994 it merged the communications products operations of four districts—San Francisco, Seattle, Los Angeles and Phoenix—to create a new Western comm/data district, headquartered in Bellevue, Washington. It merged the electrical products business of the four districts to create the Seattle electrical district and the Phoenix electrical district. Three additional comm/data districts—northeastern in Philadelphia, central in St. Louis and southeastern in Norcross, Georgia—were established the following year.

"The company made these changes because we felt we were not maximizing our comm/data business," Offenbacher says. "In addition we were diluting our electrical business because we were moving resources to the comm/data side."

The comm/data districts worked well for a time but were dissolved in 2003. Although they made sense when the comm/data business was growing rapidly, they were too costly after the dot-com boom collapsed and sales of comm/data products turned sharply lower. However, specialization endured: Graybar continues to have separate sales personnel with expertise in electrical and comm/data products.

Rapid Growth in the Late 1990s

McGrath retired in 1995 and was succeeded by Carl Hall, who became the company's ninth president and CEO. Hall was born in the small town of Jenkins, Kentucky, and began his Graybar career at the packing bench in the Cincinnati warehouse in 1959, progressing through several positions there before becoming a district manager—first in Memphis in 1991 and later in Houston and Chicago. He became executive vice president in 1994 and was elected president one year later.

He was known for his sharp wit, competitive spirit and outgoing, optimistic personality. "Carl was very focused and passionate," Dennis DeSousa says. He also was a hands-off manager. "Carl believed in putting the right people in charge and letting them do their jobs," accord-

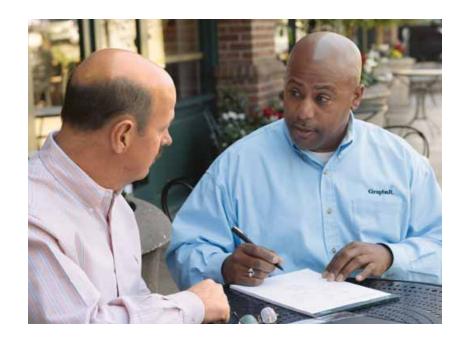
ing to Tom Dowd, retired senior vice president, secretary and general counsel. "Basically it was up to you to run your part of the company. He left you alone as long as you got results and didn't surprise him."

Hall led Graybar from 1995 through mid-2000 during one of the greatest five-year growth spurts in its history, as surging demand for communications and networking products led to large yearly sales gains. Graybar had traditionally been a relatively slow-growth company because of its focus on generating cash returns for its employee shareholders rather than on increasing revenues rapidly. Hall had different ideas. He thought big and in 1998 set a goal of \$8 billion in sales by 2004. "Our stated ambition," he said, "is to become the leading electrical and comm/data distributor and to be number one or number two in every market that we serve."

He also announced plans to eventually have seventeen zone warehouses. A consultant was even more optimistic, recommending 21. However, Graybar subsequently scaled back its plans. "The zones are still important to our business," Reynolds says. "But the economy changed, and we adjusted our strategy." As of 2009 the company had a total of seven zone warehouses and three regional service centers, which is more cost-effective than seventeen or 21.



Above, Carl Hall was CEO from 1995 to 2000. Below, **Network Systems Specialist** Russell Ost, left, and **Account Manager Darrell** McLaughlin of the Dublin, California, branch teamed with supplier Corning **Cable Systems to help** the Alameda County Fairgrounds upgrade its communications network. Opposite. an employee uses his cell phone to photograph customer delivery information. Gravbar's innovative use of cell phones to track deliveries was one of "20 Great Ideas" cited by Information-Week magazine in 2007.



Below, *Outlook* has been Graybar's quarterly magazine for employees and retirees since 1936. Opposite, Vickie Wright is a customer service representative in Charlotte, North Carolina. "The best way to keep customers coming back," she says, "is to make each one feel that they are your most important."

Graybar staffed up as it grew. In 1999 alone it added 1,000 employees and twelve new branches. Hall also continued the company's program of technology investments to reduce costs and serve customers better. In 1995 Graybar installed additional personal computers and local area networks in all its districts. "With those networks in place, we will be able to manage information more efficiently with a subsequent improvement in service to our customers in virtually every market," he wrote.

The following year, the company completed the implementation of bar coding at all its city counters. "The productivity gains and improved service as a result of bar coding are truly extraor-



dinary," Hall wrote. "Our customers are serviced in less than half the time as before, and pricing errors and inventory differences are virtually eliminated." The company introduced its first Web site in 1995.

Hall also emphasized employee training, appointing John Teipen director of training in 1995. Teipen had joined Graybar in 1978 as a truck driver in Lima, Ohio, after receiving assurances that there would be opportunities for promotion. He says "training certainly wasn't a coordinated effort" prior to the 1990s. "We had the sales application manual, which was a good piece of work, and the operations manual." Employees learned on the job, as they had for decades, and used the manuals as references. But the growing complexity of the company's products and operations made training a necessity. Training became a vital tool for recruiting, developing and retaining employees and helping them advance in their careers.

Graybar introduced its first dial-up courses in the early 1990s. However, the real growth in training began in the mid-1990s after Hall was named CEO. In 1997 he launched an online Virtual Campus featuring more than 300 courses. That same year, the company published a training guide that outlined job-specific core curricula. Graybar has continued to expand its training activities since then.

Sadly, Carl Hall became ill with cancer and retired in July 2000. He died five years later, but his passion lives on through the company's Career Management System and numerous development programs.

One of the most highly recognized programs is the Rutgers-Graybar Supply Chain Management program. Initiated in 2005 by Kathy Mazzarella and developed in conjunction with Rutgers University, it was designed to prepare Graybar's leaders for future advancement. Teipen, who became director of e-business in 2008, describes the program as a "mini-MBA" consisting of a combination of classroom and online activities. "It's about 25 percent academic and 75 percent practical-based," he says. "The



Graybar's Landmark Technology Investment

Companies invest in new technology all the time, and Graybar is no exception. But in terms of dollar amount and impact on the business, no other technology investment in Graybar history can match the \$100 million upgrade of its software and computers between 2002 and 2004.

The upgrade involved the conversion of the entire company to enterprise resource planning (ERP) software supplied by SAP AG and the acquisition of IBM servers and storage hardware. The software is used today for virtually every business process in the company, from controlling inventories and paying bills to managing travel costs and analyzing financial results. At the same time it electronically links Graybar's more than 240 locations into a unified organization focused on meeting customers' orders quickly, completely and accurately. And it provides Graybar managers with a host of new information, such as daily sales by branch, that enables them to plan better and spot trends.

The origins of the upgrade date back to 2000, when Graybar's mainframe computer was running out of capacity. Graybar hired Deloitte Consulting to study the problem and work with Graybar's information technology staff to come up with a solution.

Everyone agreed that the company needed to replace its aging mainframe with smaller, faster servers. The big question was which software to use. Beatty D'Alessandro, who was vice president of the IT strategy project and is today senior vice president and chief financial officer, says three main possibilities were explored:

- The company could migrate its existing software to new servers at a cost of up to \$40 million, including the cost of the servers.
- The company could purchase off-the-shelf, packaged software and restructure its business processes to fit that software at a cost of about \$100 million.
- It could develop customized software for about \$200 million.

"We got the board together and laid out the prob-



St. Louis Financial Manager Warren Seidel can access information faster and use it more effectively following the company's upgrade to enterprise resource planning software.

lem," Chairman, President and CEO Bob Reynolds says.

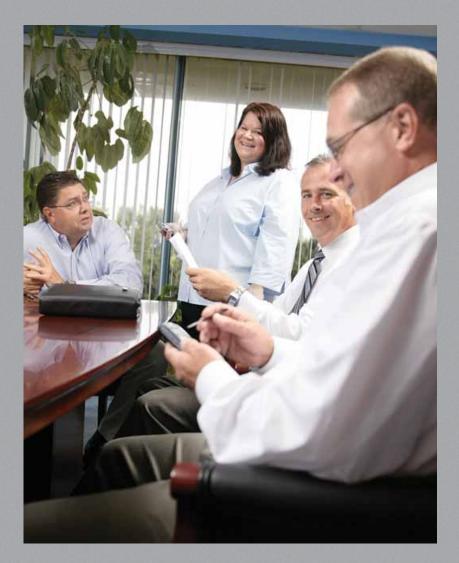
"But we said there's one caveat: we have to get it right. We can't afford even a hiccup."

Deloitte and the Graybar information technology team recommended the second option: the purchase of off-the-shelf software from SAP. However, Graybar would be breaking new ground. Although SAP's suite of ERP software was used by many companies worldwide, it had not previously been adopted by a major wholesaler such as Graybar. Not wanting their company to be a guinea pig, Reynolds and the board insisted that the software be tested under actual operating conditions at Graybar before any contracts were signed. A four-month test was conducted in late 2001. It was successful, and the contracts were ratified.

Then the truly difficult part began: realigning Graybar's business processes to conform to the new software and teaching Graybar people how to use it. D'Alessandro says that 75 percent of the company's processes had to be changed, citing accounts payable as an example. Prior to SAP, Graybar's accounting staff compared each supplier invoice to the corresponding Graybar purchase order to make sure they matched. However, the invoice was the two, on the theory that small amounts weren't worth worrying about. SAP, on the other hand, applies very exacting standards. It automatically compares every invoice line by line with the corresponding purchase order and flags even the tiniest differences in quantities, part numbers, unit prices and other data. In preparing to use SAP, Graybar had to work with its suppliers so that the formats of their invoices matched the formats of Graybar's purchase orders in a way that met the requirements of the new software. This effort paid off. "We can now electronically process supplier invoices much faster, at less cost and with a higher degree of accuracy," D'Alessandro says.

Training was another important piece of the conversion. Every Graybar employee from the CEO on down was trained in how to use the new software. Total training came to 300,000 hours, equal to about 40 hours per employee.

The moment of truth arrived on Monday, March 31, 2003, when the Minneapolis district became the first to convert to SAP. Nearly 200 employees in the district and at corporate headquarters in St. Louis worked through the weekend to make the change. "It was like a NASA rocket



launch," according to D'Alessandro. "We had to complete a 900-item checklist before going live." There was no turning back. Conversion had to be completed by early Monday morning or the district would not be able to use its computers when the workweek began.

D'Alessandro had expected the checklist to be completed by 1 p.m. Sunday, providing a margin for error, but the process lagged. "We were making progress, but it was awfully slow," he recalls. By 9 p.m. Sunday, the checklist still had not been completed. It was not until well after midnight that the process was finished, allowing the old system to be turned off and the new system to be activated. Everybody involved breathed a sigh of relief. "People in the Minneapolis district arrived at their desks Monday morning and turned their machines on and started using SAP," D'Alessandro says. Other districts followed, and the entire company was converted by October 2004.

District Information
Delegate (DID) Laura
Prewitt, center, oversees
local and wireless networks in the Chicago district and helps employees
straighten out their technology problems. "Every
day I am given the opportunity to solve unique
challenges," she says.



practical part includes information on how we manage our business, how other companies in our industry manage their businesses and how industry in general does it." Competition to get into the program is intense: more than 100 employees apply each year for 20 openings. The program takes fifteen months to complete and has been "a phenomenal success," Teipen says.

Graybar Today

Hall was succeeded by Bob Reynolds, a 28-year Graybar veteran at that time whose father had worked in Graybar's appliance distribution business. Reynolds graduated from Stonehill College in Massachusetts and began with Graybar in 1972 in the Boston warehouse. He became a



salesman in Boston and then was branch operating manager in Portland, Maine, continuing to advance as he worked in a series of locations from Philadelphia to Seattle. He transferred to corporate headquarters in St. Louis in 1991 as vice president, communications markets, and was senior vice president, electrical business, prior to becoming CEO.

He is known for his collaborative management style and emphasis on employee communications. He reaches out to Graybar people through annual Presidential Advisory Teams, in which sixteen employees from across the



a financial assistant in Memphis and former credit manager in Orlando. She served in the Navy Reserve while at Graybar and retired tenant commander.

Above, Graybar provides services that help contractors work more efficiently.

nation—chosen by the district vice presidents—meet for two days in St. Louis to discuss their views of the business and present their findings to Reynolds and then have dinner with him. "It's a way to meet some of our people in an informal setting and learn what's on their minds," he says.

Reynolds took charge just as Graybar faced its worst market environment in years. The economy was peaking, the dot-com boom was ending and the company's financial results were about to tumble. "This wasn't the job I thought I was getting into," he remarks. Revenues declined 27 percent from 2000 to 2003, and earnings sank to a 21-year low. Reynolds reduced employment and slashed costs. In addition, he trimmed debt to ensure the company's ability to ride through the economic slump. But he also invested boldly in the largest technology project in Graybar history—a \$100 million outlay for IBM servers and SAP enterprise resource planning software.

Looking back on those difficult years, Carrie

Johnson, director of corporate and marketing communications, says, "Even when results turned down, the company was profitable, kept serving customers, kept paying the dividend, invested in technology and planned for the future. Morale suffered when the company did not make any profit-sharing payments for four years. But the company survived and ultimately resumed its growth."

Revenues and earnings reached bottom in 2003, then improved steadily and reached new highs in 2007. They improved further in 2008, with revenues advancing to \$5.4 billion and earnings to \$87.4 million, despite the onset of an economic recession. "We've gone through recessions before, even through a depression," Reynolds says. "In each case we have survived and ultimately become bigger and more profitable. One of the advantages of being employee-owned is that we are not a slave to Wall Street analysts who demand higher earn-

Graybar's board of directors is pictured in 2009.



ings every quarter. We can weather these difficult periods and continue to invest in our future."

One of Reynolds' priorities when he became CEO was to develop a long-range strategy to ensure the company's ongoing health and sustainability. That strategy has four elements:

- Growing Profitably
- Improving Performance
- Innovating Through Technology
- Winning With People

He believes the company has made progress in all four areas, but he says there is always room for improvement. He considers the people element to be especially important because "people are our number one asset." He adds, "We are good at recruitment, but we can improve. I think we also do a good job of training and development, but we can improve there as well. We want our people to see their futures at Graybar and grow in their careers."

Technology investments also are vital. In 2000 Reynolds told *Communications News* magazine, "Our goal is to help people get products quicker and easier.... Speed to market is what wins customers." He says Graybar will continue to invest in technology to manage its business more effectively and add value for customers and suppliers. In 2008, for instance, the company relaunched its Web site to allow customers to check product availability online, verify pricing, place and track orders and manage account information.

Under Reynolds' leadership, the company has also articulated a strategic purpose—"to be a highly recognized, progressive company providing gainful employment and quality of life (both while working and into retirement years) with employee ownership as a sense of pride and a way of building personal wealth for the future."

Looking ahead, Reynolds believes the company is entering a period of golden opportunity. He anticipates growing demand for energyefficient "green" products as well as for equip-



ment to repair and rebuild the nation's infrastructure. "These developments lend themselves to our business," he says.

Graybar was born in an age when electricity was new, resulting in the creation of products that were distributed by the Western Electric supply department. Today there is demand for a new generation of electrical and comm/data products distributed by Graybar. "Here goes the cycle again," he says.

Above all, Graybar should continue to benefit from its culture of customer service, collaboration and hard work, fostered by employee ownership. "Employee ownership has gotten us where we are today and will help get us where we want to be in the future," Reynolds says. He reflects for a moment and adds, "I hope we remain employee-owned forever."

Bob Reynolds has led Graybar since 2000. "There aren't many companies with a culture like ours," he says. "Because we are independent and employeeowned, we can think and invest long term."

ACKNOWLEDGMENTS

Writing a company history is a collaborative project involving many individuals. I wish to express my special thanks to Graybar Chairman, President and CEO Bob Reynolds for supporting this project and for giving generously of his time and ideas. Others who played major roles in guiding me in my research and writing include Kathy Mazzarella, senior vice president of sales and marketing, comm/data; Carrie Johnson, director of corporate and marketing communications; and Tim Sommer, manager of corporate communications. Retired Graybar executive Ted Wieber hosted me at an OMEGA retiree reunion and went out of his way to arrange for me to interview many of those who were in attendance.

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—Richard Blodgett New York September 2009

TIMELINE

1837

Samuel Morse invents the telegraph.

1844

Telegraph service begins, initially between Baltimore and Washington. Within ten years, 23,000 miles of telegraph line crisscross the United States.

1869

Graybar predecessor Gray & Barton is founded in Cleveland in May to manufacture telegraph equipment and other electrical products. Its founders are Elisha Gray, age 34, and Enos Barton, 26.

Anson Stager, 44, buys a one-third interest in November.

Gray & Barton moves to Chicago in December and becomes a major supplier to Western Union Telegraph Company.

1872

Gray & Barton changes its name to Western Electric Manufacturing Company. Stager is president, Barton secretary/treasurer and general manager, and Gray "company electrician," or chief inventor. Western Union acquires a controlling interest.

1874

Gray resigns to conduct independent research.

1876

Alexander Graham Bell patents the telephone.

1879

Thomas Edison invents the incandescent light bulb.

1881

American Bell Telephone Company (a predecessor of AT&T) acquires majority ownership of Western Electric Manufacturing Company from Western Union. Western Electric shortens its name to Western Electric Company.

1882

Western Electric becomes the exclusive U.S. manufacturer of telephone equipment for Bell companies.

1885

Anson Stager retires, dies two months later at the age of 59.

1886

Enos Barton becomes Western Electric president.

1890

At Barton's initiative, Western Electric forms a supply department to distribute other companies' electrical products. Department is direct predecessor of Graybar. Early suppliers include General Electric, Klein Tools, Square D and Westinghouse Electric.

1901

Elisha Gray dies at the age of 65.

Supply department opens a branch in Philadelphia, its first devoted primarily to selling non-telephone equipment.

1907

Western Electric relocates its corporate offices, including the supply department headquarters, from Chicago to New York.

1908

Enos Barton retires.

1915

Supply department enters electrical appliance business with the introduction of Western Electric washing machines and vacuum cleaners. Household appliances are made for Western Electric by other companies.

1916

Enos Barton dies at the age of 74.

1917

Supply department revenues reach \$33.2 million.

1920

Supply department revenues reach \$69.1 million.

1923

Supply department opens an office in Nashville, its 50th branch.

1925

Western Electric forms a separate subsidiary, Graybar Electric Company, to take over the activities of the supply department. Albert Salt is named president.

1926

Graybar generates revenues of \$76.6 million in 1926, its first full year. Top-selling items include rubber-covered wire, pole-line hardware and safety switches.

Western Electric household appliances are rebranded Graybar. Appliance line includes washing machines, stoves, sewing machines, clothes irons, fans, vacuum cleaners and toasters.

1927

Graybar moves its headquarters office to the newly completed Graybar Building adjacent to Grand Central Terminal in midtown New York.

1929

On January 1, Graybar employees buy their company from Western Electric for \$3 million cash and \$6 million of Graybar preferred stock.

Frank Ketcham succeeds Salt as president.

On April 1, the company pays the first cash dividend on its common stock, beginning an unbroken string of quarterly dividend payments that continues today.

Company distributes more than 60,000 electrical products from more than 200 suppliers. Although no longer owned by Western Electric, it continues as the exclusive U.S. distributor of Western products to all customers except Bell companies and the federal government.

Revenues for the year reach a new high of \$85.7 million.

In October, the stock market crashes and the Great Depression begins.

1932

Revenues fall to a Depression low of \$28.1 million. Company loses money in 1932 and 1933, returning to profitability in 1934.

1934

Company discontinues the Graybar household appliance line and begins distributing other appliance brands such as Hotpoint and Zenith.

1939

Graybar splits its stock five for one, establishing a \$20 share price. Stock has remained at \$20 since.

1941

Alfred Nicoll becomes president.

Graybar makes final payment of \$1 million to redeem the preferred stock held by Western Electric. Graybar employees now own their company free and clear.

Revenues exceed \$100 million for the first time.

United States enters World War II. Graybar serves the equipment needs of defense contractors and the military for the duration of the war.

1946

Postwar economic boom begins. Graybar grows rapidly, supplying equipment to contractors, industrial firms and other wholesale customers.

1948

Graybar opens an office in Shreveport, Louisiana, its 100th branch.

1950

Korean War begins. Graybar supplies equipment to defense contractors and military through war's end in 1953.

1952

Willard Henges is elected president.

1956

Profit-sharing program for employees is introduced.

1963

John Reine becomes president.

1964

Revenues exceed \$500 million.

1969

Graybar celebrates the 100th anniversary of the founding of Gray & Barton.

Bernard Whaley is named president.

1970

Western Electric stops selling products through Graybar, ending a relationship that dates back to the formation of the supply department in 1890.

1974

Revenues exceed \$1 billion.

1975

Company expands its international sales by opening an export office in Miami and a subsidiary in Singapore.

1977

Company establishes Gamma Beta Epsilon to honor its top sales representatives.

1980

James Hoagland becomes president.

1982

Graybar relocates its corporate headquarters from New York to St. Louis.

Household appliance distribution is discontinued.

1984

Landmark federal court ruling divides the Bell System into seven regional telephone companies and creates new opportunities for Graybar in distributing communications equipment.

Company opens first zone warehouse—in Bethlehem, Pennsylvania.

1989

Edward McGrath is named president.

1992

Company enters the Canadian market by acquiring Ellis & Howard of Kitchener, Ontario.

Square Electric Supply Company of Parsippany, New Jersey, is acquired.

1993

Revenues exceed \$2 billion.

1995

Carl Hall becomes president.

Company launches its first Web site.

Graybar makes the *Fortune* 500 list of America's largest companies. It has been on the list each year since.

1997

Company acquires majority ownership of Harris & Roome, Halifax, Nova Scotia.

1999

Frank A. Blesso, Inc., of Hartford, Connecticut, and Monroe Electric Supply of Monroe, North Carolina, are acquired.

Revenues exceed \$4 billion.

2000

Robert A. Reynolds, Jr., becomes president.

Splane Electric Supply Company of Belleville, Michigan, and Ireland Electric Supply of Augusta, Georgia, are acquired.

Company forms Graybar Canada to manage the growth of its Canadian operations.

2001

Company initiates a major technology upgrade with a \$100 million investment in SAP software and IBM servers.

Commonwealth Controls Corporation of Richmond, Virginia, is acquired.

2002

Company is named to the *Fortune* "America's Most Admired Companies" list and has been on the list each year since.

2007

Company is ranked number one among diversified wholesalers on the *Fortune* "America's Most Admired Companies" list. It has been ranked first in its industry category each year since.

2008

Revenues exceed \$5.4 billion and earnings reach \$87 million, both new highs.

2009

Graybar ranks number one among all U.S. companies, regardless of industry category, on the *Fortune* "Most Admired" list for quality of management and long-term investment. It ranks number two among all companies for financial soundness and quality of products/services.

Graybar celebrates the 140th anniversary of its founding and the 80th anniversary of employee ownership.

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TIMELESS VALUES, ENDURING INNOVATION





Ten years ago, Graybar published a corporate history book titled: Timeless Values, Enduring Innovation.

Distributed to employees, retirees, suppliers and customers, the book celebrated Graybar's 140th anniversary and 80 years of employee ownership.

The goal of the book was simple: to capture the histories of our employees — past and present — who have helped Graybar evolve from the supply department of Western Electric in the 1920s to one of the most successful electrical distributors in the world today.

As we celebrate our 150th anniversary and 90 years of employee ownership in 2019, it's important to continue telling our story so current and future generations of employees can understand where we have been and where we are headed.

The digital revolution continues to change the face of our industry, and Graybar has transformed itself for success. We've seen transitions in our leadership. We've acquired two companies. We've been recognized as a great place to work many times over. We've embraced new technologies that improve how we work and serve our customers.

Through it all, Graybar has remained steadfast in adapting to business environments characterized by change and disruption, all while remaining true to its strategic vision, core values and the spirit of innovation that inspired Gray and Barton in 1869.

As the new decade quickly approaches and we conclude our sesquicentennial anniversary, let's review how our company has thrived over the past ten years.

Accelerating Growth

Eighty years after Graybar's employees purchased the company from Western Electric, Graybar faced looming uncertainty at the start of 2009. The financial recession was in full swing, and companies were forced to deal with the worst economic conditions since the Great Depression.

Then Chairman, President and CEO **Bob Reynolds**, who guided the company through this historic economic recession, said the following in the company's 2009 Annual Report:

"We gained a new perspective on the challenges we faced in 2009 and a new appreciation for the generations of Graybar employees whose hard work and dedication make Graybar such a special company. Graybar has weathered many difficult business cycles and enjoyed times of economic prosperity. We have a solid foundation of core values that has guided us in the past and will serve us well for a bright future."

Just as the company survived and eventually thrived in the 1930s, employees were determined to do the same this time around. The proof was in our resolve and in our results.

In 2011, Graybar's sales jumped to \$5.4 billion. By 2014, we had reached \$6 billion in sales. Four years later in 2018, the company achieved \$7.2 billion in sales, capping off a run of seven consecutive years of record net sales growth.

Because of Graybar's sustained excellence over the past decade, our employee and retiree shareholders earned a generous return on their investment. From 2016 through 2018, Graybar shareholders earned at least a 20 percent return. In 2018, eligible employees earned a 15 percent employer contribution to the Profit Sharing and Savings Plan. Both of these facts are things we are proud of as an employee-owned company.

Graybar remains focused on achieving long-term, profitable growth and serving as a leader in digital innovation. We do that by building the culture and capabilities to reimagine the value of distribution and transform the supply chain of the future.





Creating an Exceptional Customer Experience

Graybar's investments in people, technology and services over the past decade have enabled us to deliver an exceptional customer experience, leading to more than seven consecutive years of record net sales since 2012.

Graybar has always been a people-topeople business, and our sales teams continually adapt to meet the changing needs of our customers. That starts by specializing our sales force to match our customers' priorities and buying preferences. Graybar has a long track record of success with contractor customers, and we continued to dedicate significant resources to growing this business year over year. We have also developed strategic relationships with contractor-focused organizations, such as the National Electrical Contractors Association (NECA) and Independent



Electrical Contractors (IEC), which opens up valuable opportunities for collaboration.

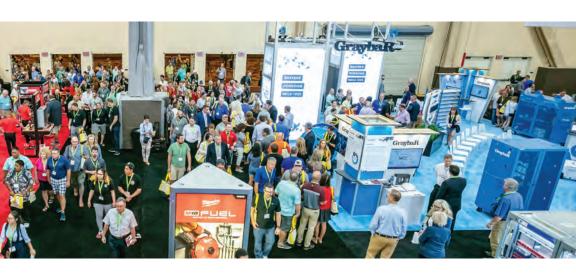
In addition, we established dedicated sales teams focused on industrial customers, broadband and electric utility customers, and commercial, institutional and government (CIG) customers. To support all of these teams in offering complete solutions in areas such as data networking, automation, lighting and sustainability, we placed technical specialists throughout the company to help customers take advantage of new technologies. And, our Strategic Accounts team expanded its capabilities to serve the complex needs of some of our largest customers.

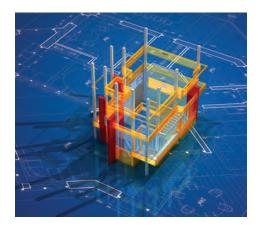
Customers face increasing demands on their time and attention, and most are under pressure to do more with less. In 2014, we introduced the concept of sales centers to serve as a training ground for new salespeople and enhance our ability to connect and engage with more customers. Along with the sales center



concept, we launched an Accelerated Sales Development Program, which is required training for all new sales people.

In 2019, we launched a new customer relationship management (CRM) platform across the entire sales organization. This allows customer-facing employees to review account level customer interactions, appointments, calls, marketing emails, orders and open sales opportunities, all within one system. This combination of sales training and resources creates a consistent customer experience across all channels.





As customers use digital tools to find information, manage administrative tasks and place orders, we have ramped up our digital capabilities. In 2011, Graybar's website, graybar.com, underwent a major transformation, including new e-commerce functions and the introduction of ShopGraybar. The Graybar SmartStock® mobile app launched in 2014 and helped customers manage inventory in a storeroom, job trailer or warehouse.

The Graybar Mobile App followed in 2015, which allowed customers to easily find products, place orders and check order status. We also launched "click to chat" on graybar.com in 2015 and implemented extended business hours to provide customers with personal service before and after traditional branch hours.

In 2018, we rolled out our fully-integrated website, making it a one-stop shop for customers looking to do business with us.

As technology continues to advance, we believe there is significant opportunity to remove friction from the supply chain. For example, integration with customers' building information modeling (BIM) platforms will allow for seamless coordination of construction projects.

We also see opportunities to streamline transactions using blockchain technology and to anticipate and proactively respond to customer needs using advanced data analytics, artificial intelligence and sensor-based technologies. As our digital transformation journey continues, enhancing the customer experience will remain our top priority.

While digital innovation has been a key focus, Graybar has made great strides in other service capabilities that help our customers become more efficient and profitable. In 2016, the Graybar SmartReel® was designed to make wire pulls easier than ever before.





Helping contractors work safely and efficiently, the SmartReel® made it simple for one person to move reels weighing up to 5,000 pounds. The trend of offering new services has continued with supply-chain waste walks, job boxes and carts, and a host of other jobsite services to improve contractor productivity.

Over the years, our marketing programs have highlighted how Graybar works to our customers' advantage. One of our most successful programs for contractor customers was Graybar ESP,



which offered innovative and practical solutions to help improve efficiency, safety and productivity. We also developed marketing programs to help both contractor and end-user customers take advantage of opportunities in data centers, sustainability, new lighting technologies and intelligent building solutions.













The way we communicate with customers has changed greatly over the past decade. In 2009, Graybar began using social media to improve communication with customers, suppliers and job candidates. Today many of our branches manage their own Facebook pages to better connect with local customers. In 2012, we hosted our first "G2 Talk" webinar, which was all about educating our customers about energy-efficient data centers. And in 2013, we also held our first Facebook contest. This was also the year the first blog post appeared on graybar.com.

Over the course of the past decade, customers' expectations and preferences have changed in dramatic ways. We have successfully adapted to those changes and are excited to continue transforming our business to bring even more value in the future.



TOUCHDOWNS AND CHECKERED FLAGS

One shining example of Graybar's service-oriented mindset was the construction of U.S. Bank Stadium, home of the NFL's Minnesota Vikings. Not only did Graybar provide lighting, switchgear and in-building wireless for the stadium that opened in 2016, we also implemented countless services to make the contractors working on the job more efficient and productive. For example, Graybar performed more than



4,500 wire cuts on more than 91 miles of feeder cable for the project. Graybar's Minneapolis Branch dedicated warehouse space to store and stage lighting orders, coordinated delivery to the job site and then recycled cardboard and other materials as needed.

In addition, Graybar has a long-term agreement with the International Speedway Corporation (ISC) to serve as the preferred provider for all communication and electrical supplies

for ISC's 13 domestic tracks. In 2016, Graybar began the process of lighting Martinsville with LEDs. When the project finished the following year, the speedway became the first major motorsports facility in North America to install LED lighting. In 2019, Graybar played a major role in the transformation at Talladega Superspeedway as they upgraded the fan experience and infield there.



Reimagining the Supply Chain

Graybar's ability to service customers locally and nationally is supported by the company's growing distribution network. Over the past decade, Graybar has opened many new locations, while moving and expanding other locations to better serve customers. We introduced the concept of regional service centers to provide inventory support for larger projects in major metropolitan areas.

Today our distribution infrastructure is comprised of service centers, zone distribution facilities, sales offices, branches and counters. Graybar even has employees who work from our customers' offices to provide ongoing support for complex projects.

Graybar's location in Tucson, Ariz., was our first facility constructed using the internationally recognized Leadership in Energy and Environmental Design (LEED®) standards, developed by the U.S. Green Building Council. The branch was awarded LEED gold certification in 2012 and showcases many of Graybar's energy-efficient products and solutions we offer customers.

We also made news when we made our triumphant return to the iconic Graybar Building in Manhattan with the opening of a sales office there in 2015. The Graybar Building served as the company's headquarters from 1927 to 1982.

Behind the company's tremendous logistics and service offering resides a passion for continually improving our business and those we serve. During the past decade, Graybar employees have saved the company millions of dollars by removing waste and simplifying processes through our Continuous Improvement program. Externally, Graybar takes the same improvement methodology and helps customers apply it to their own organizations, which enhances the broader supply chain.

In 2018, we piloted a new logistics strategy across several areas of the country, designed to improve customer service and make better use of our resources.



Data analytics are playing an important role in this project, providing deeper insights into our investments in inventory, facilities and transportation. We have continued to expand this logistics approach to make sure our customers have the right products at the right time to get the job done.





Transforming Our Mindset

Graybar has a rich history of innovation dating back to our co-founders, Elisha Gray and Enos Barton.

Over the past decade, we have transformed the way we work, inspired by the mindset that has led to our long-term success. This mindset requires continual learning focused on being adaptable, agile and technology-driven.

In 2017, we took a bold step in our digital transformation by opening the Graybar Innovation Lab (iLab) located in Research Park at the University of Illinois at Urbana-Champaign. At the iLab, Graybar is collaborating with University of Illinois students and faculty to develop industry-leading digital capabilities that we believe will strengthen our position in the supply chain. The students provide a fresh perspective as they apply their academic knowledge to help Graybar



explore new opportunities ranging from building information modeling (BIM) to jobsite and warehouse automation. The iLab also places Graybar within a diverse, multidisciplinary ecosystem of companies, all of which are pursuing the latest technological advances.

In 2019, Graybar launched a new innovation program called NEXT to involve employees in the process of digital transformation.

This program gives employees a platform to share and collaborate with others on innovative ideas. A cross-functional innovation council oversees the program by identifying priorities and aligning resources for implementation. There are plans to expand Graybar's innovation program in 2020.

Changing our mindset also means being open to new ideas and new ways to grow our company. While Graybar remains focused on organic profitable growth, a decade of success has given us the financial flexibility to make investments to expand our reach.



In April 2015, Graybar made its first acquisition in more than a decade. Advantage Industrial Automation was founded by Ken Entrekin and Chip Smith in 1989. They grew the company into a leading control and automation solutions provider with robust engineering, technical and system design capabilities. Plus, they had seen profitable growth for nearly three decades.

When Graybar acquired Advantage, it had 50 employees across two branches and four sales offices. For Graybar, acquiring a specialized company such



as Advantage had been a consideration for several years. And it would not be the only acquisition in this decade.

In the summer of 2016, Graybar acquired a regional distributor with a customer base in small to medium markets. Cape Electrical Supply, based in Cape Girardeau, Mo., was founded in 1953. When it joined Graybar, it had approximately 200 employees across 17 branches in Missouri, Illinois, Kentucky, Tennessee, Arkansas and Alabama.

Similar to Graybar, Cape Electric supplies electrical, utility and communication products, including gear, wire and cable, lighting, fittings and boxes for the commercial, utility and industrial construction markets. Cape Electric's Supply Integration division, or CESI, largely provides power distribution centers full of electrical switchgear and motor controls.

Transforming our mindset to find new and innovative ways to grow the business will remain an important part of Gravbar's strategy for years to come.

Passing the Baton

Managing the company for the long-term means seeking out and developing those individuals who are ready and willing to take the baton and run with it. As an employee-owned company, a large part of Graybar's success means putting the right people in place to move the company forward.



BOB REYNOLDS

Chairman, President and CEO from 2000–2012.

After serving as Chairman, President and CEO for 12 years, **Bob Reynolds** was succeeded by **Kathy Mazzarella** in 2012. Kathy is the first woman in Graybar history to serve in this role, and today is just one of 33 female Fortune 500 CEOs (there were only 19 at the time of her appointment).



The transition began in late 2010 when it was announced that Kathy would become Executive Vice President and Chief Operating Officer. She was officially appointed Graybar's 11th President and CEO in 2012, and became Chairman of Graybar's Board of Directors the following year.

Kathy's tenure as Chairman, President and CEO has been marked by consistent, record growth. Putting her unique spin on the role, Kathy is known among employees as the Margin Ninja - and employees from all over the country enjoy receiving the mini ninjas Kathy hands out at the National Training Conferences and at other employee events.

In 2015, Kathy was recognized by the National Association of Electrical Distributors with its Trailblazer Award for contributions to women in the electrical distribution industry.

Kathy's passion for employee ownership and her focus on powering the new era of distribution continue to define her leadership today.

REMEMBERING **PAST PRESIDENTS**

Over the past few years, Graybar lost two leaders who were critical in shaping the growing company we know today.



JAMES L. HOAGLAND

Chairman, President and CEO from 1980-1989.

Mr. James L. Hoagland passed away in 2017, at the age of 94. He retired in 1989 after serving nearly 43 years with the company. Mr. Hoagland served as President and CEO from 1980-1989.



EDWARD A. MCGRATH

Chairman, President and CEO from 1989-1995.

Mr. Edward A. McGrath, Jr. passed away earlier this year, at the age of 88. He retired in 1995 after 40 years with the company. Mr. McGrath served as President and CFO from 1989 until his retirement in 1995.



Winning with People

At Graybar, we believe that great people make great companies. That's why we strive to create an environment where employees can grow while using their talents to contribute to our success.

Over the past decade, Graybar employees completed nearly a million training courses and development programs. These programs covered a wide range of topics, from product and technical training hosted by our suppliers, to sales and leadership development programs such as the Rutgers Graybar Digital Supply Chain Leadership Program, Manage-Lead-Grow and the Accelerated Sales Development Program.

We also continued hosting our bi-annual National Training Conferences. Since 1995, these conferences have been critical to our sales training efforts and connecting hundreds of employees with the best suppliers in the industry each year.

As competition for top talent intensified, we made great strides in attracting the next generation of employees and developing our future leaders. Our internship program continues to serve in that capacity as many interns continue on with the company after graduation as leadership trainees, which prepares them to advance into diverse roles throughout the company. In addition, our emerging leaders program gives our "up-and-coming" talent an opportunity to gain visibility in the company and learn more about important business challenges.

Employee surveys have been conducted on a regular basis over the past several years, which has guided enhancements







to our benefits and other programs for employees. For example, student loans are an increasing concern for college graduates, so Graybar introduced a new student loan program that provides helpful resources.

In 2011, we launched Cause for Applause, our employee recognition program, to acknowledge and reinforce employee activities that impact business results. Gamma Beta Epsilon, our honor society, welcomed its 40th class of inductees in 2017. We expanded our company awards programs in 2012 by adding the Continuous Improvement Award for Team Excellence, the WINGS Leadership Award, the F.H. Hughes Award of Excellence, the Standing Ovation Award and the Recognize the Recognizer Award.

Retirees continue to engage with Graybar by participating in the Older, More Energetic Graybar Alumni (OMEGA) annual reunion in Las Vegas. In 2017, OMEGA held its 20th annual reunion and remains a great way for retirees to stay connected with each other and the company.

Our Women Influencing Graybar's Success (WINGS) program has grown since 2009. Initially launched at our National Training Conferences, the program has dramatically expanded at both the national and local levels and celebrated its 10th anniversary in 2018. And, of course, employees and retirees continue to stay connected through our company magazine, the Outlook, which celebrated its 80th birthday in 2016.



Caring for Our Communities

Graybar has long taken an active role in our industry and in the communities where we live and work. In the past decade, we raised the bar to a whole new level.

Historically, most of our community involvement took place at a local level. However, in 2011, we elevated our community focus to a national level by introducing Graybar CARES, which is an acronym for community, awareness, responsibility, education and service. Graybar CARES was launched as part of the National Training Conference, and the first Graybar CARES event involved building bicycles for youth programs and assembling care packages for the military. Over the years, fundraisers have also included food and toy drives, a book drive that collected 66,000 books. and multiple charitable donations.

One other way employees give back is through the Graybar Family Foundation (GFF). GFF is dedicated to helping Graybar employees and their families in times of hardship. The foundation celebrated its 10th anniversary in 2011. One of the more memorable charitable events of the decade was the Dunk Your DVP fundraiser at the 2015 Spring National Training Conference. Employees raised more than \$100,000 for the foundation and watched their DVPs enter a dunk tank for a good cause. And in the spring of 2018, Graybar's locations and employees were challenged to a fundraising competition that collected more than \$176,000 for GFF.



Graybar employees have stepped up to help their communities and peers numerous times in the wake of natural disasters. In 2016, employees in the Dallas District rallied to aid employees in Baton Rouge affected by local flooding, while Graybar Canada employees stepped up to help the Windsor Branch after a tornado. When Hurricanes Harvey, Irma and Maria caused widespread destruction across Florida, Texas and Puerto Rico, employees and retirees made significant donations to GFF in addition to joining cleanup efforts.

As part of our 150th anniversary celebration this year, we launched the "Empowering Our Communities" program, with the goal of giving 90,000 hours of service and \$1.5 million to



worthy causes. We also introduced Community Time Off, which gave employees the opportunity to use a paid workday to serve in their local communities. Many teams used this as a way to give back, while building a sense of teamwork and camaraderie. Graybar also enhanced its matching gifts program in 2019 to match employees' charitable donations.

At the end of 2019, Graybar launched the Construction Trades Scholarship Program, a need-based scholarship program designed to encourage more young people to enter the construction industry. Many of our customers face labor shortages, and we believe this is one important way we can help build the future of our industry.



Powering a New Era

Graybar's reputation is built on the strength of our company and the spirit of our employees. If we have learned anything throughout our history, it's that we can never rest on our laurels. While the past decade has been filled with some amazing achievements, we must continue to celebrate our culture of employee ownership and never lose sight of the values that have guided our business.

Our vision is for Graybar to be a leader in digital innovation by building the culture and capabilities to reimagine the value of distribution and transform the supply chain for the future. As we move forward, our digital strategy and investments will focus on delivering an exceptional customer experience, boosting efficiency and productivity in the supply chain and inspiring a culture that rewards innovation, agility and growth.

We believe this transformation is vital to sustaining Graybar as a growing company in a fast-changing world. That's how we will power the new era and the next 150 years. "...This is truly an electrical age and the dawning of a new era. How many, many things there are, familiar to the children of today, that were not even imagined by the children of twenty-five to fifty years ago.

At no time in the history of the world has wonder succeeded wonder with such rapidity, producing such astounding results that have revolutionized all our modes of doing business and all of the operations of commercial and domestic life.

Every man can help in this grand progress, if not by research and positive thoughtpower, at least by grateful acceptance and realization of what is gained. Look forward!"

ELISHA GRAY

Nature's Miracles, 1899