

ENTREPRENEUR OF THE YEAR ACCEPTANCE SPEECH

MAY 25, 2000

Thank you for the honour of being selected Manitoba Entrepreneur of the Year. It is especially satisfying to be honoured in your own City and Province. Manitoba is a great place to live, work and raise your family. We are also part of a very special country that is noted for its traditions of tolerance, a caring society and a desire to contribute to a more peaceful world. I identify with each of those traditions and it is an important part of the reason for choosing to continue to live in this Community and country.

Most people described as entrepreneurs do not get up in the morning thinking about themselves in those terms. Sometimes they simply respond to opportunity, at other times have a creative urge to satisfy, many others simply cannot work for someone else and sometimes a person is simply seeking to survive. All of those elements are part of our family and company history and several would also describe myself.

Whatever my achievements, I want to acknowledge that they were never only the consequence of my own actions. I have worked in the context of a dynamic family, a competent management, a supportive community and all of us are blessed to live in a country that is free and gives scope for ideas.

I want to acknowledge in a special way the effective partnership with my brother Frank over a 30-year period in Palliser. We were very different but between us possessed a wide range of complementary skills and interests.

I also want to acknowledge the great emotional and practical support of my life partner Leona. We all need support – but also someone who tells us the truth once in a while. We do most of our travel together and enjoy many activities, friends and interests.

I can trace my family back to the Netherlands 400 years ago – but have details of their occupations for only the past 120 years. My great-grandfather and grandfather operated flour mills in Russia. After the Bolshevik Revolution my father's family located first to Mexico, where my father was a shoe shine boy and my grandfather a construction worker. They arrived penniless in Winnipeg in 1924 and joined the great social experiment called the North End. The family was never able to reestablish its business and my father worked for Safeway. After being fired for the third time and rehired at the bottom of the wage scale he decided to go to work for himself. My father's entrepreneurial drive thus fits into the category of survival.

My mother's family stayed in Russia too long and never escaped. My mother was part of that idealistic youth that says, "what have I got to lose". In 1929 at age 19 she and two other girls from Medical School escaped through Siberia and northern China – swimming

rivers and traveling on foot. Included in the family folklore is the story of my mother being sold into a Chinese harem.

All three young women became University Professors in the United States. My mother married in Canada but was placed on Senator McCarthy's blacklist for 15 years – they could not distinguish someone who supported Communism or someone who risked their life to escape from it. Whatever my attitudes to risk and politics, I do come by them honestly.

Palliser began as a one-man business in the basement of our North Kildonan home. Many of our neighbors also went into business for themselves since their experience in the work environment often paralleled that of my father.

After 2 years my father moved into a renovated chicken barn of about 500 square feet – an exact replica is located near our Headquarters to remind us where we came from. The business developed in a very steady manner, doubling every 3-5 years. My father had a strong sense of integrity and reliability and that became the basis of the success of the business. Although Palliser has changed in many ways, the focus on value, the integrity of product and relationships and a strong internal culture remain essential features of the business.

The fashion of the day is sometimes to build for the purpose of personal wealth, cashing out, restructuring, changing ownership. When I consider the decades-long impact of my father's values on the business I am concerned that the current culture may reap the harvest of fads that focus too much on the short term and personal gain.

A defining event in our corporate history was a fire in 1961 that almost destroyed the business. The damage was the same as the insurance. My father rebuilt in 30 days. He then asked his elder sons whether they had an interest in the business – and on that basis built a new factory that is still our Headquarters location. The original factory in 1963 was 60,000 feet with 50 employees. Today Palliser occupies 2,500,000 square feet with 4300 employees. Winnipeg remains our center but there are important factory locations in Alberta, North Carolina, Wisconsin and Mexico and new operations in Indonesia and Lithuania.

Two recent developments have been central in shaping the company. The Free Trade Agreement of 1989 concentrated our mind in a wonderful way about the direction of the market. This year we will ship almost 60% of our product to the United States. The second event was the almost accidental entry into the leather business about 10 years ago. We managed to catch the beginning of an important shift in the market and today we believe that Palliser is the second largest producer of leather furniture in North America.

It is sometimes tempting to take credit for the wisdom of decisions that is only evident after the fact. Palliser has staked out its claim in the more contemporary part of the market, an area the American competitors tended to pay less attention to. During the

80's I was frequently asked why we focused on the contemporary. My answer was that if we do contemporary I need to spend a lot of time in Italy –but if we are in traditional styling I need to spend more time in North Carolina – and I prefer Italy. If you want to know the truth – that is in fact the reason for our historic contemporary flavour.

I joined my father and brother in the business in 1967 but my entry was not a foregone conclusion. I was attending Harvard Business School at the time and my father kept calling me to determine if I was planning to return to Winnipeg. Harvard was a fabulous experience for me. Once I realized that a famous father did not guarantee brains it got better. One of my memorable moments was a computerized business game. A few of us anticipated that the logic of the game was based on the premise that all players were rationale. We threw in a few non-rational decisions and the computer stopped. After finding the culprits they begged us to play by the rules so the rest of the students could have their fun and receive a grade. It was a very instructive lesson - since there are often non-rational players in the real world. Sometimes they are even called government subsidies.

Back to my father and a job. There were some other rather exciting alternatives so I suggested he should travel to Boston and interview me like everyone else. My parents did come and I asked the question - what would my role be? My father responded “I started at the bottom, your brother started at the bottom and you should start at the bottom – you can be in charge of Sales”. My father was of the school that said if you build a great product and serve the customer well – they will come and for most of his life they did. Anyhow, I started at the bottom and loved it.

What many of you do not know is that I never really intended to have a business career. I actually started out in nuclear physics but after a bit of time in an underground cyclotron shifted for something with people instead of particles. After my management degree at the U of M I felt that my education had been too narrow and headed south for a liberal arts education. I continue to promote the liberal arts. These were the mid-sixties and an idealistic student raised in a four-century tradition of non-violence could not avoid the anti-war rallies, the civil rights marches and the love-ins. I had written the Foreign Service exams in Canada and had been accepted to work in our diplomatic service – but with a deferral to study an extra year in the US. The FBI was courteous enough to do a security check after my participation in the Selma to Montgomery civil rights march. I lost my security clearance in Canada and my career plans required a change in direction. Harvard Business School became plan B. Plan B turned out rather well.

Actually I shifted to Plan C – that is, live both Plans A and B. One of the most rewarding aspects of my life has been the opportunity to live a double life. That is, a life that balances all of the challenges, joys and rewards of a business career with another life that has involved Leona and myself in a wide array of humanitarian, social and cultural initiatives.

We have lived for extended periods in Bangladesh, Cambodia and Somalia and have been involved in many other situations. Each assignment was characterized by a significant degree of chaos and uncertainty and my role was usually to create a program or institution that introduced a new idea or brought stability.

Cambodia was probably the most entrepreneurial situation. At the end of the Khmer Rouge period in 1979-80 there was the potential and reality of famine and huge refugee flows. The International Community was tied up in its politics and could not respond. A small group of creative and high energy individuals operated in jungle terrain between four armies and assorted warring institutions to deliver all of the supplies to rebuild the agriculture of Cambodia. This was accomplished in less than 3 months. Transport was on foot, bicycle and thousands of ox carts. Communication was a couple of shells into the middle of our camp when the Vietnamese felt we had messed up. I have actually spent time between two armies shelling each other. We were about 300 meters from the Vietnamese troops who were being shelled over our heads from a distance of 18 kilometres. At that point you hoped the guy aiming the gun was having a good morning and was accurate.

In the 90's much of our focus has been on education. Leona and I were part of a group that founded a Christian University in the Soviet Union prior to the end of Communism. The agreements were signed in the Lithuanian Parliament surrounded by sandbags to keep the Russians at bay. In 1991 we happened to be in the Soviet Union at the time of the August 19 coup. In fact, our 17 year-old daughter was in Lithuania, our 19 year-old on the train from Leningrad to Moscow and Leona and I were in Kazakhstan. Believing that nothing important would happen in Kazakhstan, we immediately flew to Moscow and joined the marches. We were inside the barricades around the Russian White House the last night of the coup. My parents witnessed the beginning of the Revolution and I did not want to miss the end. Today, Lithuania Christian College is a fine institution with 400 students and a brand new campus.

I have also been privileged to be part of the group that is creating the new Canadian Mennonite University here in Winnipeg.

My latest interest has been immigration policy. In conjunction with the Manitoba Business Council and other interested parties we are recommending a much more aggressive immigration policy for Manitoba. Our province used to attract 6,000 or more immigrants a year but that has dropped to less than 3,000. There are jobs, housing and many fine people around the world who would come to our City and Province if we created the right conditions.

We are recommending that immigration becomes more provincially driven – it is in fact one of only two areas in the constitution that is to be a shared responsibility. We believe that 10,000 people would be a more appropriate number. That is less than 4% of the Federal Government target for immigration flows. This would drive our economy, our

real estate market and our sense of self-confidence. Nothing would change the image and reality of Winnipeg faster than a growing population and booming economy.

Why do I have these interests? My life has been shaped by my family and community which in turn has been influenced by my personal faith in God and the particular way in which our tradition views our relationship to God. If each of us is created in the image of God, then two conclusions flow from that concept.

First, I cannot kill or commit violence against a person that God values very highly - regardless of race, creed or political conviction. That view placed our religious community at the fringes of most political societies and provoked the wanderings of a people in search of refuge.

Second, if we reflect the image of God, that should be evident in our values and lifestyle. I view my personal talents as well as the tangible assets available to me as something I am responsible for – not something to use only for my maximum personal enjoyment. These beliefs have consequences.

My talents and opportunities appear to lie in the area of business, given the free enterprise way of organizing our society – but many of the needs of the world will not be addressed by business or the invisible hand. I hardly believe that “winner takes all” is an accurate reflection of the image of God. Each of us needs to find our personal balance in a world that is not very kind to many of its citizens.

In business, I have preferred to operate as a private rather than a public company. I would probably lose the ability to divide my energies if required to meet the demands of shareholders. Palliser is vertically integrated in part because we view more employment as a good thing – that perspective may not survive a Bay Street critique. To this point we have also remained union free. That is always a challenge, but my view of expanding employment would change if required to work in an antagonistic environment.

These perspectives also influence our view of charity. Palliser donates 12% of its pretax income to the DeFehr Foundation, which in turn supports a wide variety of causes. My father taught us that the tithe comes first – then capital expenditures. If we go the other way around the money will never be there. Why 12%? Those were the days of various investment tax credits and other programs that reduced taxes. My father was concerned that somehow all of these programs would not give the Lord his full tithe – so we decided to donate 12% just to make sure!

Refugees have also been a central part of my life. We employ persons from over 70 countries speaking 40 languages. Many are refugees and we are the employer of choice for a number of refugee or immigrant communities. My grandparents, both parents, my stepmother, both daughters and one son in law were refugees. That may help to explain the particular interest in this area. I have worked in many refugee camps and at one point in my career was responsible under the UN for Somalia, the second largest group of refugees in the world. Kofi Annan was my colleague at that time.

The award this evening seems to presume a business career, but we overlook the fact that there is an equally challenging entrepreneurial world outside of private enterprise. I consider Mother Teresa to be one of the greatest entrepreneurs of our time – or a person like Millard Fuller of Habitat for Humanity.

Before closing allow me some comments about the future. Palliser faces the usual internal challenges of a growing business, the search for qualified management and changing competition in a global marketplace. We value our role as a Canadian and locally managed company. If we would go public or sell control there is a strong possibility that the Head Office would move south – where the 15 larger companies in our industry are located.

We also place a value on our ability to make at least some choices on other than purely financial criteria and this would be more difficult in a public company. These self-imposed constraints reduce our financing options and to some degree our ability to attract senior management. My personal goal is to maintain Palliser as a private, locally managed company but enjoying success in a global marketplace.

As a society, as a province and as a City we also face difficult choices and challenges. Winnipeg is like an island – it is in the middle of the continent when we look at a map – but distance is such that there may as well be an ocean between us and most markets. There is a battle taking place for the soul of our society and our country and there are no easy choices. We have been placed adjacent to the largest and in economic terms the most successful economy in the world. This creates wonderful opportunities but also some great problems. We take pride that our society is more gentle and caring – but that is of little value if our brightest and best vote with their feet for the alternative. Our choices are limited by the policies of others.

I believe in the compromise that is Canada but am also coming to the conclusion that we need a new strategy to survive and prosper adjacent to the United States. We need more people, we need to educate and train them better and we need policies to keep the best and the brightest at home. A more intelligent immigration policy can also enhance this strategy. This is why I am putting a great deal of personal effort into an immigration strategy for Manitoba. We also need a strategy on taxes, on education and on innovation.

Canada can remain an alternative to the United States – but this strategy will not work if we are economically inferior. We should not try to compete on every single front but reinforce those areas where there is demonstrated leadership and talent in Canada. We need leaders and entrepreneurs in the business sphere, in the social arena and also in Government. I encourage you to believe in this great country and balance your personal goals with a contribution back to this society.

I would like to close these remarks by leaving each of you with a challenge. Each of us in this room has been created in the image of God - regardless of whether you choose to acknowledge that or not – and each of you has valuable talents and opportunities. Some

are entrepreneurs; others are great managers, administrators or technicians. Each of us can choose to use our talents for ourselves or we can balance our life by including others.

Leona and I have sometimes been asked whether our intense range of involvements and associated travel do not impact on our personal or vacation time. The implication is that we are missing something. I always ask them what it is that we missed. We still have all of the friends back home, we have more to eat than we need, more cars and plenty of house. What we also have is another whole set of experiences, of memories and of friendships around the world at all levels of society. These can never be taken away.

As Canadians we are uniquely blessed. We live in a society that is regularly voted as the best quality of life on earth.

When we reach out to the world we carry only limited political baggage and can be accepted and effective everywhere.

There are also significant challenges and needs in our own communities and we have personal and community resources that can be used.

The world needs entrepreneurs in business – but we need social entrepreneurs even more. The challenge is for each of us to be an entrepreneur in the world of people and needs around us. Let's reflect the image of God and leave the world a little kinder and better place than we found it.