

“As Equity Partners, Maintaining a Fair Balance of Interests Will Allow Us to Sustain This – The Greatest Organization”

*Delivered to LEAD Program attendees on Sept. 26, 2018,
by Rick Schwartz, Chairman of the Board, Winsupply Inc.*

SPEECH EXCERPTS

EXCERPT 1

You may have seen an article in Forbes listing some of the best purpose-driven companies of our time.

On that list were companies like eBay ... Tesla ... and Airbnb.

Studies show that purpose-driven companies produce some of the **largest profits** – and have some of the **strongest** and **most consistent** earnings.

They also give employees the **best opportunities** – and have the most **rewarding** cultures.

Winsupply has been purpose-driven from the beginning.

Because we’re in the business of investing in entrepreneurs. The business of growing people.

We just happen to be doing it as wholesalers.

That’s not how most companies operate.

But Winsupply is not your “typical” company. Because if our main goal was simply to make a lot of money, we wouldn’t invest millions of dollars every year into PEOPLE.

- We wouldn't spend our time **eliminating obstacles and providing support** to help courageous, capable, hardworking entrepreneurs succeed.
- We wouldn't be **equity partners with local company presidents** – inviting them to own **30 to 40 percent of the equity in their company**, while we invest in the remaining **60 to 70 percent**.
- We wouldn't give local owners **the power of local autonomy**.
- And we wouldn't offer **high-quality, low-cost, centralized support services** to help these entrepreneurs succeed.

This idea of helping people is our philosophy.

It's our purpose.

And it's the reason we exist.

All of us were reminded of that during our Annual Meetings last March in Nashville.

That week on Tuesday night, our local company achievement awards were a grand celebration of earned success!

And they reaffirmed the **faith** that local company presidents place in our organization.

- Baltimore Windustrial President Michael Brown talked about being a poor kid who grew up with nothing, and how much he appreciated an “unmatched opportunity” to have this kind of life for himself and his family.
- Tom Weinrich from Denver Winair called his Winsupply career something beyond his “wildest dreams.” He also said how proud he was to be part of an organization that stands for entrepreneurship and giving back.
- Perhaps Dean Lucas from Newburgh Windustrial said it best when he proclaimed on stage, “This is the greatest organization.”

I agree with Dean: Winsupply is the greatest organization!

Because when Winsupply invests in courageous, capable, hardworking entrepreneurs, we help people earn their own success.

This is what we stand for!

And **this** is what differentiates us from every other competitor in our wholesale markets.

But here's the 64 thousand dollar question.

How do we sustain a philosophy and a business model that's truly unique – unlike anything you read about in college textbooks on business and business management?

If our cofounder Dick Schiewetz were alive today, he'd say it starts with a commitment.

A commitment to **always** maintain a fair balance of interests between the majority and minority shareholders at Winsupply.

- **Our majority shareholders** include people outside the organization as well as the Winsupply Inc. management team, area leaders and many of you in advisory and support services.
- **Our minority shareholders** include our local company presidents and sometimes their key employees.

Dick always was quick to point out that because we are equity partners in an equity partnership, we must maintain a fair balance of interests.

Fair balance is the heart of Key Principle No. 1 that supports all three pillars of our business model. [slide]

This graphic illustrates what's been outlined in Procedure B-815 since the early 1970s. And essentially? It's what's been true since 1958, the day our first investors purchased the assets of what became our very first local company.

Winsupply is not your traditional, top-down “branch” operation, where costs are allocated from headquarters, and earnings flow to the parent company. Instead, we're a collection of more than 500 individual corporations, each with their own minority shareholders and their own board of directors.

That's unique!

As equity partners, our interests are **common**.

Because we share ownership, we share the risks — and in turn, share the rewards — based on how much skin each of us has in the game.

This is the essence of free enterprise capitalism!

Our philosophy and our business model are **based on it**.

And it fuels our **collective success**.

But what happens if one of us takes on too much risk?

Then things get out of balance.

And when things get out of balance?

Sustaining our philosophy and our business model becomes a lot more difficult.

If you look at what's happening at Winsupply today, you might conclude that this very delicate balance is starting to shift a bit.

EXCERPT 2

I believe the answer to this question — “WHY are we out of balance?” — lies not at the surface level, but at a fundamental level.

I'm suggesting that somewhere along the way, we made an unintentional shift away from fair balance.

- FIRST — We did not always ask the “fair balance” question ahead of **everything** we decided to do as an organization.
- AND SECOND — We did not always take the time to educate all of you about **what we mean** by fair balance of interests.

And so today, I'd like to explain this key principle in detail – and tell you why fair balance is so important.

I also want to share some concrete ideas about what you can do – as leaders at Winsupply – to help maintain fair balance so all of us can continue to enjoy this – “the greatest organization” – now, and in the future.

EXCERPT 3

I want to make one thing very clear:

The scales of fair balance are tipped.

But the tip is slight.

So it's not a reason to panic – but instead, a motivation to act.

If we change the way we make decisions as equity partners, and become a lot more disciplined in our decision making, we will return fair balance to the organization.

But if we wait – and let things go too far – we will continue to tip the scales even further out of balance, and it will be even harder to pull back.

Remember: Winsupply is in business for one reason.

To eliminate obstacles and provide support to help courageous, capable, hardworking entrepreneurs succeed.

More than anything, we want to help them earn their own success so that all of us can enjoy collective success.

So we're not looking for a buyer like a Berkshire Hathaway.

Instead?

We want the third and fourth generation of Winsupply leaders – people like you! – to take the reins and do the hard work required to sustain our philosophy and our business model by doing what's best for all of our shareholders.

Meanwhile, we've got so much going for us!

- We've never had a year when we lost money ...
- We're enjoying great growth ...
- And we're predicting record results for fiscal '19.

It's been said that when times are good, the greatest of organizations make the needed changes before times get rough.

To change means making decisions with each other – not for each other.

Reviving the art of the debate.

And asking "fair and balanced" questions every time we face a decision as equity partners.

I know that the things I am asking all of us to do today will be hard.

Some days – very hard.

But this I believe:

That in the past, doing hard things is what has made us great.

So if we keep on doing hard things?

I believe that this – the greatest organization! – will become even greater in the future.

Thank you. ■