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Ruch, Richard Oral History Interview: Carl Frost Center Oral History Project

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Oral History Interview

Richard Ruch

Conducted and Transcribed by:

Ryan Harvey

Edited By:

Richard Ruch

June 14, 1994

9:30 a.m.

RH- Could you please state your name, date of birth, and the company you presently work for.

DR- My name is Dick Ruch, I was born on [date removed], 1930. I've been associated with Herman Miller now for about 40 years, a long time.

RH- How long have you lived in the Holland area?

DR- Most of my life, I moved up when I was seven, so about 57 years.

RH- What's your educational background?

DR- Well, most of my experience has been on the job. I graduated from Michigan State University, it was Michigan State College, in 1952. I got a degree in accounting and economics. I was there at the same time Frost was actually. He came in 1949. Although I did go to Hope College for one year, along the way.

RH- What were your first job experiences?

DR- After college or before?

RH- Whatever seems important.

DR- I used to work for my father. He was an industrial arts teacher. He taught printing and woodworking. I worked with him on the weekends. He was very good friends with another good teacher, Gerry Haworth, who later started the Haworth Co., a very big competitor of Herman Miller. I played in a dance band before I graduated from college. When I got out of college, my wife was pregnant. So I guess I took the job that paid the most money and was the easiest to do, which was General Motors right in Lansing, MI. I worked with the Oldsmobile division. It was a very boring job. For the only time in my life, I really had a case of nerves working there. I decided I probably made a big mistake going into accounting. I didn't like it, and I didn't like working for General Motors. Another job came up in Grand Rapids with the Kroger Company as a supervisor. So, I took that job. I only lasted a year and a half there, then I went to Herman Miller. Interestingly enough, I would have never gone to Herman Miller because my prejudice was that anybody in the furniture business was a very low paid company. There was some truth to that. My wife was kind of interested in moving back to the Western Michigan area. So, she actually sent in my application, and when the call came, got me an interview. So, that's how I got with Herman Miller.

RH- What was your first job at Herman Miller?

DR- I was the chief accountant. Interesting job, because the

founder of the company was D.J. Depree, and his sister Delia Depree, was the head book keeper. The guy who had the job before I did had been fired because he couldn't get along with her. So it was kind of an interesting situation. As it turned out, it all worked out pretty well.

RH- Can you describe some of the difficulties in the first years you were at Herman Miller?

DR- We were just setting up an accounting system when I joined them. They never had any monthly financial statements or quarterly financial statements. They only had the year end audit when the outside auditors came in. So setting up some sort of meaningful statements, and breaking the sales down into reasonable product groups was the challenging task for the first couple of years. The other problem was, D.J. was a wonderful guy and had a great sense of values, (in fact he was a Baptist minister at the same time he was the president of Herman Miller) but as his father-in-law, Herman Miller, told him, you've not learned how to make money. Probably you don't charge enough. The problem for me was we didn't have enough cash to pay the bills. So we had this great big file full of unpaid accounts payable. We would only pay those that screamed the loudest. I thought it was a bit ironic, with all the wonderful values at Herman Miller, that we had to operate the financial side that way. Yet, in about three or four years we managed to clear up

that problem. The company became quite a bit more profitable.

RH- How did you clear up that problem? Did you start charging more?

DR- As a matter fact that was part of the solution. Seidman & Seidman were then our public accountants; before Arthur Anderson got the job, when we went public. They recommended price increases. We were in a market where we had a unique product. That was helpful, but also the financial controls we began to put in place helped a lot. We began to reduce our costs of production. The Scanlon Plan was in place at that point in time, but it was a very crude measurement. It really was based on historical performance. The problem with that was we had been paying a bonus on a historical performance in which there wasn't very much net profit. So as we began to get into all those things, we did get some good increases in productivity which also helped to make the company more profitable. We were growing in sales volume fundamentally because Herman Miller did have some wonderful designers. Charles Eames designed the plastic chair in the early 1950's, and that became a best seller. George Nelson designed a desk line called E.O.G. The pull of those products gave us a volume increase, and of course when your volume increases, that covers a lot of other problems.

RH- How did you raise the capital to expand the business?

DR- Well, we went public in 1970, because at that point we had introduced a major new product line called Action Office, which created a revolution in the furniture industry. It was an open plan product consisting of panels and panel hung components. So, it was a way to divide space, was easy to change and used common lighting and temperature control systems. The Deprees were wise enough to see that had a great deal of potential, but it would require an outside influx of capital. So, we went public in 1970, and then went back to the equity market a couple of times to raise capital. Before that, in those early days say from 1955 to 1970, we borrowed the money; or in some years we had enough profit that we had a cash flow that helped fund the business. Financing was always a bit of a problem. It was really not until 1970 when we went public, that the company became substantially more profitable. So we didn't have to continue forever to go back to the equity market. Today, even when we had one loss year in 1992, we still had over three dollars per share of cash flow due to solid operational performance. So raising capital is not a current problem, but it sure was in those early days. Fortunately we had a few banks that were willing to loan us money when we needed it.

RH- Did you use local banks?

DR- We used the local bank, First Michigan Bank, for the most part. They also had some correspondent banks, one was the

Continental Bank in Chicago. So, they were partners in some of the loans. The big contact was just the local bank.

RH- Did you ever issue bonds?

DR- We occasionally used industrial bonds for new plant facilities. Before we went public we did something that they call factor your accounts receivable, which is simply selling your accounts receivable so that you get the money. Then that collection firm would in turn be reimbursed when the customers paid. So that was one of the things D.J. had resorted to back in the 40's, simply as a way to keep the company going. It was great to get out of that, take that over again after it went public.

RH- What were some of the reasons that you wanted to move back into the Holland area?

DR- I was born in Plymouth, Indiana. My dad was a public school teacher and moved to Holland in 1937, when I was in second grade. Once you grow up in the Western Michigan area, even though the climate is a little bit severe in the winter, the pull of the big lake, and the different changing seasons here becomes quite attractive. Of course, both my wife's parents and my parents were in the Holland area. It wasn't something we had to do, but if we had a choice, and we seemed to have one at that time, jobs

were plentiful; going back to the area where you grew up seemed like the right thing to do. The job with Herman Miller was, in spite of my qualms about it being a low paid job; I didn't have to take a pay cut when I moved for Kroger, where I was the store accounting supervisor to Herman Miller. As it turned out, Herman Miller was right at the crux of rapid growth when I joined them in 1955. That allowed the company to become very much a leader in pay and benefits, including the Scanlon bonus as part of it.

RH- How long did you stay as head accountant?

DR- Well, from 1955 to 1958, when I became the controller still in the financial side. Then in 1963, they tapped me on the shoulder and asked me to become the director of manufacturing, which was the lead manufacturing job for the company. I was very reluctant to do that because I was very comfortable with the accounting side by that time. I knew that very well. The manufacturing side, I really did not have a very good background in. Their point was that they wanted somebody who was good with people, and the opportunity to work with a lot of people was appealing. So, I did take the job in 1963. Then, I probably made a career mistake, in the sense I stayed too long. I stayed in that job for about 17 years, until about 1979, 1980. I should have really moved on before because as manufacturing became more sophisticated, the opportunity to do more automation and computer regulation was certainly there. It was time for somebody with

more of a manufacturing/engineering background to move in.

RH- Then where did you move from there?

DR- At that point we brought in a gentleman from Cummins Engine, who had some good experience in manufacturing. Although, he only lasted about a year, then we had to bring in someone else. Then I move into an administrative job. I was Vice-President of something we call corporate administration and resources. We had acquired some subsidiary companies along the way. So, I had the responsibility for those companies, also had taken on the human resources responsibility. Until 1979, we really didn't operate with a human resources function. We allowed our department managers to take on that responsibility. In the late 70's, as we were growing very rapidly, we needed to have dedicated people in that part of the business. So that was also part of my responsibility. I also took on the planning function of the company at that time.

RH- What are some of the most difficult decisions you've had to make?

DR- Some of the most difficult decisions were of course, having to fire people, or terminate people. Oftentimes, at Herman Miller, that occurred because the person in question was not

able, or at least perceived as not able, to adjust to the culture of the company, which had become strongly participative. The first company that responded to Carl Frost was D. J. Depree, and Herman Miller. That was in 1949. That was before I joined the company. So, Frost was a big influence on Herman Miller, and it became part of the culture; that you were a participative person, and you were open to influence, and you listen to the people that you worked with, and who worked for you. If you didn't do that, or as I said, if you were not perceived to do that, then it became very difficult to be successful at Herman Miller. A lot of times what would happen, it would be like a mutiny, where the subordinates would get together and complain that their manager was not really serving them well. At that point, you had a situation where it just wasn't working and something had to change. So, firing people over the years was certainly one of the more difficult things that I had to do.

There were times when I took over the manufacturing job in 1963, I had a very comfortable, collegial relationship with a number of peers of mine that had all come into the business about the same time. We all worked in a business that was across the tracks from the main factory, the administration building. About 1971, we had a very difficult year. We still made money, this is just after we had gone public, but a lot less than we expected. And there was a severe recession going on. Our manufacturing part of the business was sort of in a disarray. Carl Frost, at that time, suggested to me that what I ought to do is move right

over into the plant, and set up my work space right there, and be with the people involved. So, I did that, and it was kind of a difficult adjustment for somebody who had always worked in an office, to be in the middle of the plant. We had a couple of islands in the center of the place, and I worked up in one of these islands. At the same time, it worked out dramatically well because what we started to do was we set up fever charts of how we were doing on a daily basis in production. So, the people had an instant feed-back of how they were performing against the monthly goal, and had a pretty good idea of the monthly bonus potential. Two years later in 1974, we earned an average bonus of over 22% per month, which is the best we've ever done, and had several really good highly productive years. Of course, we were also on the growing edge of the Action Office business. So, that all came together and worked out very well.

RH- Has the company ever experienced a crisis situation?

DR- Yes, I was just describing one of them. It was somewhat of a crisis I suppose, it may not seem like one from the outside, but for the company to decide to bring in some professional managers in what had always been a family business; run by D. J., and I said his sister was kind of in the bookkeeping part of the business, and his two sons Hugh Depree, and Max Depree had come into the business. When you have a family business like that the premise is that if you're an outsider, you're not going to have a

fair shot at any top jobs because they're all going to go to the family. But Hugh Depree and Max Depree, the two sons of D.J., decided, probably because they had an awfully hard time getting their dad D.J. to retire, that they would like to set up the business in a way that there wouldn't be a continuing influx of family members. So, they set up a nepotism policy that said, if you are an officer of the company, you cannot bring in your immediate family members into the business. Of course this meant that their sons and daughters would not be coming into the business. When Hugh finally took over as president in 1973, D.J. was, at that time, almost 70 years old. Then this policy went into effect with Max's concurrence. That, I think, helped us to recruit, and bring in some very good people. It was also at the period we were growing very rapidly. From 1975 to 1985 the company grew at an average annual rate of 29% a year. So, we had to bring in all kinds of people during that period of time. We had to be able to get good people to cover the needs. I think that decision was just a great decision which really helped us. There were a lot of other times along the way when we had problems, but because of the strong growth curve, after we introduced Action Office in 1968, the problems were always solvable. We didn't have anything that left us thinking we were going to be out of business within a few years. It's been a great company to work for.

RH- How would you describe your management style?

DR- When I started with Herman Miller, I was a typical person of the time. I don't know that I was a devotee of say someone like Frederick Taylor, with job specialization ideas. But I believed that it was up to the management to lay out the job, define the job, write the job description, and everybody should do it just the way it was laid out. One of the first things I did, in fact when I joined the company, was to write a paper on why the productivity bonus, which was a Scanlon bonus, ought to be based only on factory productivity and not include the administrative part of the office. I thought that would be a much clearer distinction. Of course, there were various plans at the time that were based on something similar.

No sooner had I written that paper than I met Carl Frost, who came over to talk to me, and explained to me that if the administrative people and the sales people didn't have a great deal to do with getting the order, planning the order, scheduling it and servicing the customer afterwards; which were all part of the productivity equation, then you really didn't need them. Therefore, they were an integral part of the business, and ought to be part of the bonus plan.

Gradually, after a number of encounters with Frost and others, I began to see the wisdom of that. So, I would describe my management style as becoming one that was participative, of recognizing that people really are the most interesting factor in the business. People are the big variable that cause you to either become successful or not successful. I began to see the

pay-off, of good employee relations, much of it based on the Scanlon Plan activity. I, in the mean time, had become the chairman of the screening committee, where we met with the production representatives every month. Our absenteeism was very low, like 1%, compared to the automotive industry which was 5, 6, 7%; and industry average of maybe 3%. So, it was a big savings in having people report to work everyday. Our workman's compensation experience was much lower than typical companies. Our group insurance seemed to be pretty much devoid of abuses. Our people did respond whenever we had an influx of orders, such as an opportunity to ship as much as 50 or 60% more than the standard for a given month. We'd make it, and people would really respond. So, I became convinced that that was the way to manage, and the way to do that was to involve people early, and give them a big say in how the job was to be done, and not constrain them with a job description, but be happy when they went beyond the job, did more than was expected, did things that were not even in the job description; particularly in serving the customer, and in making the customer satisfied.

So, I became a very strong advocate of the Scanlon Philosophy. I would now call it the Frost Scanlon Philosophy because while Joe Scanlon was a great guy, Frost has carried it so much further with the principles of identity; which Joe Scanlon, as far as I know, never really talked about, and a better understanding of participation. The minute you're allowed to participate, and make decisions and influence decisions, you

take on a big responsibility for which you become accountable. So, that all became to me a kind of management system that really did work because it helped everybody work more to their potential.

RH- How and when did you first become aware of the Scanlon Process?

DR- When I was at Michigan State in one of my courses, and I can't tell you which one, I think there was brief paragraph or two about Joe Scanlon. It never stuck with me. Really it was when I joined Herman Miller in 1955 that I became aware of it, and as I said it wasn't too long before I met Carl Frost.

RH- That's my next question, how did you come to know Carl?

DR- I'd written that paper about changing the productivity bonus calculation to only include the direct labor of factory productivity. That's when I meant Carl. Then, after that, it seemed like I had regular contacts with him, I really have had ever since. He's become a good teacher and mentor for me. We don't agree about everything, but in basic management philosophy and practice, we pretty much now see eye to eye. I think he's been a great influence on me.

RH- What specific activities have you been involved in, in the

company?

DR- Starting out as chief accountant, then becoming controller, then going into manufacturing. I was director of manufacturing in 1963, vice-president of manufacturing in 1969. Then as I said, in 1979, 1980 moved into this administrative job, and did various variations of that job until about 1985 when I became the Chief Financial Officer. At that point, we had a president of the company, who was reporting to Max. I as the Chief Financial Officer also reported to Max Depree, who was then the CEO and Chairman. Then in 1988 I became the CEO of the company, and 1990 the president of the company. I retired in May of 1992, but I still serve as the Vice-Chairman, and work for Herman Miller about 30 or 40% of the time.

RH- What kind of influence has Carl Frost had on the company?

DR- He certainly had a very major influence. If you look at the history of Herman Miller, it is a real story of success. In 1950 the company had sales of about 1.8 million, in 1990 sales of eight-hundred sixty-five million. So that was an increase of 478 times, or 16% a year compounded over 40 years. The profits, in the meantime, went from eighty-two thousand in 1950, to forty-six and a half million in 1990. That's an increase of 568 times or 17% a year compounded. When you get that kind of compounding over time, you know something has really happened, and it's been

very very good. I have stock that I was allowed to purchase in 1963 at a basis of 17 cents and it's currently selling at twenty-seven dollars a share. There's been a big appreciation in the stock as well. You can say, that's because Herman Miller had a policy of encouraging good design. Certainly that's been part of it. Or you could say, that's because we're located in Western Michigan, and people in Western Michigan just have a good work ethic. To some extent that's true. Although, I think since the advent of television there's been a number of research studies that have shown, beginning in the sixties, that the values from one area of the country to another are not all that different. So, you could also attribute it to the fact that Herman Miller has had this Frost/Scanlon method of management. I believe that is a major part of the success. Of course, you have to have competent people. Yet, you're able to attract competent people, in many cases, because people enjoy working for a company that cares about people, and offers them some opportunity to really make a difference in their job.

RH- Can you describe exactly what you feel the Scanlon Plan is?

DR- It can be described in a lot of different ways, but I think, essentially; it's a method to allow all the people in the company, the employees in particular, to join together in achieving the company's objectives, through cooperation with each other, and through the opportunity to share a productivity bonus,

and to really become accountable and responsible for their work. In doing that, they're really expected to go beyond the normal job description, and to do whatever needs to be done to satisfy the customer. It becomes, really it's a philosophy and a management style that's based on respect for people and giving people opportunity to perform.

RH- I don't know how much experience you've had with this question, but what kind of difficulties did Herman Miller have in the implementation of the Scanlon Plan?

DR- We've had it for so long, 45 years. You have to go back to 1949 and 1950. When it was implemented, it was more of the original Joe Scanlon idea of a labor productivity plan. Yet, there was always a lot of skepticism when something like that's done. I remember one of the production workers, who made a wager with one of his colleagues that he would give him his bonus check for ten dollars. They didn't know what it was going to be for the first month bonus. As it turned out, there was practically a 10% bonus. So even in the first month he lost money by betting against the plan. I think once it got started, trust by the people for the management gradually developed. Of course, you shouldn't even start unless the leadership of the company is willing to trust and share confidential information with the people. An issue we had to work through is that where management was usually able to cover up their problems, prior to the Scanlon

Plan. Once you have it in place, and you're going to meet with the representatives of management and production, and everything was open, and subject to question, if there was any problems that management hadn't dealt with those were put on the table. That was very wearing on management, who was not used to being questioned by the people about why they didn't do certain things. Yet, it was a very healthy kind of exchange. When I came into the company I was shocked at the kinds of things which were discussed in the screening committee, because the workers were not afraid to challenge the management or a manager if they did something wrong, or they thought maybe that they did something wrong. In some cases, you could explain what had happened, in others it was confession time, but you'd better have an answer. Getting used to that open communications environment was difficult for a lot of us, but proved to be a good thing.

RH- How has the Scanlon Plan changed over the years?

DR- It's really evolved a lot. In fact, you could almost say that over time it's become something almost entirely different from what it was. That's a problem because people think of the Scanlon Plan in terms of what Joe Scanlon did way back in the thirties. He just took a percentage of sales, and said, that's the labor allowance. That's what it was historically. If you can beat that, then that generates a bonus, and that's the way you measure things. But in the fast moving economy of today with

so many different products that are offered by most companies, you really have to know exactly what your costs are on every product. Often times today the sharing is based upon much more sophisticated measures. Either sharing of profits, or sharing as we do of indices that relate to customer satisfaction, relate to cost savings, relate to growth of income and profits, and relate on things like return on assets employed. It's evolved, and the principles, the Frost/Scanlon principles as Carl Frost has articulated them, especially in the last ten years; I think have made it a much better plan. One that is adaptable to change because it really takes change as its central premise. How you deal with change, how you adapt to it, is a big measure of how successful you're going to be. If Carl Frost hadn't come along, I don't think we'd be in nearly the same place that we are today.

RH- I have a list of different things here. What has been the impact of the Scanlon Plan on customers, first of all?

DR- I think partly that's the responsibility of the company leadership to recognize that the customer is the focal point of the business. Without a customer, you don't have a business. In the early days, it seemed like the focus was on the productivity gain sharing. It was a matter of producing the schedule rather than serving the customer. Today, I think we have better insight into that. That the whole thing keys around satisfying the customer, and exceeding the customer's expectations. You do that

by understanding what it is that they need, and then making sure that they're well served. That's why it was very important to include the sales people. In the early days we included all the office and the factory, but we did not include the sales part of the business in the monthly result report or in the bonus. Now we do because the sales person is the front line, working with the customer. What they perceive as the customer's needs, and how we serve that customer is real important. It's been very good to have a lot of customer visits to our main manufacturing site in Zeeland, and also to our other regional sites. People on the floor consistently do have a chance to talk with customers, and to understand what they're looking for. I think today we all recognize that customer satisfaction is fundamental to our success.

RH- What has its effect been on investors?

DR- If you look back at the growth in the Herman Miller stock over the years, the return has been excellent. There have been periods when the stock was pretty flat usually when the industry was in a period of actual retrenchment. Yet, even during those periods Herman Miller has been able to do somewhat better than the industry. I think one would have to say, if you look at it over time, that it's been very good for the investors.

RH- How about financial savings?

DR- One of the things we've always focused on is cost reduction goals. For a period of time in the late 80's and early 90's, we were achieving twelve million dollars a year in cost savings. At the time, that was very good and generally exceeded our goals. I think now today with the fever pitch of global competition, even that kind of cost reduction is not adequate. Starting with the design of the product, and the way you market the product. We have to find ways to reduce our cost by something like 5% a year just to stay competitive. I think the Scanlon Process, the involvement of people in understanding that that's not just something that management wants to do, that's really a requirement for staying in business as we approach the new century. The whole process of communication has been helpful in reaching that understanding with our people.

RH- Has it had an effect on product quality?

DR- Yes, I think it has. In the early days, I would admit that the focus was more on hitting productivity goals, and production goals were in dollars, not on quality. Although, we always did deduct any returns or problems that customers had in arriving at the net sales, which at that time were the base of the calculation, I think today, people understand that maybe there are two kinds of quality. First of all, there is the quality you get through the use of better materials and better design. Those

products tend to cost more. That's something that I think our design and engineering groups need to strive for where it's appropriate.

The second kind of quality is something that everybody in the company needs to be aware of is, that if you do it right the first time, if your process is free of defects, then you save a lot of money. You render better value to your customer as well as being more reliable and more dependable in delivery and in the actual use of the product once it's received by the customer. That kind of quality is something that has got to become integral to the way that we measure everything. The identity principle, I think it gives us the opportunity to make sure everybody gets the message of what is needed there.

RH- How would you describe the principles of identity, participation, equity, and competence?

DR- Those are the principles that have evolved over a period of years. I think that those principles are going to have a very long life because regardless of the business you have, you're going to have to do those things if you're going to be successful and meet the needs of your customers. If you read Frost's new book when it comes out, I think he will go on at some length about how you run a company and lead a company, involve people using those principles. From my experience, I think they work.

RH- What are some of the changes you've seen in the market and your business over the past 20 years?

DR- Customers are becoming much more intelligent about their buying opportunities. There's certainly more competition now than there ever was. The whole value equation is more important. Customers want the best price. They want the best product. They're willing to pay for a solution that meets their needs, but not more than they would have to pay if they got it from somebody else. The customer is really king today. If they weren't before, they certainly are now. I think all of us are much more aware of those customer needs than we ever were.

RH- Have you seen any major changes in the Holland business climate as Holland has grown and developed?

DR- Sure, Holland was a very quiet community, largely Dutch when I became part of the Zeeland community in 1955, when I started with Herman Miller. Now Holland has grown a great deal. It's been cited as the fastest growing section in Michigan. It has brought in a lot of other people. We have a high percentage of Hispanics in the Holland area. We have a growing group of Blacks, and we have a number of Asians that have moved in. So, it's become more diverse. It's almost getting to be a metropolitan area. It's certainly not like the other side of the state, like Detroit, but we do have traffic jams, and we do have

some population density that we never had before. Yet, I think it's been an opportunity for all of us to see that this is the kind of environment and the kind of population that we need to work with. There is power in that because our customers are diverse, and our customers are worldwide. It's appropriate that our employees have some of that same representation.

RH- Has Herman Miller turned out the way you originally envisioned it?

DR- It's really turned out a lot bigger and better than I ever imagined at the time. As I said, I still had visions of it being just a furniture company, and processing wood products because that's the way I saw it before I joined it. It's since become a much bigger company. It's gone into the healthcare market to some degree. It's become one of the bigger companies in the world in office furniture. It's got some other opportunities ahead of it. It's really turned out very well.

RH- If you could go back and change any of your business decisions, would you change any of them?

DR- As I said before, I wouldn't stay in manufacturing quite as long as I did. I think, yes, I'm probably the kind of person who wants to reflect a little bit too much on a decision before making it. With the faster pace of business today, I don't think

you have time for that. You really have to try to assess some of the facts, but you're never going to get all of the facts, you're never going to get them all right. So a lot of a decision is based on intuition. It's based on counseling with your colleagues or the board of directors. Yet, I think the thing today is you have to take action, and you have to take it quickly because if you don't, your competitor probably will, and you're going to be at a disadvantage. So, I think I'd be even more action prone, if I could go back and do some of it over.

RH- What course would you like to see Herman Miller take in the future?

DR- I'd like to see Herman Miller continue to maintain the values and the culture that it has. Although, even that will have to change from time to time. I think the principles, the Frost/Scanlon principles, and the values that we have, have a lot of long life to them, and are appropriate for business. I'd like to see Herman Miller probably become a stronger global company than it has been. We've been trying to create a global business for the last thirty or forty years with sort of mediocre success. I think it's going to be important to really do that in the next generation. Certainly the opportunities in China, and the Far East, and even in Europe are going to be substantial. I would like to see Herman Miller probably branch out beyond the offering that we've had in the office business, which is strictly

furniture; to do more of a complete package which would help companies improve the productivity of their workers, and also improve the quality of their work life. Maybe we would want to help people with some of the participation philosophy that we've learned over the years, and help guarantee a productivity result for them, and a quality result, rather than just selling them just furniture, sell a result.

RH- Could you describe a little bit some of the international growth you've experienced?

DR- We've been disappointed really in our international growth in some areas. For a long time, we felt that South America was an area of sort of benign neglect but now it's an area of opportunity.

(end of tape side one- pause)

We now own a hundred percent of Herman Miller Mexico. That's a wonderful opportunity for us. It's an adjoining country that's fast growing that has a need for office furniture and office products. That can lead us into a new look at Latin America, which is going to be in the next generation a great opportunity. In Europe, we've been there since the fifties, but we have yet to really establish ourselves on the continent. We've done well in the U.K. in a number of years. We never did well on the continent, and now with Eastern Europe, then going on into Russia, India, China, and into the Far East. That's going to be

a fantastic market. We have to make major investments there, possibly acquire some companies that will help us get a stronger foot hold in Europe and those Eastern countries. That's going to be challenging, but it's also going to be a great opportunity.

RH- You mentioned Herman Miller has gone into some health care industries. Have they diversified into many industries other than furniture?

DR- We used to be in the residential business. We got out of that in the late fifties, when the office market opportunity really seemed to command all the resources we could muster. Then in the 1970's we got into health care using Action Office as a partial base. We introduced a product called Co-struct, or coherent structures, which was a series of carts, and shelves, and lockers or containers, that would move about the hospital. Since then we've developed some medilink carts that are based on software for dispensing drugs and other medications. We've seen that part of the business grow in the last number of years. It's now about 10% of our total volume. It has the potential to become a much larger part of our business. I would hope we could expand in that area. We have also introduced some of the Herman Miller classics back into the residential market. Maybe, in some sort of controlled way we can focus on segments of the residential market as well. So, the office, the health care, and the residential, those three circles provide a lot of

opportunity. Especially, if we start to deal more with results of what happens when we deliver the product, rather than just ship it to the customer and let them worry about it.

RH- What advice would you give to a young entrepreneur?

DR- I think the best thing that anybody can do is something that Frost told me a long time ago, don't make so many statements, ask questions. Questions are open ended. You get the other person's opinion, and the other person's response when you ask a question. I'd say ask a lot of questions, and only hire people that have some passion for your business. Don't just hire anybody that walks in because it's the quality of that employee group that really is going to make the difference in your business.

RH- Has the work ethic in West Michigan had much of an effect on Herman Miller? You mentioned a little about that.

DR- I think it did in the early years. I'd say today, while it's a good place to work, we have found in setting up regional plants in many other parts of the U.S. and overseas that you can replicate the kind of productivity that we get in Western Michigan in other parts of the United States. It's helpful, but it's not as distinctive as it once was. Again, that's because in this world wide communications age the cultural differences I think are becoming less.

RH- Has Herman Miller been involved in any community service projects?

DR- Yes, we've always been quite actively involved in Zeeland. We're the largest tax payer for the Zeeland high schools. We've always had people in our company that served on the boards of some of those groups. We've been active in the renovation of downtown Zeeland, and Junior Achievement. And now that we've branched out into Holland where taking active part with the community and Chamber of Commerce there. We've been an environmental leader, which has been a good thing and it's largely led by our employees. We've been recognized, with a lot of awards. Our energy center, we're now burning the wood waste of even some of our competitors, and converting that back into usable energy, rather than have that go to sanitary land fills. In a lot of areas, we're trying to be good community citizens.

RH- For our final question, what would be the mission statement for Herman Miller?

DR- We're problem solvers. Over the years, with our heavy emphasis on research and development, I think we're problem solvers particularly in the working and healing environments. Our aim is to provide work environments that improve the quality of our customer's lives and their productivity. When you think about it, most adults have jobs today. They spend the greater

part of their waking hours at the job. So, the quality of that environment, and their ability to be effective in it is very important. That's our mission. It's to make that environment just as productive and high quality as we can.

RH- Those are all my questions. Would you like to say anything else?

DR- Just that I think without the influence of people like Carl Frost and the Frost/Scanlon principles I don't think Herman Miller would be nearly in the same position that they are in today. So, we're very grateful that he moved to Michigan State and we met him.

RH- Okay.....Thanks a lot.