



BENTLEY
UNIVERSITY

W. Michael Hoffman
Center for Business Ethics



Marvin Windows and Doors, once known as The Marvin Lumber and Cedar Company, in Warroad, MN, back in the early 1900s and today.

Raytheon Lectureship in Business Ethics

106 Years of Family Leadership: Living by Purpose and Values for Four Generations

Paul Marvin

President and CEO, The Marvin Companies

March 26, 2018

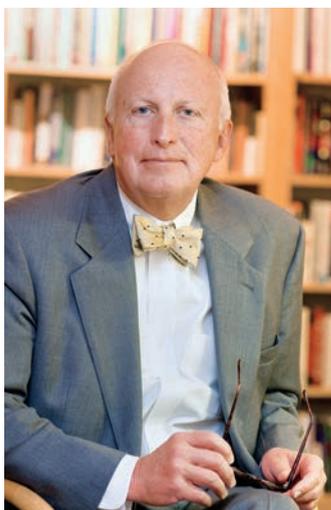


BENTLEY UNIVERSITY is a leader in business education. Centered on education and research in business and related professions, Bentley blends the breadth and technological strength of a university with the values and student focus of a small college. Our undergraduate curriculum combines business study with a strong foundation in the arts and sciences. A broad array of offerings at the Graduate School of Business emphasize the impact of technology on business practice. They include MBA and Master of Science programs, PhD programs in accountancy and business and selected executive programs. The university is located in Waltham, Mass., minutes west of Boston. It enrolls approximately 4,200 full-time and 140 part-time undergraduate students and 1,400 graduate and 40 doctoral students.

On July 25th, 2016, the CENTER FOR BUSINESS ETHICS at Bentley University was renamed the W. MICHAEL HOFFMAN CENTER FOR BUSINESS ETHICS in honor of the pioneering work and four decades of accomplishments of the center's founder and current executive director, W. Michael Hoffman. The center is a nonprofit educational and consulting organization whose vision is a world in which all businesses contribute positively to society through their ethically sound and responsible operations. The center's mission is to provide leadership in the creation of organizational cultures that align effective business performance with ethical business conduct. It endeavors to do so by applying expertise, research, and education and taking a collaborative approach to disseminating best practices. With a vast network of

practitioners and scholars and an extensive multimedia library, the center offers an international forum for benchmarking and research in business ethics.

Through educational programs such as the Raytheon Lectureship in Business Ethics, the center is helping to educate a new generation of business leaders who understand from the start of their careers the importance of ethics in developing strong business and organizational cultures.



W. Michael Hoffman, PhD

Founder and Executive Director
Hoffman Center for Business Ethics and
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Remember the “Great Recession?” The date when it began is usually linked to the failure of the 158-year-old investment bank, Lehman Brothers, in September 2008. In short order, the global economy went into a tailspin. While we might like to think that those bad old days are long behind us, the damage can still be seen in lives of so many people who discovered that their secure middle-class existence could be erased in the time it takes to say the words “sub-prime mortgage.”

Ground-zero for this crisis was not a particular place, but a sector — the housing market — which was decimated by a wave of foreclosures the likes of which had never been seen since the Great Depression of the 1930s. If you were surveying the aftermath of the market collapse, you might have stumbled upon a tiny company town named Warroad, Minnesota, a stroll away from the Canadian border. There, the number of employees at Marvin Windows and Doors exceeded the entire town population. When the housing market imploded, it would have been logical to assume that Warroad was on the fast track to ghost town status. The leaders at Marvin, however, subscribed to a different logic, the logic of human grit, and they were not going to permit themselves to be relegated to the trash heap of Wall Street greed. Marvin was a century-old family business, and for them, “family” included every employee. The company defied the ruling logic of cost-benefit analysis and stubbornly refused to cut a single employee. In this, they found the capacity to survive — and the company is now probably stronger than at any time in its 106-year history.

There’s a powerful business ethics lesson in this story. It is the ethics that follows from a spirit that says, “We are all in this together, and everyone counts.” What a privilege it was to have Paul Marvin, the President and CEO of The Marvin Companies, share with us insights into the family business he now leads. He reminds us that the story of business is not written so much in dollars and cents, but flesh and blood, and when a company needs strength, the place to look is to people brought together and guided by a firm commitment to ethics and caring.

The **Raytheon** **Lectureship in Business Ethics** at Bentley University is made possible through the generous support of the Raytheon Company.

Raytheon is a technology and innovation leader specializing in defense, homeland security and other government markets throughout the world. With a history of innovation since its founding in 1922, Raytheon provides state-of-the-art electronics, mission systems integration, capabilities in C5I (command, control, communications, computing, cyber, and intelligence), sensing, effects and mission support services. The company reported sales of \$25 billion in 2017 sales and employs 64,000 people worldwide. It has built a reputation for adhering to the highest ethical standards in the industry. The Raytheon Lectureship in Business Ethics series aims to illuminate and promote ethical values and conduct in business, highlighting best practices in corporations throughout the United States. Learn more about Raytheon online at raytheon.com.



(From left) Greg Moffatt, Senior Director of Ethics and Business Conduct, Raytheon Company; Ellen McIntire, Manager of Ethics Education and Communication, Raytheon Company; Paul Marvin, President and CEO, The Marvin Companies; and W. Michael Hoffman, Founder and Executive Director, Hoffman Center for Business Ethics and Hieken Professor of Business and Professional Ethics, Bentley University.



Thomas A. Kennedy, PhD

Chairman of the Board and
Chief Executive Officer
Raytheon Company

Raytheon believes in a values-based ethics program, and we believe in the value of ethics education. We invest in ethics and provide employees with robust, award-winning ethics education to reinforce how important doing the right thing in business is to our success. We talk about ethics so our employees know it is okay to ask questions and raise concerns, to take an “ethics check,” if you will. By supporting this process, we build upon a strong ethical foundation and reinforce a culture of integrity at the company. A strong ethical culture requires work. We believe that working at ethics pays dividends and that it gives us a competitive advantage.

Raytheon’s support for the Hoffman Center for Business Ethics at Bentley University has a long history. The center has provided leadership in this important field for the academic and business communities extending now for two generations. Bentley is increasingly recognized for promoting ethical business practices and cultures not just in the United States, but internationally as well. This is especially significant as our world is increasingly interdependent, and having ethical business partners is a global imperative.

The Raytheon Lectureship in Business Ethics at Bentley has added relevance in this environment. Having respected corporate leaders share their insights and commitment to business ethics helps show the way for all of us. Promoting further dialogue and discussion about ethical business practices enlightens and inspires us to redouble our own commitment. Raytheon is proud to partner with Bentley and the Hoffman Center for Business Ethics to give voice to ethical excellence in business.



The Marvin Companies manufacture, distribute, and export windows, doors, and related products. The company employs more than 5,600 people across 14 cities in North America working with a shared purpose: “to enrich the spaces and places where we live and work.” Encompassed in this purpose remains the company’s steadfast commitment to its values — which led to The Marvin Companies’ distinction as the recipient of the 2014 American Business Ethics Award. The company and its premier brand, Marvin Windows and Doors, has built a reputation of quality, design leadership, unmatched craftsmanship, and an unwavering dedication to “doing the right thing.” In fact, President Barack Obama took notice in 2012 when he spoke about American resilience: “The family business in Warroad, Minn., that didn’t lay off a single one of their 4,000 employees during this recession, even when their competitors shut down dozens of plants, even when it meant the owners gave up some perks and pay — because they understood their biggest asset was the community and the workers who helped build that business. They give me hope.”

Paul Marvin delivers the Raytheon Lectureship in Business Ethics to students, faculty, staff, and friends at Bentley University.



Paul Marvin
President and CEO
The Marvin Companies

Paul Marvin joined the family business in 2006 and learned about the diverse composition of The Marvin Companies through roles in wood processing, materials, and sales before becoming President in 2016. Named Chief Executive Officer of The Marvin Companies in 2017, Paul has also been a member of the Board of Directors since 2011.

Prior to joining Marvin, Paul founded TLC Student Transportation, providing school bus transportation for students at private and charter schools, as well as for various community outreach programs serving families and children of the Twin Cities. He ran the company from 1998 until it was sold in 2006.

Paul has served on the Board of Children's Hospitals of Minnesota since 2014 and is a member of the Window & Door Manufacturers Association, the Policy Advisory Board for Harvard University's Center for Joint Housing Studies, and the Advisory Board of The Surly Brewing Company.

Paul is a 1997 graduate of the College of the Holy Cross in Worcester, Massachusetts, where he received a Bachelor's Degree in economics. Born and raised in Warroad, Minnesota, he is a proud and active community member in his beloved northern Minnesota hometown, where he currently resides with his wife, Maureen, and their six children.

Raytheon Lectureship in Business Ethics at Bentley University

106 Years of Family Leadership: Living by Purpose and Values for Four Generations

Paul Marvin

President and CEO, The Marvin Companies

March 26, 2018

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ood afternoon. It is wonderful to be here. Thank you to Bentley University and the W. Michael Hoffman Center for Business Ethics for having me, and to the Raytheon Company for their support of this important event. It is a true honor to be asked to be here with all of you today.

I'm used to talking to groups of customers or employees — it is something I really enjoy doing. However, today is a real treat; this is a completely different audience for me. I am here today not to talk about products or services, or our five-year strategic growth plan, or even what The Marvin Companies do. Rather, I am here to talk about the reason why we do what we do — and the way we go about it.

We truly believe that we have a higher purpose at The Marvin Companies. It is not profits, and it is not shareholder return. It never has been. For Marvin, profits have always been simply a means to a greater purpose. It is, therefore, my distinct honor and privilege today to share Marvin's story of leading with purpose and values.

It's important to note right off the bat that

this story is actually over a century in the making. It is truly a collective story of four generations of family, our collective team of employees through the years, a small town of just over 1,700 people in Minnesota, and millions of customers around the world. I am here today simply as the storyteller. In almost every way possible, I'm telling the story created by those before me.

Now, my generation — the fourth generation of the Marvin family — is now part of that story, and the fifth generation is already becoming a part of it as well. Today, I look forward to sharing the past, present, and future of The Marvin Companies. Most importantly, along the way, I will share the common threads that make us who we are, and frankly, why we are successful.

Those common threads are the values and



While The Marvin Companies has constantly sought to evolve, since its founding, another constant has been the centrality of lumber to its work.

purpose that have been our North Star since day one. Through good times and bad, that North Star has guided and bonded our family and our extended family of our employees, our communities, and our customers.

More than 100 years ago, my great-grandfather, George Marvin, stepped off the Canadian National Railroad train in a tiny Minnesota town called Warroad and decided to make it his home. Warroad is just six miles south of the Canadian border, and it was there that George operated a lumberyard and a grain elevator called Marvin Lumber and Cedar Co.

At Marvin Lumber and Cedar Co., George focused on selling quality products and servicing the customer. He worked hard to do the right thing. Community was important to him — he was very engaged in community activities. He believed in giving back. He gave generously to those in need.

By the time the depression hit in the 1930s, he employed eight people and he kept all eight on the payroll. Not a single employee was laid off. During that time, he also extended credit to customers and accepted bartered items as a form of payment. Our company historian has documented dozens and dozens of stories about George very quietly handing someone an envelope with enough cash to get by and telling them to pay it back when they could. He knew that it was the right thing to do. He knew when an employee or the community needed help, and he just did the right thing.

These seemingly small actions — actions that now live only in black and white photos and passed-down stories — these actions were anything but small. Great Grandpa George absolutely set the standard for future generations. He stayed true to his values of providing meaningful employment and contributing to the community. He served



The Marvin Companies have grown to have over 5,600 employees working in facilities across the United States.

his customers well.

The foundation was laid for why we do what we do — our purpose as a company. It is still in place today. The official purpose statement of The Marvin Companies today is, “To enrich the spaces and places where we live and work.” We can clearly trace the spirit of that purpose back to Great Grandpa George Marvin and the model he set for us to follow.

We associate Generation 2 with my grandfather William S. “Bill” Marvin. He joined the company in August 1939, and that was when we started making windows. Bill was the rare visionary that could not just see a future others couldn’t, he could also build trust and connect with all people. He could rally and inspire anyone to make that future vision come to life — and he did.

Late in his career, Grandpa Bill was named by *Builder Magazine* as one of the 100 most influential Americans of the 20th century. I remember that he landed right next to Henry Ford on the list.

Windows and doors were *what* Grandpa did, but *why* he did it was the important

part. He led a window and door company for his employees and for his community. It was a way to ensure that there were jobs in his tiny community on the Canadian border. Jobs for his four brothers and many friends and neighbors serving in World War II. Providing employment for the veterans when they returned home from the war was a priority — and not just any jobs, but good jobs. Good jobs that provided fair wages for a good day’s work — secure, rewarding work with opportunity, and most importantly, meaningful work.

With the introduction of the window business, I am proud to say that my grandfather’s vision was realized, and it became our mission. Today, we have more than 5,600 employees in 12 manufacturing plants across the country. However, our corporate headquarters remain in Warroad, Minnesota, the same tiny town where George landed when he stepped off that train at the turn of the century.

Today, 2,400 employees work in our Warroad location, even as the population of Warroad has yet to break 1,800. The Marvin

Companies has four consumer-facing brands:

- Our flagship brand, Marvin Windows and Doors
- Integrity Windows and Doors
- Infinity Windows and Doors
- TruStile Interior Doors.

In addition to these brands, we own vertically integrated wood, fiberglass, and composite manufacturing businesses, and a handful of distribution and retail businesses, as well as the Marvin Home Center in our little hometown of Warroad. We are the fourth-largest window and door manufacturer in North America and are widely recognized as the market leader in the mid-luxury window and door market.

The Marvin Companies set the standard for innovation, quality, design, and performance. We have chosen not to manufacture a low-end vinyl window, and despite many overtures, you will not find our products in the “big box” stores. We choose to distribute Marvin products through a network of independent dealers — most of

them private or family businesses themselves. These dealers become key partners and extensions of our brands and company.

Like many of them, we remain 100 percent family owned and led. In fact, The Marvin Companies is the last manufacturer in our industry to remain private, independent, and family owned.

As a family owned and led business, I work with 10 of my siblings and cousins who are also employed in the business as full-time employees. In addition, three third-generation family members recently retired, and continue to serve on The Marvin Companies Board of Directors. In August 2017, I became the fourth CEO in the company’s 106-year history and the first CEO from the fourth generation.

And yes, I still live in Warroad, with my wife Maureen and our six children. Yes, you heard correctly — we have six children. Did I mention that we live six miles from Canada? The winters are long and cold in Warroad! An important part of a family business is succession planning — and Maureen and I



Members of the fifth generation of the Marvin family are starting to join the company and keep it moving forward.

have done our part to increase the odds.

Joking aside, the fifth generation now numbers into the thirties — with the oldest being 20-years-old and a summer intern — and likely a few more still to be born. The Marvin family has already begun planning to pass the business — and our values — on to the fifth generation.

Transitioning to the fourth generation of family leadership makes us part of the slim 3 percent of family companies that make it to the fourth generation of ownership. Among these, the vast majority of the companies that do make it to the fourth generation have less than 1,000 employees.

We know it doesn't happen by accident. It doesn't even happen because of shrewd business sense and acumen, although those do help. It happens when you know what matters most — your employees, your

community, and your customers — and you commit wholeheartedly to serving them... not only in the good times but also during the tough times — especially during the tough times.

One of those tough times came for The Marvin Companies in June 1961. That was when the window factory in Warroad burned to the ground. In a matter of hours, the entire factory was reduced to rubble and ashes. Everything was gone in an instant. Presumably, the 170 employees of the company at the time assumed a similar fate for their employment future — careers also potentially gone in an instant.

There were numerous, generous offers from cities across the country suggesting we rebuild the plant in a more accessible, more populated area. It would have been easier, and certainly more financially attractive, to



When faced with adversity, such as when the factory burned to the ground in 1961, Marvin stayed true to its values.

rebuild somewhere else. However, with an eye on our North Star, that wasn't even a question. The community needed The Marvin Companies, and our purpose to serve the community was far greater than the promise of a free factory, free land, and no-interest lending that came from other cities.

My grandfather Bill and his brothers defiantly said “no” to relocating. In fact, my great-uncle Randolph “Tut” Marvin famously said, “By God, I’m staying in this town if I have to dig ditches.” Bill said, “We’ll rebuild, and we will do it bigger and better.” And that’s what they did.

Within 18 months, all employees had their jobs back. The business prospered, and so did the Warroad community. The business was positioned better than ever to deliver on its purpose to serve others. Best of all, a young third generation, including my parents, was there to watch the leadership and decision making of the second generation. You can be sure that they learned from that example.

Although we now have factories all over the United States and our products are sold all over the world, our humble, remote location has always played a central role in our story. Its remoteness has provided what most would call “challenges,” but we view them as opportunities — and even as strengths. Commercial fishermen and farmers were some of our first employees. With them came an innovative, independent spirit, a strong work ethic, a “can do” attitude, a fierce sense of loyalty, and the highest integrity. Our remote location has fostered the innovation that is a critically powerful piece of our company’s culture.

I can share countless examples of how Marvin has changed the industry from the most unlikely of places. We were the first to ship our products ourselves on our own fleet of trucks. The first to use Low-E coating on our entire product line. The first to make

windows to order instead of stocking “standard” sizes. Marvin invented the fiberglass window category. The list goes on and on. What all of these innovations have in common is that they came from listening to our customers.

I’d like to share an amazing industry-first that is a direct result of our values. By 1980, window technology had made strides; however, a window was pretty basic. Windows were rectangular and charged with keeping out the elements. In 1979, a customer called Marvin Windows and Doors looking for a round top window — an arched window — for his home in Kansas. My father, Frank Marvin, took the call. Up to that point, no major window manufacturer made arched windows. Arched windows were created in small, mom-and-pop type window shops. However, my father — always the salesman of the third generation — said, “Sure, we can do it.” He heard a customer



Listening to customers has driven innovation.

need and naturally wanted to help.

He then found a man in Warroad who made wooden boats, a craft that required bending and curving wood. That man, Pete Frolander, built the first round top window for Marvin Windows and Doors, and in the process, we changed the fenestration industry. Today, every window and door manufacturer offers a round top window option. The Marvin Companies is the reason they do.

My point is this: our family and company — resourceful, resilient, and focused on serving the customer — listened. We listened and did what we do best. We responded, took care of the customer, and we changed architecture in the United States. Values and a purpose statement might look good on a piece of paper, but they're worthless unless you bring them to life — unless you live them.

Serving the customer is fundamental to living our values at The Marvin Companies. I'm not inventing a new business theory. I know the concept of serving your customer is not rocket science, but it's amazing how many companies twist what it means to truly serve the customer. My grandpa Bill always told us, "If your customer does well, you'll do well." He really believed it. Understand your customer, serve them really well, and you'll never want for a profit.

Guess what? He was right. You simply can't win if your customers aren't winning. Serving a customer means providing a superior, high-quality product, service, and experience. It means when you fall short of providing that superior experience, you have to stand behind it — and you have to fix it. That includes standing behind your customers when it hurts — *especially* when it hurts.

The wood and lumber used in most millwork, including windows, is treated with a wood preservative to help it resist rotting and withstand the elements. In the 1980s,

our wood preservative supplier came up with a new formula that they promised was better. They said it would perform better and protect better — and they even had a test result to prove it. With reasonable proof of the effectiveness of the new preservative — and more importantly, with the trust and partnership we had and still have with all of our suppliers — we allowed the switch to the new formula.

Well, you can guess where this is going. The new formula didn't work. In fact, the new preservative did just the opposite. It proceeded to actively and prematurely rot our wood windows and doors. It was the worst possible situation: a defect that wasn't noticeable upon manufacture and didn't manifest for a couple of years. When it did, all hell broke loose.

By the early 1990s, we began to realize that hundreds of thousands of products were failing. Thousands upon thousands of homeowners had paid good money for their Marvin windows, only to see them rot in just a few years. We also learned that while our supplier had one test that showed it worked, they had many that showed it did not. This supplier is a huge company. (They are still around, and I won't name them, but I can assure you they are not on the list of past guests of this lecture series!) In short, it was truly a David versus Goliath scenario.

"David" had an unshakeable foundation built on purpose and values. By this time, the third generation of the Marvin family was running The Marvin Companies, with my uncle Jake as the chief executive officer. Our family decided to do the right thing — to stand behind the product. Our customers deserved so much better. It was as simple as that.

We asked our supplier to stand with us. Instead, they pointed to their one-year warranty and walked away. However, we held firm and did the right thing. We provided replacement product to our

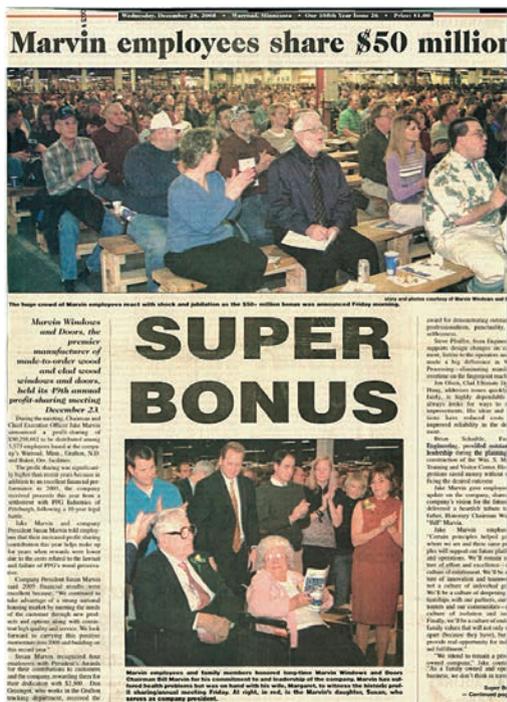
customers at no charge for many years. The sheer magnitude of the impact was overwhelming, and at one low point, one out of every four windows we produced was done at no charge. Moreover, that didn't even begin to address the field replacement costs.

We spent every dime the company had — more than \$100,000,000. We replaced products until every penny was gone. It was hard. Our reputation was at stake and so was our business.

My siblings, cousins, and I — the fourth generation — watched the events unfold as young adults much as the third generation watched the second generation make purpose-driven decisions after the fire of 1961. We were old enough to understand that my father, uncles, and aunt had to do the right thing, even as it was unbearably hard. We were also old enough to learn from that example because our values are part of the fabric of the company. Some decisions are crystal clear, even if it means taking the difficult path.

We took our "Goliath" supplier to court after they walked away. I remember Jake telling us they had a floor of lawyers "bigger than our entire corporate office." However, we had the truth on our side, and we had our values. The court eventually awarded us the largest jury verdict in Minnesota history. Months after, we received the wire transfer of over \$150 million. We distributed \$50 million of it right back to our employees at our annual meeting.

Marvin employees had endured three consecutive years without profit sharing. Aside from a two-year break in the 1960s, this was the only time that happened in our 60-year history of sharing profits with employees. They stood with us, as they too knew what the right thing to do was. I was 30 years old when I watched my uncle announce to more than 2,000 employees that the company would share \$50 million. I



The company nearly exhausted its finances to rectify the problem from a supplier. When settled in court, the company made sure its employees were compensated for their work to fix the problem.

recall seeing grown men crying and hugging. Many received checks equal to or greater than their annual earnings.

We had done right by our customers, and in the process protected our name and our brand. We had done right by our employees, and in the process, we galvanized a culture and community that would go to war with us when needed.... And wars do come along from time to time.

In fact, it was too soon that another war came along. It was the autumn of 2008 when Lehman Brothers crashed and the economy fell apart in the wake of the subprime mortgage crisis. The Great Recession had arrived. While it was one of the most severe recessions our economy had ever seen, for the housing industry it was not a recession, it was a full-blown depression. The housing



Photo courtesy of Wikimedia Commons.

The housing market was devastated during the Great Recession, but The Marvin Companies refused to lay off any employees.

market was decimated in a matter of months. Of course, it hurt us all. It hurt badly. Every business went into survival mode, and many didn't make it.

While every one of our competitors shuttered factories and laid off employees, The Marvin Companies took a different view. Our more than 4,000 employees and the communities in which they lived were depending on us now more than ever. Just as the eight employees of great-grandpa George were when he kept all them on the payroll during the Great Depression of the 1930s.

This was, and is, a very clear part of our purpose: to serve our employees. When the Great Recession hit, it was very clear to us that we would *not* lay off anyone — and we didn't. We kept every single employee on the payroll. Nor would we suspend or reduce healthcare benefits. Our employees needed those as much as ever, too.

It wasn't easy. All of us — our family and our extended family of employees — banded together to do what we had to do. All hourly workers were reduced to 32-hour weeks, leaving them with less pay. Every single salaried employee, starting with the CEO, took a 5 percent reduction in salary. Travel was halted, and benefits and almost

anything that could keep us solvent were cut — but not our employees and not their healthcare.

It's funny to me how companies can talk about their greatest asset — their people — yet when times get tough, people are all too often the first asset they divest. While we were challenged at Marvin, this decision was easy. Our people actually are our most valuable asset, and that asset would be the very last we would divest of when our backs were against the wall.

Many people outside our factory walls took notice of this at the time. *The New York Times*, *The Wall Street Journal*, *The Washington Post*, and countless television news outlets. Here's a video of a few other people you might recognize that also took notice.

[Mr. Marvin shows a video compilation of President Obama and presidential candidate Mitt Romney praising Marvin Windows and Doors for their commitment to their employees. President Obama famously noted that Marvin Windows and Doors “gave him hope.”]

My Aunt Susan, President of Marvin Windows Doors at the time, ended up on many national television shows after President Obama talked about our company in three speeches, including his nomination acceptance speech at the national convention. His challenger, Mitt Romney, also sang our praises when he visited our factory in Roanoke, Virginia. I especially loved one of Susan's comments in those interviews. She said, “Doing the right thing is not a partisan issue.” Catchy, for sure, but actually, also 100 percent true.

While it felt good to receive attention from the nation's leading politicians and media outlets, it was the comments we received from people in our factories, in the grocery store in Warroad, at the hockey arena, and around town that meant the most. It confirmed that we had done right by them

and that they would always stick with us. We were simply holding dear to our values and purpose, and fulfilling our promise to employees and the communities that rely on us for employment. We truly do believe serving all of our stakeholders — employees, customers, and community — is our reason for being — our purpose.

I've seen a casino mentality on Wall Street. American business is increasingly geared toward short-term thinking. Shareholders "rent" a company hoping for a short-term profit. Companies are focused on serving the shareholders first, and Wall Street punishes those who plan and act for the long-term.

At Marvin, we don't worry about shareholders. We worry about *stakeholders*: our people, our communities, and our customers. We can do this because we are a private, family-owned-and-operated company. We aren't beholden to the shareholders. Rather we are beholden to the people we really serve, our employees, our customers, our communities. We are beholden to our values, which don't change with the latest quarterly earnings report or annual operating results. We can take the long view, and we do.

The Marvin Companies has a rule in our buy-sell agreement that governs our ownership structure called the "Rule of 33." In short, what it says is that by the age of 33, a Marvin family member must work for the business — full-time, not part-time — if he or she wants to be an owner. If you don't want to work full-time, thereby going all in and making your work at Marvin your day job, that's fine. However, you then must sell 100 percent of your ownership.

The reason is simple. We want actively engaged owners who care about stakeholders, not their personal investment. It minimizes the feeling of entitlement and eliminates the possibility of owners with short-term thinking sitting on the sidelines demanding a dividend check. The owners

that remain are all in. It's our day job, our only job — and we are too busy caring about serving the stakeholders who depend on us to be focused on the appreciation of the stock or the size of a dividend.

I believe that many Americans are hungry for long-term thinking — and hungry for standing for something greater than financial success. We are not unique at Marvin. Rather, we are just one of many that have a clear purpose and a strong commitment to it. Honor is not dead in business.

And do you know what? Sticking to your values and your purpose — these things don't only feel good, it turns out that they are also a really sound business strategy! There is real, marketable worth in these timeless values and purpose. People recognize when a company does the right thing, and they recognize when they don't. You can't fake these things.

It's why we earn incredible word-of-mouth business. It's why we are recognized nationally, with awards like the 2014 American Business Ethics Award, awarded annually to only one large company in the entire United States (and whose past winners include Starbucks, Kimberly-Clark, and Whirlpool). It's why the President of the United States knew who we were and talked about us to national audiences. It's why CBS *Sunday Morning* called last year and featured Marvin Windows and Doors on their Labor Day episode — to celebrate a great American labor story on Labor Day. It's why we have the honor of being here today, at the Raytheon Business Ethics Lecture Series. It's also why our employees choose us, and why they stay with us. One of our employees just celebrated 50 years of service with us a few months ago. Forty percent of our workforce has been employed with us for more than 20 years. It's also why our customers choose us and then stay loyal. They know what they are getting, and they know from whom they



For over a century, family and the community of Warroad have been at the heart of The Marvin Companies.

are getting it. They know we will do it right because we've not only talked the talk, we've walked the walk. They also know that if we screw up — and we all do occasionally — we will make it right.

Our company purpose and values mean that as owners, we can sleep soundly at night. They also mean we know our North Star. They guide our decisions, and they directly impact our bottom line. Rebuilding in Warroad after the fire meant that we could draw on a dedicated and skilled labor force and that a town would continue to thrive. Saying yes to our customer with a vision for a round top window generated a great deal of brand awareness and cemented us as the premier solution provider in the industry. Standing behind our product during a massive product failure didn't just maintain our reputation in the market and in our factories, it galvanized our reputation. No layoffs during the Recession meant that we retained talent while other businesses lost it. Requiring that owners work full-time in the business means 100 percent of our

owners can be focused on long-term value creation for stakeholders — which over time, produces financial returns that outperform short-term thinking.

These things are not just the right thing to do, the ethical thing to do — they also happen to be a beautiful and compelling recipe for long-term success and viability. Doing the right thing, and doing it the right way, can indeed produce amazing results that we at The Marvin Companies know can last for four generations and beyond.

I want to thank you for your time. It has been my honor to represent The Marvin Companies here today and to share our view of what doing the right thing means to us. Above all, I want to thank each of you for being interested in, and hopefully committed to, doing the right thing, to putting purpose, values, and long-term value creation before short-term thinking and trying to make a quick buck. The business world and the world in general needs people like you.

Q&A

Below are edited highlights of Paul Marvin's question-and-answer session with Bentley University students, faculty, staff, and guests.

QUESTION: *Can you talk about the work that The Marvin Companies do in terms of sustainability and the environment?*

PAUL MARVIN: There is a story I would like to tell that speaks to that. There was a time in our company history where we were growing by leaps and bounds. It happened to be in the '80s. It was the culmination of being in the right spot at the right time — the economy was booming, and we were experiencing 25 percent compounded annual growth, year after year. We were doing all we could to keep up. It was during my father's generation of leadership, and

he was president of the company at the time. Sometimes doing the right thing comes from when you have made a mistake. The family didn't know what was happening, but we had an environmental manager who I would just say was in over his head. We were just growing so fast and, it sounds like an excuse, but the bottom line was that we were disposing of hazardous material in a non-compliant way — plain and simple. We were out in greater Minnesota. We were a small company and the attorney general at the time was a very prominent figure nationally who made an example of us. We felt that was not entirely fair

because his constituencies were in the Twin Cities, and there were companies ten and even 100 times bigger than us that deserved his attention. He picked on a company that didn't affect his constituencies so much. However, here's the lesson: our CEO at the time said, "Were we compliant? No, we weren't. We were doing the wrong thing. We were not taking care of these hazardous materials in the proper way." We could have pointed to a politically ambitious gentleman who gave us at that time the largest environmental fine in the state of Minnesota. It was two million dollars, which was a lot for a company of our size. It was all over the press in Minnesota. We could have been upset about it, and we were a little bit. However, I remember my Uncle Jake saying, "Who caused this? Did we do this? We did. Did the family know? No, but it's our responsibility. We're responsible for our entire organization. So now what do we do?" We paid the fine and he said, "Never again. We're going to be the best. We're going to be the best." I won't go into all of the details, but since then we win the governor's award for environmental excellence every single year at our plants. We have an exemplary sustainability and environmental record because of that. Part of our values is saying, "You know what? When you screw up, own it, and do the right thing." We weren't doing the right thing; so, we made it right. We're very proud of our environmental history and record now.

One last thing... there was an offshoot of

that experience that pertained to safety performance. From that standpoint, it was a time of transition. I'm going to say something that sounds terrible, but you have to understand that in the '70s, as with logging or commercial fishing, some folks working in our factories saw it almost as a badge of honor if their finger was cut off by a saw. It was around the same times we said, "No more! We can be better. It doesn't matter where we're located, we will be the best." Now, we invite OSHA in. It used to be that you just hoped that they would never come in, but we invite them in. They come every year. We're held up as a standard for both environmental and safety performance. We're pretty proud of it. Thank you for the question.

QUESTION: *How do you find your customers? Do they find you or do you find them? Are there criteria?*

PAUL MARVIN: We have multiple chains of customers. A homeowner doesn't walk into a Marvin window factory and buy a window. They go to a lumberyard, a window retailer, or a window specialty business. We work really hard to partner with those customers. They are an extension of our brand, of our experience, and even of our values. Regarding the criteria, we have a lot of dealers across the country. They can't be a national company, but we have a recipe for what good looks like. We work really hard to make sure that our partners are independent; they are not always family-owned, not always standalone

sole proprietorships, but they tend to be those. We commit to each other. We talk about mutually beneficial partnerships, and I mention my grandpa saying, “If your customers are not winning, you're not winning.” So, we have a recipe for what good looks like and it's kind of old school. It's a little more than a handshake; it involves having both sides understand how you would like to be treated. We look for partners that have the same values where we both can walk out with a win-win situation. It involves compromising. We're in it for the long haul, and that's what I say. We're looking for people who want to grow and invest. If they're driven solely by making a sale and dropping the price to get the sale, then that's a red flag for us. I don't fault anybody; that's a business strategy, and it can work, but it's not our business strategy. It doesn't perpetuate long term.

QUESTION: *How do you go about hiring your employees?*

PAUL MARVIN: Because we have so many factories across the United States, it's a little harder to centralize all that goes into the hiring process. I can say this — we're looking for the same values. Do we get it right every time? No, but we say up front, “This is who we are.” And (you might not be surprised) our number one value is, “Do the right thing.” That's not meant in a Puritan sense, but I really believe that people generally know what the right thing to do is. You may disagree, but generally, that'll get you a long way. In our hiring practices, in our retention

practices, and our performance reviews, there's a lot of detail and a structure built into how we talk about aptitude and attitude. I will take attitude any day before aptitude. We can always train on aptitude. The questions we ask are, “Is the attitude right?” (That's another placeholder for culture.) “Are they the right cultural fit? Are they part of who we are?” Even if they're a rock star technically and super smart, if they have the wrong culture, then we have to make those hard decisions not to hire them. If they're in our organization already, and this happens, you will hear people say, “Man, this guy is selling like crazy. He's producing two million dollars of sales every year — but he's toxic.” If his attitude is not anything like our culture, then we make those hard decisions to either rehabilitate those people or gently move them out of the organization. There are no hard feelings. There are probably other organizations that reward such attitudes, but it's not the right fit for us.

QUESTION: *Do The Marvin Companies take part in any community initiatives?*

PAUL MARVIN: The millennials in the room will appreciate this; one of my best and worst features is that I'm transparent. For many years, we in our company experienced a tension. Honestly, we're a humble family in a humble community. There's an understatedness with our family. We don't want to be very flashy with big philanthropic foundations. The way that The Marvin Companies have approached

this has been through private Marvin family members. Others will have a company foundation and they'll very strategically say, "This is what we stand for and this is how we will steward these funds forward." For us, the way that it's been done up until now has been that the individual owners of the company are responsible for injecting philanthropy into the community. I didn't mention it, but there have been countless contributions — big and small — that the family has made. I don't even list them because it sounds like bragging. We don't want Warroad to be a company town, but we love the town and if the town needs something and we can help, whether it is "time, talent, or treasure," we do what we can. It's often "treasure," in other words, money that's needed. However, sometimes it's resources, people, and time that are needed, and we have two thousand employees with incredible skills that we can make available for the community as well.

Now, speaking for myself, my cousins, and siblings, I do see in my generation an appetite for the business to become a little bit more strategic on how we give back philanthropically. We do believe that if we have a purpose and we all buy into it, why can't we have a foundation or a corporate giving program that is aligned with that strategic purpose. I am confident enough to know that my generation feels very strongly about it, and that there are some things we've got to do more collectively as an organization.

The last thing I'll say on this is if I give something to build a new hockey arena, that's nice, but how do I engage my five thousand employees in that? It becomes really hard. So, I think that the idea of having a company foundation or a giving program is incredibly important. It's not just about the family and the owners, but it's about our entire team, the collective organization. That's how we can engage everybody in our purpose in a more strategic way.

QUESTION: *We're constantly learning here at Bentley about the importance of remaining relevant in the age of technology. You have multigenerational thoughts coming through your mission. Do you see artificial intelligence (AI) or robotics coming into play in some capacity? If so, how do you keep your employees relevant in this age of technology?*

PAUL MARVIN: Yeah, I definitely do. I probably will skirt the issues of AI, although we've been looking at that especially in terms of user experience and the retail experience. Robotics in our factories — absolutely. We don't want to replace people, we want to become more efficient and put our people in the best position to succeed.

One other thing I'd say is we've done many things really well through the years. One thing we haven't done very well is having a technology roadmap. Things change through the years. I can imagine me trying to talk to my grandpa right now. His perspective would be something like, "We need the typewriters



The audience listened attentively as Paul Marvin described the ethical values that sustained the company in good times and bad for over a century.

and fax machines to work.” For my dad, I can almost hear him say “I can't figure out how to turn my computer on.” For earlier generations, technology was all about keeping the lights on. It was infrastructure, like the lights in this auditorium. I think our generation understands very well how technology is transforming business. What we don't have is the experience of leading that technological change. The company was somewhat famous for never having an IT executive report to a Marvin top executive. It was the redheaded stepchild that the leaders didn't understand and didn't want to have anything to do with it. Their attitude was, “I don't understand this, but if it is broken, fix it for me.” In a move that is symbolic but

also strategic, for the first time in the history of The Marvin Companies' one hundred five years, the top IT executive is now reporting to the CEO. I'm a little bit intimidated because it hasn't been my area of expertise, but I know that as the leader of this organization, I need that person at the table — a rock star, to help us create that vision collectively. That's maybe not the answer you wanted, but one organizational change that we've made is that we needed to go out and get a rock star. We hired him two months ago, and he's at the top of the leadership table to help us figure out our technology roadmap for the future.

Thank you.



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