

6-9-1994

Sligh, Robert L, Jr Oral History Interview: Carl Frost Center Oral History Project

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Recommended Citation

Repository citation: Harvey, Ryan, "Sligh, Robert L, Jr Oral History Interview: Carl Frost Center Oral History Project" (1994). *Carl Frost Center Oral History Project*. Paper 17.

http://digitalcommons.hope.edu/frost_center/17

Published in: *H94-0234.5 Hope College Living Heritage Oral History Project*, June 9, 1994. Copyright © 1994 Hope College, Holland, MI.

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Oral History Interview:

Robert L. "Rob" Sligh, Jr.

Conducted and transcribed by:

Ryan C. Harvey

Edited by:

Robert L. "Rob" Sligh, Jr.

June 9, 1994
9:00 a.m.

RH- First of all, could you state your name, date of birth, and the company you presently work for.

RS- Robert L. Sligh, Jr. born [date removed], 1954. I work for Sligh Furniture Co. as Chairman, CEO, President.

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

RS- I grew up in Holland. Then I went away to college, at the University of Denver. After graduating, I worked in Denver for a while at a Savings and Loan. I worked my way up to be a branch manager. Then, I went out to Boston for graduate school at Boston College and earned an MBA. From there, I went to Johnson Wax in Marketing, and stayed out there, in Wisconsin, for about five years. So, in total, I was away for about eleven years, and moved back to Holland in 1983.

RH- That kind of leads us into the next question. I was going to ask you, what is your educational background? I guess you've already answered that. So how did you become involved with Sligh Furniture?

RS- Growing up, I didn't think I wanted to be in the family business. At the same time, in the 1970's, the third generation of management said, nobody from the fourth generation is going to

be able to come into the business straight out of college. What we're going to do is require that anybody from the fourth generation has to go out into the business world, and earn their stripes, get a few promotions. Then, if there is an opening in the company that matches the strengths of somebody in the fourth generation, we'll consider them along with other candidates. In a way, I was fortunate that I didn't grow up with the idea of being in the family business because it really caused me to be focused on another career.

When in graduate school at Boston College, I was interested in marketing. So I did quite a bit of studying on marketing. The premier marketing job in America was consumer package goods, brand management. During Christmas break, I decided that what I wanted to do is go to a series of package goods companies, and see what they were like. Then during Spring break, which was in February, I wanted to go to another set of package goods companies. I set up advance appointments to do just that. I visited eleven package goods companies in the Mid-West during Christmas break, and then six in the East during my Spring break which gave me a good over view of the companies. Through that proactive effort, I was able to figure out the type of company I wanted to work for.

Then a fortuitous thing happened. I had sent several letters to Johnson Wax. The first one I sent was to the Chief Executive, Sam Johnson. I got a letter back, almost instantly, saying they didn't have any openings. I was disappointed because

I admired that company. Then, I got a letter back from the V.P. of Marketing saying, they'd like to interview me, and they'd like me to set up an appointment with them at the CRC. I realized then, that there had been a mistake because the CRC (Career Resource Center) is at Harvard Business School and I was at Boston College. I think they didn't read my letter very closely! So I called up his office with some trepidation. I said, "first of all, I want to accept your invitation for an interview at the CRC. The other thing though, is I'm not a student at the Harvard Business School, so you will probably have to help me make arrangements to do that." There was a pause at that end of the line, and finally the secretary said, "I think I've got to check with the V.P. on this." I was on pins and needles, until she came back chuckling and said, "we'll set that up for you." So I was able to go over to Harvard Business School. The evening before the interviewing, had a big reception at a hotel with several Johnson Wax executives and lots of Harvard MBA's. I was the only one from another school, which made me a curiosity. Everybody from Johnson Wax wanted to meet this kid that "had crashed the party". The next day, I got some extra-long interviews because of it. Ultimately, when I got some offers from Pillsbury and Kraft and Johnson Wax, I really wanted to go to that company. I think Johnson Wax, was at that time a two billion dollar, privately held family business. There is perhaps only one family business that I'd rather be a part of. So that's why I came to Sligh.

After about five years at Johnson Wax, there turned out to be a marketing oriented opening at Sligh. Dad had been working on me over the years to consider coming into the family business. I'd earned several promotions at Johnson Wax, and worked on several brands. The opportunity to join the family business started to strike me as a possibility, but I still wasn't sure. I went to the library in Milwaukee, and tried to find all the books I could on family business. There weren't many at that time. This was back in 1983. I got five or six of them, and I noticed that virtually all of them were written by the same guy: Leon Danco in Cleveland, Ohio. I read his books, and I thought I'd like to meet him. So I got him on the line and said, I'd like to come down and see you, and talk to you about family business. I'm thinking about going into the family business and I'm not sure it's the right thing to do. I need someone to help clear my mind. So he said, sure. As a matter of fact, we've got a three day seminar on just that topic in a few weeks. About forty people are coming. They are thinking about joining a family business. Why don't you and Jorie come down, which we did. Jorie is my wife. We spent three days with Leon and the rest of the gang in Cleveland. After that we drove up to Michigan, talked it over with Dad, and made the decision that we ought to do it. That was in the summer of 1983. I wanted to have an orderly transition at Johnson. So I worked until October and then come over to Sligh.

RH- Can you describe some the difficulties, in the first years of you coming to the business?

RS- The business, was smaller than it is now. Top management in general, was within sight of retirement, and a lot of middle management as well. Company ownership included a lot of people not involved in the business including aunts, uncles and cousins. My grandfather was still a significant owner. We had reached a point where we knew the next decade was going to be a significant transition, in management, ownership and in the industry. That presented a difficult challenge as the years rolled on. We didn't have any computer systems, and I remember that word processing was something of an unknown to us. People felt the IBM electric typewriter was advanced technology! The first word processor we brought in was about as big as a desk. The salesman was talking about networking things together. I remember Dad said, I can't ever imagine this business ever having more than one of these, so why would we want to network? What we did have, which remains a tremendous strength today, is a terrific product that's highly valued by both the consumer and dealer. That and our talented people in the plants have remained the backbone of the business.

RH- You mentioned expansion over the past decade. How did you raise the capital to expand the business?

RS- Well, it was internally generated and debt sourced capital. Now in our fourth generation we can look back and see different goals for the business by the top family members. My great-grandfather, who started the business in 1880, was a terrific entrepreneur. He started from scratch. I would guess that one of his most important goals was growth and market share. By the time of his death in 1927, Sligh Furniture Company was the largest bedroom furniture company in America. He was able to realize his dream. The Great Depression in the furniture business started in 1926. Nationally, furniture production declined 86 percent during the period 1926 to 1929 compared to the 1923 to 1925 average. By the time of the 1929 stock market crash, the industry depression had already brought the Grand Rapids furniture manufacturers' to their knees. The days of the really large home furniture plants in the North that were appealing to mass markets were gone, after the Great Depression.

So my grandfather, Charles R. Sligh, Jr. and his partner, Bill Lowry, came into play in 1933. I'd say their goal was survival, and the business was their most important financial investment. They started with a small 50,000 square foot plant in Holland. They decided they would make that the most efficient plant they could, while building production to its full capacity. They figured when the time came that they could no longer fill the orders they would simply raise prices and make a larger

profit on the same volume rather than building additional capacity. Grandpa and Bill Lowry made a profit their first year together and every year there after for over 45 years, quite an accomplishment.

In the 1940's Grandpa and Bill Lowry gave in to the urge to expand and bought additional plants. In 1957, Grandpa accepted a full time paid position as Chief Administrative Officer of the National Association of Manufacturers, while remaining Chairman of the Board of the furniture company for an additional 31 years. The same year, Bill Lowry was elected president of the company. The Grand Rapids Chair Company was sold by Sligh to Baker Furniture Company, the furniture operations of Charles R. Sligh Company were absorbed by the company and Ply-Curves was sold to Bill Lowry, Jr.

Robert L Sligh, my dad joined Sligh in 1954. He became President in 1968 when Bill Lowry retired. As the company's third generation executive leader, I would say that dad's goal was to perpetuate the business over the long term. The evidence of his success is that in the early 80's the company created all new facilities at great expense. This facility, at Industrial Park in Holland, was started as a machine room in the mid-seventies, and then the offices and the entire rest of the plant complex was completed in 1981. Then in Zeeland we moved from Carleton Street, to triple our capacity, at the former Colonial Clock facility, that we completely refurbished. The company combined two plants into one, making a good-looking, great-to-

work in clock manufacturing facility. Their building and grounds investments helped lay the foundation for growth and productivity advancements in the future.

Then there's the ownership side. In any family business that succeeds from one generation to the next there are many emotional and complex issues. Sligh is no exception I guess the transition from the third generation started in 1985 when my uncle Dick wanted to branch out on his own. He bought a company called Grand Craft, where they make beautiful mahogany run-about boats. He cashed in his ownership position in Sligh Furniture and put that capital into the boat business. In a private company like Sligh, that internal funding for stock buy-outs can be difficult to manage. That was just the beginning. Later in 1985, a couple of my cousins wanted to cash in their stock to fund some real estate business ventures that they were in, and so that required additional capital to fund the purchase. Subsequently, another one of my cousins wanted funding for law school, and the company repurchased his stock.

At that point, the company decided to become a little more proactive instead of waiting for these things to happen. So it began with my grandfather, and a plan for redeeming his substantial holdings in the company. Those redemptions were completed in 1992. You can see that these things take quite a long time. In 1993, there were redemptions for all the third generation stock held by people who were not involved in the business. Later that year, the company addressed the needs of

the fourth generation shareholders who were not active in the business. Their common stock was exchanged for preferred stock which in essence froze the value. People involved in the business then could benefit from increases and bear the risk of decreases in value. The inactive shareholders of that generation would get a fixed return dividend on the preferred stock. Dad retired from the business in 1993, and then retired from the board in 1994. Ownership succession from third generation was completed when the company purchased the remainder of Dad's stock in 1994. Whether you're looking at the building of facilities side or the ownership side, there's really been a tremendous investment in the future of the company.

Now at this point, the question is what are the goals of the fourth generation head of the business? My goal is for us to be a leader in our market niches, to be perceived by career investors as a great place to work, and to produce a competitive return on equity. We want to remain private, and run it as a professionally managed company.

RH- Have you ever considered going public with the stock?

RS- No, in fact, we talk with all our employees about our goal to remain a privately held business. We want the people who helped build the business be the beneficiaries of our success. We do that through profit sharing, but also all of our officers are owners of the business. Your name doesn't have to be on the

door to be part of the "family"...or part of the executive team at Sligh.

RH- Were there any particular reasons to your decision to move to Holland? Was there something about the Holland area which made you want to live here?

RS- I'm really glad I had the opportunity to live in other places, Denver, Boston, Wisconsin. When I was with Johnson Wax I also spent six months on sales training in Arizona. I had the opportunity to meet lot of different people, and that was important. If I had lived all my life in Holland, and had never left, I'd probably always wonder. But with that experience, I'm deeply aware of the values of the communities in West Michigan, the great place it is for kids to grow up, and the terrific access to the water recreation. West Michigan is a great bastion of small and medium sized businesses; terrifically managed businesses. We not only have a good work ethic in the work force, but we also have a lot of great leaders here in business. Unemployment is very low because of the success of the area businesses in world-wide markets. It's really a great place to live.

RH- What are some of the most difficult decisions that you have had to make since you've been with Sligh?

RS- In 1990, we had a terrible year in this business. I think, in retrospect one could say, the strongest, hardest metal is forged in the white hot part of the flame. But when you're in the white hot part of the flame it's hard to remember that. It's very painful. We had a number of things that happened. The home furniture industry was, from 1988 to 1992, in a deep recession. That was the longest industry recession since the Great Depression. It was a deep trough; very tough. And too, we had a couple disasters on the cost side. One, a large clock dealer account, representing seven or eight percent of our clock sales, went bankrupt. We lost the whole receivable that we had with them. On the furniture side of the business, we had a lacquer cracking problem, and this showed up when about a year's worth of production got out into the field and into people's homes and offices. Months and months after production, it started cracking, like a mirror that you dropped on the floor. It was awful. These two things alone cost us a lot of money.

In addition to that, we had made a decision in the mid-eighties to go after more aggressively the business office market. We set up business office show rooms, put out catalogs, literature, and advertising. We established an internal division to direct its efforts towards business office furniture with a separate sales force. Looking in the rear-view mirror it was a tremendous growth market. Looking ahead it was about to enter a flat spot just about the time we started carrying out our

strategy. So our big investment wasn't paying off at the rate that we had expected. These things combined with the fact that we were redeeming a lot of owners, thereby decapitalizing the company, conspired to make 1990 a terrible year. We lost a lot of money.

As a result, we had to do some things that really shocked all of us in the organization. We laid off 86 people, which to answer your question, that was the toughest decision that I've ever had to make. Amongst those people were those that I had developed a personal friendships with. To have to fire people who are good friends; that's tough, very tough. We learned some important things from those experiences.

First of all, as tough as things were, we learned to lay it all out there honestly, and talk about equity. We let every one know that the owner's financial investment in the company was worth less because of the losses. The customers, with the finish cracking and bankruptcies were loosing. And we employees were sacrificing too. The first thing we did in top management was to reduce our salaries by twenty-five percent, and no bonuses. Then others in the organization were more able to see fairness and equity at work. After the layoffs, we had two weeks in 1991, separated by a couple months, where we didn't work in the factory. For that entire summer of 1991, we didn't work Friday afternoons, but we did have training during those periods. The focus on investing in our long-term future was maintained as much as possible. The people in the plants really responded and the

organization became much more focused. We probably faced up to some issues as it relates to focus and people, that we might not have faced up to had we not been in crisis. I'm thinking as I look at our business history and the history of other businesses that it most often takes a crisis to create dramatic change. In a company that's a hundred and fourteen years old, we've got a lot of things that are ingrained. We compete in a fast changing world that really requires us to change. So perhaps a crisis is an important rite of passage. We had ours.

RH- How would you describe your management style?

RS- Probably as an active, expressive leader. Planful. I try to inspire a strong sense of common identity and a shared vision of the future among all employees. Plans and actions are consistently focussed on what's most important to making progress toward our shared vision. I try to be accessible, helpful, and receptive to others. I expect people to identify opportunities, create their own ideas, and take action. Accountability is clearly defined. The real issues are discussed in open forum. There is an atmosphere of mutual trust so that people feel free to say what they think. There is a consistent focus on customer oriented quality that concentrates on doing right things right, and improving process.

RH- Now we'll get into some Scanlon questions. When did you

first become aware of the Scanlon Plan?

RS- I had the good fortune of being raised by a company President. As a kid I heard about it through Dad. Of course, living in this community, you can't help but hear things about it because of Herman Miller and Donnelly. I think back in those early days the handle that I attached to Scanlon was "participation". The whole idea of workers having the opportunity to participate in decision making. Later that developed into more of the opportunity and responsibility, but at that time my understanding of it was really the opportunity to participate.

RH- Have you had any experiences with Carl Frost personally?

RS- Carl Frost and I kind of missed each other in our careers. He worked with Dad in the early seventies when the plan was first being set up. Since 1983, when I joined the company, he hasn't been at our company. The occasions that I've seen and heard Carl have been at the annual Scanlon conferences. I've heard many wonderful stories about his involvement with the Scanlon companies. What I've gotten most from Carl's leadership has been the Scanlon principles that he authored, and I carry in my head as a framework for managing.

RH- What type of influence has he had on your company?

RS- I think he profoundly influences our company through his principles; identity, participation, equity, and competence. That's the framework that we talk about constantly in our organization, and by proxy that is Carl Frost's influence.

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

RS- It's a philosophy. It's a process of carrying out business. It's really difficult to put your finger on. It's a fabric that becomes interwoven into the organization. It's not a book. It's not a bonus plan. It's more than the principles. Perhaps the essence of it is the equity triangle: a fair and balanced return for customers, employees, and owners. I think it takes years and years of practicing it, and suddenly you wake up one morning and realize it's part of you the way you do business.

RH- What were some of the obstacles or difficulties your company faced in the early years of Scanlon implementation? I know you probably don't have direct experience with this.

RS- I think that we had in place managers that certainly were not natural Scanlon type managers. By that I mean, they were

autocratic, and that is typical in our home furniture industry. It didn't come naturally to them to have teams or participation. So Scanlon in the early years became associated with the bonus which is the traditional pit-fall. When the bonus was good everybody thought Scanlon was good, and when the bonus was not so good everybody thought Scanlon was lousy. When I first came to the organization in 1983, we were just coming out of that 1981-1982 recession, and everybody thought Scanlon was lousy. What they meant was they didn't like the bonus during the recession. I remember back then one of the first things we did was quit calling it a Scanlon bonus. Quit using the Scanlon name, in that sense. Because it's part of the Scanlon philosophy that you've got to make it your own. That's really what we've done with Sligh profit sharing. We went from there, to focus more on the Scanlon principles, and the equity triangle and the philosophy. Over a period of years that's had quite an effect.

RH- How have you seen the Scanlon process change since you've been with Sligh Furniture?

RS- We had a suggestion program, and we weren't getting very many suggestions. In the mid-eighties, a team of people got together to think about how to improve. We opened up the communication channels by changing the routing. It used to go to the supervisors, and sometimes suggestions would get blocked there. So we routed it to the people who had the most expertise

whether they were in management or engineering. We started tracking the timeliness of response and the timeliness of implementation. We started recognizing, on a quarterly basis, achievement by dropping names in a hat of people who had given suggestions, and drawing names out for savings bonds; Having donuts for departments that met certain suggestion goals. These steps greatly improved that whole suggestion system. But as the 80's went on we also realized that suggestion systems, as good as they are, are not enough to help us unleash the full potential of our employees. We need more, and better avenues of participation.

Another thing we've been successful with is teams and task forces. It started out with a failure. We decided in the late 80's that we ought to have everybody on a team, and then those teams ought to be self-managing. We did a lot of manufacturing excellence, and team training at that time. We wanted to get people off and running. We made the crucial mistake of missing the middle supervisory management layer. People would go back into their departments and even those middle supervisory managers who were involved in the process went back to their traditional way of managing. It wasn't team oriented. It wasn't headed toward self-empowerment.

We restarted. This time we oriented it to something very specific, and that was set-up reduction. The teams had very clear and dramatic set-up reduction goals of fifty percent or more. The teams were very well facilitated by our manufacturing

engineering people who had been through a lot of training. The teams went through good, well-thought-out processes involving video taping the set-up, which only they viewed. They viewed them like players do on a football team with game films. Then the teams identified the critical elements of set-up, and how those elements could be reduced. We had some dramatic improvements in set-up reduction. Over the years, since 1989, we've had well over 30 of these teams in our two plants. The teams have reduced set-up over forty percent so far. We reduced economical lot sizes over fifty percent. So this team effort really took hold when specific objectives were set, and people then got excited about achieving them.

The success in set up reduction showed how teams worked, and then we expanded that to quality improvement. Cross-functional teams do address special concerns like rapid and responsive new product development, or changing the layout in a plant area. Now we think we're ready to move back into work teams that are self-empowered, and can work on their own. It's still important to have a suggestion system. It's still important to have task forces. We think it's going to be important to have work teams. We have a good team oriented planning process, and team oriented processes for reviewing results verses plans. On balance we think there are a lot of avenues for participation. Different people feel comfortable with different avenues, and we're in the business of providing a variety of ways for people to participate.

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

RS- Identity is knowing the right job and the criteria for doing the job right. Participation is the opportunity and the responsibility to get involved. Equity is a fair and balanced return for customers, financial investors, and for what we call the career investors which would be the employees. Competence is the ever increasing requirement to do the job right.

RH- The Scanlon process has evolved over a history of almost 50 years. What do you envision as the future of the Scanlon Plan in your company?

RS- We're just getting started on what Scanlon can do. It's a long, long never ending journey. What I see directly ahead is the ability to document outcomes, in the area of meeting customer needs, meeting career investor needs, and meeting financial investor needs. We want to demonstrate that following the Scanlon philosophy, and the principles can produce superior outcomes. I think we're on the leading edge of being able to track that. Even more importantly, we want to enable Scanlon companies to know better how well they're making progress toward becoming world class.

RH- What do you see as the future of the Scanlon Plan in America

and globally?

RS- There a lot of ways to skin the cat. So there a lot of ways to manage. I don't say that the Scanlon process is the only way to successfully manage. But Scanlon is one of the few philosophies of management that has been time tested over decades. It has shown that great rewards can be had for career investors and financial investors, and highly satisfied customers can result from pursuit of this process. It's an ever improving process, so that practitioners are continually moving ahead.

Therefore, I think there is growth ahead for this way of managing. The idea of fair an balanced return for the stakeholders, and identity, participation, equity, and competence really fit in with what's needed today. We hear about value-based education. We hear about values in the work-place. It all ties in with what really comes naturally to us in West Michigan, and even more naturally to us in Scanlon process companies. The kinds of values and principles that we're pursuing are just right for today and tomorrow.

RH- Do you think that there are any particular organizations where the Scanlon process wouldn't be appropriate?

RS- Top management has to want to manage this way. Otherwise it won't work. It's a difficult way to manage. Being open to

influence, being vulnerable. It's not for everyone. But it works for us, and I think it could work for a lot of other companies too.

RH- Have you seen many major changes in the business climate of Holland as it has grown and developed over the course of your lifetime?

RS- It's become a more vibrant, more diverse community. There is more variety in our community culture today. There's more awareness of the world around us, and those things are good. As companies have grown up, particularly the local companies have taken root and become world class and world minded. That has helped the community. The community does have growing pains, but that's natural. On balance, Holland is a growing, dynamic community.

RH- Are there any business decisions you would like to go back and change if you could?

RS- I guess the first thought is I'd love to know what I know now, and then go back in time. But on the other hand, if I really had that opportunity maybe I wouldn't take it. I'm not quite sure what a different set of decisions might do. It's all part of a complex system. If I fixed one thing, something else I didn't break the first time might be broken. On balance I guess

I'm more forward looking, than looking toward the past.

RH- What course do you see the company taking in the future?

RS- We think the first 114 years has been a great beginning. There's lots ahead of us. We want to remain private. We want to grow, and therefore, provide a good return for career investors that work here; job security and opportunity, financial security and rewards, recognition, information and knowledge. We feel like we've got a great future in the markets that we serve which are home office, business office, and clocks. And we want to produce a competitive return for our financial investors.

RH- Do you see yourself as being more focused on dynamic expansion into new markets, or simply trying to better your quality in the markets you're in right now? Just build a good product. Are you in a more stable state, or a state of expansion?

RS- We're expanding, though we're not a go-go growth company. Against the odds, we've made it through to a fourth generation company. We now have an experienced, but relatively young team in top management and middle management. We have a good mix of people in our work force, young and old, all highly skilled. We have a fast growing market in home office. We have a dominate

position in high quality clocks. Ownership succession issues are behind us. So, for the next fifteen years or so, there is a growth phase ahead of us. Then after that, we'll start thinking about transition to the next generation!

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

RS- I'd probably pass along the best advice that I ever received. That was from a man who worked at Anaconda in Marketing. I went to see him when I was at the University of Denver and looking for career opportunities. He said to me, very simply, you can be anything you want to be, you can do anything you want to do. You simply have to decide what it is. I thought at the time, at 22 years old, that I'd like to have a little more information! But as I've grown older, I've realized that's the best advice I've ever received. So to the entrepreneur; decide on a dream, and pursue it.

Beyond that, the Holland area is burgeoning with the entrepreneurial spirit that inspires and creates business start ups. Unfortunately most new businesses fail in the first few years. A new business owner must be fearless, bristle with confidence and garner large quantities of emotional, physical and financial resources in order to succeed. Insure that your product or service offers an important benefit to enough potential customers to support lasting business progress. Think about how your advantage can be sustained in a competitive

marketplace. Be broad thinking while working hard with single minded purpose. Beyond appropriate objectivity, presume success in all your plans and actions. Be ready to redefine what requires your attention as the business grows. If some people didn't ignore bad odds every once in a while for some great purpose, our community and nation would never have gotten as far, and the future would be much less exciting!

RH- What's your company's mission statement?

RS- Essentially, we don't have to be the biggest, but we want to be the best at creating and maintaining satisfied customers in the markets that we serve.

RH- Well, I think that about wraps it up. Thanks a lot for your time.