

## **A TEI Project**

# **Interview of Andrew Galef**

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## **1. Transcript**

### **1.1. Session 1 ( December 14, 2006)**

UCLA Oral History Program Andrew Galef Session 1 December 14, 2006

INTERVIEWER

OK, we're live. And so this is Mike Altman interviewing Andy Galef on December 14, 2006, in his Westwood office at 1015 Galef, known as the Spectrum Group. So today in the first segment, we are going to cover his background, including his family history, education, and up through college. So, Andy, when and where were you born?

GALEF

I was born in Yonkers, New York as that's where my father and mother lived at the time. My mother died in childbirth with me, and I was sent to live with my mother's two sisters, and my mother's mother, who did the initial raising of me, while my father spent a lot of time getting over the loss of my mother. I think he was very thankful that he didn't have to take care of a person when he was basically starting his law practice. He graduated from law school in 1929, from New York Law School, and he had opened an office. His first client was referred to him by a relative, and he turned out to be, over a period of time, the enforcer for my father. Whenever my father had a delinquent bill, the enforcer would go out and see to it that it got collected, and he'd take a piece of the collection, because we were in the Depression, and collecting money was really not a regular routine.

ALTMAN

I can imagine. Very challenging.

GALEF

My father was put through law school and college by his uncle, who was the first really successful -- in terms of money -- person in the family. Prior to that, when they lived in Poland, Russia, Lithuania, depending on who owned it at the time, the family was in the millinery business, and all of the people that came to the country, this country, in the 1890s, were all milliners.

ALTMAN

Could you define a millinery?

GALEF

Hat makers.

ALTMAN

Gotcha.

GALEF

The uncle that put him through school was in the gun business, and he was hugely successful in the gun business; he was both a distributor and a manufacturer --

ALTMAN

And what -- I'm sorry.

GALEF

J.L. Galef and Sons. He was the sole distributor in the United States for a long period of time for Beretta, and he was the principal owner of Marlin Arms, and he did business with them and almost every major gun manufacturer in the United States. Interestingly, I think he got started in the gun business when he got to the United State and he got married, and he was trying to think of something to do. And he and his wife went out west looking for something to do, and found what was really needed was gun repair. And so Jack would drive, and Tess, his wife -- the Duchess [nickname for Tess Galef] (laughter) --

ALTMAN

(laughter) That was a nickname for her?

GALEF

-- would repair the guns, going from town to town to town. And that's how he got started in the gun business. Anyway, -- after my father remarried, almost four years after my mother had died, he married a lady who was a social worker. And she was an important member of the family, because lawyers didn't make much money in those days; social workers made more money than a lawyer, because they worked for cities, and the cities had money, and the lawyers were always out trying to find clients who could pay. And during that period, about the same time as he met and married my mother -- I call her my mother because I've never known another one -- on a cruise paid for by a client. And about the same time, he met a man who was looking for another lawyer to share space with, because they, again, were trying to control cost; this was 1935, 1936, and cost-control was important. And they became partners for life.

And the name of the firm was Galef and Jacobs, and their major claim to fame was the writing of the McCarran Act [Internal Security Act of 1950], which was the basic immigration act for the United States, and they were immigration attorneys. And where they eventually became quite successful was in handling the affairs of the people who they immigrated into this country. And they developed over a period of time a pretty successful practice.

ALTMAN

Sure. I can imagine.

GALEF

As for myself, my grandparent and my birth mother's sisters all lived in Yonkers, on a reasonably-sized spread in Yonkers, which was a delight for a young child. They also had a relative who had a wonderful farm outside of Rhinebeck, New York. And whenever we had a free weekend, we would go up and visit the farm; it was terrific. When my mother and father got married, we moved into New York City so that they could both be nearer to work. And that was about the time when I started school in the New York City School System, in 1937 when I started kindergarten.

ALTMAN

So you were about six years old? Oh, kindergarten -- five years old?

GALEF

And the next thing I knew, two years later, they had skipped me, the New York City School System, and I was the youngest and smallest kid in my class --

ALTMAN

(laughter) Hopefully you didn't get beat up too much.

GALEF

Then the family moved from Riverside Drive, in a building that was owned by my uncle, my grand-uncle, up to Riverdale, in a couple of steps. We lived in Riverdale until 1940, when my brother was born. And then we moved from there back to Yonkers, where my father was also the shamus of an Orthodox Shul [temple].

ALTMAN

I'm sorry, the what?

GALEF

He was the shamus of an Orthodox Shul, he was the lay leader of an Orthodox temple in Yonkers.

ALTMAN

Oh, wow. OK, and that's in addition to being a lawyer.

GALEF

Yeah. Yeah, he was quite religious at that point. As he became more successful as a lawyer, he became less involved.

ALTMAN

Spent less time. (laughter)

GALEF

-- in those kind of pursuits. The next move was in 1943; my next brother was born, and we moved to White Plains, into a house that could accommodate the growth that we were undergoing. I went through junior high school and most of high school in White Plains. I was having a problem in that I was still a little over a year ahead of myself, and so it was a difficult time in life. The reason it was a difficult time was that I couldn't get a date. (laughter) -- because I couldn't -- if I was asking girls out in classes below me, my friends in my class didn't want to be there. And in addition to that, my friends were all driving; I didn't have a license yet.

ALTMAN

Didn't have a car. That impacts your dating life significantly.

GALEF

Right. I guess outside of that difficulty -- I did start an entrepreneurial business in White Plains. What I did was I organized the kids in my neighborhood, to have them come work for me and clean basements and mothball cabinets and paint shutters, and all that kind of stuff. And I'd get paid, and I'd pay them, and I took some off the top for me.

ALTMAN

(laughter) As well you should.

GALEF

And in addition to that, I was a photography buff, and I built a photography studio and a darkroom in the basement of my parents' house. And so I also scoured the neighborhood for photography business that I could sell. So at an early age, I had an interest in money. I also decided -- when it was time for my senior year in high school -- that it was still uncomfortable. And so I decided to go somewhere and take my senior year and a postgraduate year, so by the time I got to college, I would be more eligible for relationships. And so I went to Deerfield Academy, and spent two years there. Two really interesting years there, because it's a pastoral, isolated atmosphere.

ALTMAN

Now where's Deerfield located?

GALEF

Massachusetts.

ALTMAN

OK.

GALEF

Deerfield is in western Massachusetts. It was truly a unique experience. In addition, at Deerfield, there was a lot of physical activity, because they tried to keep the guys from getting too horny. (laughter) Everybody was required to do

athletics. And it turns out that I was a fairly good football player, and so that helped. From Deerfield, I went to Amherst. That was for sure the best educational experience of my life. It was better than Deerfield because it was bigger than Deerfield. It also smelled and looked just like Deerfield, and it was only 20 miles from Deerfield. And I guess the -- at Amherst, I played football as well. I swam at Deerfield also. True entrepreneurship came up when I was at Amherst. Two fraternity brothers and myself started a thing called the Eastern States Radio Corporation. We got some girls at Smith [College] and Holyoke [College] to do some correspondence. And what we did was we wrote every college radio station in the country to ask if we could represent them for national advertising. Nobody had national advertising, because most of the broadcast capabilities came through the radiator in your dorm. I managed to sell it to Pepsi Cola. And we had a wonderful multi-year contract, where I got the morning and evening newscast and the morning and evening sportscast, in exchange for paying money that I got from Pepsi Cola to 106 radio stations. Eastern States later changed its name, and it got sold to College Radio Corporation.

ALTMAN

That's incredible.

GALEF

So that was my first real entrepreneurial venture. I don't count running the fraternity cleaning and laundry and things as entrepreneurship; that was just a way to get a couple of bucks.

ALTMAN

So you had bigger ideas in mind when you came up with this than just making a few dollars. Did you have a strategy of trying -- when you first came up with it, did you think you might get bought out by somebody as big as Pepsi Cola?

GALEF

No. We were just trying to finance our relationships with the girls at Holyoke. (laughter) (inaudible) But we knew that in order to attract anybody to participate in it, we absolutely had to have a big enough potential audience for it to be of interest. And the way I got the business with Pepsi Cola was, I went back through my parents and all of their friends, as well as my friends, finding out who had a contact in the media business, advertising. And the one that came through, interestingly enough, was a guy who was three years ahead of me at Amherst who I knew in high school.

ALTMAN

Oh, interesting. And he was graduated as well.

GALEF

Yeah, he was working for BBDO [Batten, Barton, Durstine and Osborn].

ALTMAN

BBDO?

GALEF

Batten, Barton, Durstine and Osborn.

ALTMAN

OK. An advertising firm?

GALEF

Yeah. They were one of the biggest ones in the country at that point. And he eventually ended up with his own firm, Jordan and McGrath. Anyway, it was --

ALTMAN

Could you talk a little bit about how you came up with the idea for that?

GALEF

You really want to know how?

ALTMAN

(laughter) I think -- yeah, I think it'd be interesting for this story.

GALEF

We were -- my fraternity was involved with the Amherst College Radio Station, with a couple of other media opportunities, the campus magazine and a few other things. We were just sitting horsing around one night, and we started bitching about the fact that we were always soliciting everybody in town to get enough money to keep the radio station going. And so we started talking about how to do it, what would it take? And it took us a year and a half, from the time we thought about it. before we got --

ALTMAN

Started getting other stations -- or before you got the Pepsi contract.

GALEF

Yeah. Everybody in the radio station business at the college level had the same problem we did, so getting them to sign up was not a problem. It was faster than snail mail today.

ALTMAN

Really? Wow.

GALEF

Well, for the most part. They would get the mail, and in the mail was a return card, and they would return the return card, and we would send them the formal document; they would sign it and send it back. It only took about five months to get every single college radio station to say "yes".

ALTMAN

So you sensed the pain out there in the college radio stations, and found a way to fix it?

GALEF

Yeah. We said, "What would be a source of money?" And we luckily found one.

ALTMAN

So did that -- so when Pepsi bought the company, did that -- or did they buy it, or was it just a contract?

GALEF

It was a contract.

ALTMAN

And did that turn out to be a significant amount of money, or...?

GALEF

Uh, yeah.

ALTMAN

For a college student.

GALEF

Yeah. It was more than significant to a college student; a college student, in those days, when college cost \$1,000 --

ALTMAN

(laughter) Those are many --

GALEF

If you were making \$4-5,000, you were really on top of the heap. And we were doing OK. (laughter) One of the founders continued to run the company after graduation. I went into the service, of course; everybody went into the service. I went into the Air Force and spent some time in the Air Force. And then, got an early out --

ALTMAN

So that was just a natural transition for you, then, right into the -- because everyone else was doing it, it was just kind of standard.

GALEF

Yeah. We had a draft in those days.

ALTMAN

Definitely.

GALEF

Unless there was something wrong with you, you had to serve. Amherst had an Air Force ROTC program, so rather than have my education interrupted, or becoming a Private who was paid about \$40 a month.

ALTMAN

That was the pay?

GALEF

Even flying, you only made a few hundred bucks a month.

ALTMAN

Wow, that's amazing.

GALEF

Oh, yeah. Well, this was a whole different era. So I got an early out to go to Harvard Business School, and the reason that I ended up in Harvard Business School was I went and I spoke to my father, and I asked him -- I told him that I was going to apply to graduate schools, and that I was thinking about law school or business school. And he said, "Well, that one's easy." He said, "Go to law school, come to work with me." And I said, "You just made up my mind." I would never know whether I could have done it on my own if I went to work for my father. So, to me, that was it. Rather than a family feud. That basically takes me through -- yeah.

ALTMAN

OK. Well, --

GALEF

Through the background, I think.

ALTMAN

Sounds good. Can I just -- do you mind if I just go back and flush a few questions out of that?

GALEF

Sure.

ALTMAN

You know, I guess the first one that comes to mind, since you were talking about it -- you know, when you said your father wanted you to go to law school, and you decided to go to business school -- how did he take that? Was he --

GALEF

Oh, you mean initially?

ALTMAN

Yeah.

GALEF

Initially it was not what he would have liked. (laughter) It took him a couple of months, and then he finally understood, because I said, I needed to know success or failure on my own as he did and I didn't want to compete with him, which was the choice if I went to Law School. We had a reasonable discussion about it; mother was invaluable in those discussions, as she could calm him down.

ALTMAN

It's nice to have that calming force; we have that in my family as well. (laughter)

GALEF

And of course, later, when it turned out that I was somewhat of a success in business, he was really, really proud of me. (laughter)

ALTMAN



I'm sure he was.

GALEF

My business is a hell of a lot bigger than his law practice.

ALTMAN

Yeah. So do you think that's something that he expected for a long time, that you would have taken the business over, or taken the law practice over?

GALEF

The interesting thing is, if he had not said, "And you'll come to work for me," I probably would have gone to law school. And what's fascinating to me is that almost every lawyer I've met in business has said to me, "Why didn't you become a lawyer?"

ALTMAN

Hmm. Runs in the family, it sounds like.

GALEF

Well, I have a real knack for it.

ALTMAN

What, specifically -- as far as contracts, or speaking, dealing with people --

GALEF

I grasp all of the concepts really quickly. Yes, dealing with people. The art of negotiation. But on the other hand, if I had gone to work for my father I would have died.

ALTMAN

Now, is that something you think you learned from your father? Did he sit you down and talk to you about the law?

GALEF

No, I learned it more from my father's friends and contemporaries, because it was easier.

ALTMAN

OK. So did you spend much time -- like I know when I was younger, I went to work with my dad every now and then, and it kind of sparked a little bit of interest in what he was doing for me. Did you ever do that with your father with the law firm or...?

GALEF

Not with my father, but with my father's friends; I worked for them in summers.

ALTMAN

In the law firms?

GALEF

No.

ALTMAN

OK.

GALEF

One was in the insurance business, one was in the dyeing business.

ALTMAN

Dyeing business?

GALEF

Yeah, dye.

ALTMAN

So clothing, fabrics?

GALEF

He actually -- he was in the business of producing the dyes for the clothing manufacturers. And I also worked for a men's clothing manufacturer, and they were all my father's friends.

ALTMAN

OK. So was your -- you mentioned that your mother was really helpful in that discussion with your father. Did she have any goals set for you as well, or was she more --

GALEF

Yeah, she did. I mean, I never realized it, but she was infiltrating. (laughter)  
Yeah, she was really, in the sweetest way, educating me that for your life to be worthwhile, you really had to do things for others. And that you had an obligation to do that, just because you're here. And if you're here and you're healthy -- she retired as the head of the Westchester County Council of Social Agencies, so -- and my sister, who was the youngest child, is a shrink who deals only with difficult problems. And my brother, Steve [Galef], who died seven years ago --

ALTMAN

I'm sorry.

GALEF

-- was a lawyer who took over my father's practice, and was also the chairman of a large hospital in Valhalla [New York]. And his wife is, for the last 20 years or so, has been a politician representing northern Westchester County in the New York State Legislature. So his family does things and has acted --

ALTMAN

Do you think that impacted -- that sense of duty -- impacted your career as well, later on?

GALEF

I think the answer to that has got to be "yes", because you don't go through that without having some of it rub off. But I've never really thought through what kind of an impact that may have had on my career.

ALTMAN

Certainly.

GALEF

I sure as hell always tried overly to be fair, and I think that's part of it.

ALTMAN

That's probably where it came from.

GALEF

And especially in the vulture business. (laughter) That's a bad word. But when you are dealing with vultures, as I've spent a good portion of my life dealing with, I think it always caught them off guard.

ALTMAN

That --

GALEF

That I really cared about what was happening, and I was not gregarious to the point of ever being offensive. And when you tell somebody that their business sucks, and it's because of them, you better have a way of softening the blow for them, because you don't want to hurt them; what you're trying to do is help them.

ALTMAN

Right. And you still need them.

GALEF

Right, well, even if you didn't need them, you needed them to feel all right.

ALTMAN

So that's something that was important to you.

GALEF

Yeah.

ALTMAN

I just wanted to maybe -- if you could just talk a little bit more about your father's involvement with the temple. I was just curious --

GALEF

Well, he stayed involved with the temple all of his life. But it went from Orthodox to Conservative to Reform to Father Schwartz's.

ALTMAN

OK. To what?

GALEF

(laughter) The rabbi, his last temple -- he was hilarious, a great sense of humor, and I and my compatriots all referred to the rabbi as Father Schwartz. And he was, he was a wonderful guy. I mean --

ALTMAN

So your family was relatively devout then? You were in temple weekly?

GALEF

My parents were in temple at least once a week. I have not been in, boy, 30 years.

ALTMAN

OK. Interesting.

GALEF

40 years.

ALTMAN

Wow. But you went fairly regularly with your parents as a child?

GALEF

No. I went to Sunday School.

ALTMAN

OK. (laughter)

GALEF

Actually, I did go to temple from -- it goes back to -- that was the place where I was in my own age group, so I could get dates. (laughter)

ALTMAN

There you go. But Sunday School's a little younger, correct?

GALEF

No, we went to Sunday School until we were 14.

ALTMAN

Oh, OK. I'm Catholic, so we did CCD until we were eight, basically.

GALEF

No, we went until we were 14. And I actually dated girls from Sunday School while in high school and college more than anywhere else.

ALTMAN

Really?

GALEF

And actually, my first wife, I met through a girlfriend of mine in Sunday School.

ALTMAN

That's funny.

GALEF

It was her 16th birthday.

ALTMAN

Oh, OK. You met her very young.

GALEF

Yeah.

ALTMAN

I was also wondering if you could talk a little bit more about school. You mentioned that you got -- that you skipped a grade relatively early on. Were you -- was it just something that came incredibly easy to you, did you work particularly hard in school? Did your parents kind of push you to excel?

GALEF

No. Working hard in school was not on my agenda. It really wasn't. I'm a very quick learner. And -- I don't know. According to Miss Hatten, who was the principal of the school in Riverdale, where I was skipped, I was one of the more disruptive students that she'd had. I think she promoted me to get me through the school faster.

ALTMAN

(laughter) OK. At least to get you out of her classroom more quickly.

GALEF

She lost her key to the schoolyard one time, and so after that, a whole bunch of kids, for a month, would stand out by the gate and say, "Well, Hatten's lost her key." (laughter)

ALTMAN

(laughter) That's funny. So you said that school wasn't on your -- necessarily on your agenda, so after school, I assume you weren't doing your homework; what kinds of things were you doing? Sports, playing with other kids in your neighborhood -- were there a lot of kids around the neighborhood?

GALEF

No. I mean, there were plenty of children, but our houses were not on top of each other. And so you had more friends from school than from the neighborhood. But it was some combination of them being in the neighborhood -- I guess my few best friends all lived within a block or two.

ALTMAN

OK.

GALEF

But I was not particularly studious.

ALTMAN

OK. So did you play a lot of sports at that age?

GALEF

Yeah.

ALTMAN

I guess typical -- kids in those days, baseball, football -- I guess streetball -- sewerball, that's what my dad used to play in Brooklyn.

GALEF

No, we didn't play sewerball; we had a field. (laughter)

ALTMAN

Oh, OK. It's more than my dad had in Brooklyn.

GALEF

Well, we were only three blocks from White Plains High School, and they had a lot of athletic space. Actually, one of my better friends in high school was Dick Nolan, who went on to coach the Dallas Cowboys, and his son coaches the 49ers.

ALTMAN

The 49ers.

GALEF

Yeah. Dick went to Maryland.

ALTMAN

He's got a long -- I'm a die-hard 49ers fan, so he's got some big shoes to fill after Bill Walsh and George Seifert. But he's trying.

GALEF

Anyway.

ALTMAN

That's pretty funny. So I guess -- oh, I just wanted to clarify as well. You mentioned you had two brothers and one sister?

GALEF

Yeah.

ALTMAN

OK, growing up. And your --

GALEF

Yeah. My oldest brother is seven years younger than I am, and the next is three years below that, and my sister is two and a half years below that. So I'm 13 years older than my sister.

ALTMAN

Oh, than the youngest one.

GALEF

So I was basically gone by the time she could speak.

ALTMAN

OK. That's true. That's definitely true. And what were their names one more time, just for the story?

GALEF

Steve, he's the one who was born in 1940, Victor [Galef] in 1943, and Nancy [Galef] in 1945.

ALTMAN

OK. So because of the age gap, you weren't relatively close to your brothers?

GALEF

No. No, I was very, very close to Steve. My parents were both working, and so I've always said I sort of raised him. He didn't speak until he was three years old, and when he finally did speak, the first words out of his mouth were, "Mom, Cushman is here." Cushman was the local baker home delivery company. And so Mother asked him, you know, "How come it took you so long to speak?" And he said, "You know, I never had to. Andy took care of everything."

ALTMAN

(laughter) Sounds like you were responsible, even back then. Logistics.

GALEF

First kids are always responsible.

ALTMAN

I'm an oldest child too, so (laughter) that kind of seems to be the case. I was wondering if you could also just maybe talk a little bit more about Deerfield. You said that was just a great experience for you.

GALEF

Well, the atmosphere in Deerfield was so different from anything I had experienced before. And it wasn't just the atmosphere; it wasn't just the Pioneer Valley and tobacco farms and the river running through the campus. All that was beautiful, and the huge playing fields, and there were 400 boys.

ALTMAN

(laughter) So all-boys school back then?

GALEF

Yeah, it was. But the headmaster was one hell of a guy, and he thought that you should become independent. He wanted a bunch of very independent thinkers, and we had Vespers, and we had meetings almost every night. But they also -- they demanded that you think, so you were never supposed to really learn by rote. And a lot of the classes, you actually experimented with things. And so it was a whole new view of education.

ALTMAN

Sorry, could you just define Vespers?

GALEF

Yeah, you sang religious songs. And everybody had to go. And you had to go to church on Sunday morning. If you were Jewish, you were allowed to go to services in Greenfield, which was the nearest town that had a synagogue on Friday nights, and a lot of us went, because that's where the girls were allowed. Ethel Walker and Stoneleigh-Prospect were the nearest girls' schools.

ALTMAN

Small class size.

GALEF

Yeah. They -- and you also learned some other things. You had to serve in the dining hall, rotating. Everybody in the school waited tables. And I'm talking about Roddy [Rodman] Rockefeller; I'm talking about Billy [William] Wrigley [III].

ALTMAN

You went to school with them?

GALEF

Yeah.

ALTMAN

Wow.

GALEF

Truman Olin. I mean, the school was a who's who.

ALTMAN

Northeast private schools.

GALEF

I still don't know how I got in, but I guess I did all right, because a couple of my cousins went later. But it was one hell of an interesting experience. I'd never met those people before. Jeff Selznick used to stay in my house over Thanksgiving. So it was -- it provided, I think, probably what I would call the -- "my sophisticated world".

ALTMAN

Could you define "sophisticated world"? I'm not -- just not entirely clear what you mean by that.

GALEF

Yeah. You know, it has to do with the way people who come from the kind of backgrounds that they came from, the way they lived, what was important to them. Like Roddy Rockefeller -- he was my roommate one year. But Roddy, when he would get his check from his parents, 10% of that check went into the kitty for charity. And he didn't get any bigger allowance than the rest of us. And his father -- now, how often does a 17 year old get to have dinner with Nelson Rockefeller when he came to visit Roddy? And it really was incredible for somebody who had never experienced that kind of thing before. That's one hell of a training ground.

ALTMAN

Yeah, definitely. Sounds like it.

GALEF

I had to remember which fork to use, that I could eat. You sure learned about your obligation to make conversation; you can't just sit there and look stupid. It was --

ALTMAN

So did you get any more interested in academics there, or was it more about the extra-curriculars, and the people that you were --

GALEF

Well, you had to get more involved in it, because they taught you about more. And --

ALTMAN

Did you feel like the professors and the teachers were finally pushing you?

GALEF

Oh, yeah. There were no slackers.

ALTMAN



OK. Well, it sounded like you were picking everything up --

GALEF

Actually, no, there were a couple. Dick Scaife was a major slacker. He figured since he could buy the school, he didn't have to do anything.

ALTMAN

(laughter) I'm sorry, it was who? Dick --

GALEF

Dick Scaife.

ALTMAN

Scaife?

GALEF

The Mellon family. He's the radical Republican.

ALTMAN

Oh, right.

GALEF

Yeah, he was --

ALTMAN

Yeah, they have them at every school. (laughter)

GALEF

He smoked. Almost nobody smoked, but they had a place where you could go smoke down by the river.

ALTMAN

Oh, OK. And you were allowed to smoke, or you would sneak off and smoke?

GALEF

Yes, you were allowed to smoke, as long as you went down by the river.

ALTMAN

Interesting.

GALEF

But it was its own special place for maturing. It was totally true as I look at it, that what I really had was a two-year head start on college, because you had to go through the same things in college. And I'll never forget when the headmaster -- he talked to every boy; his desk was in the middle of the main corridor. And it was about a month into my senior year, post-graduate year, and he called me over, and he said, "Have you thought about where you want to go to college?" And I said, "Well, my father wants me to go to Harvard." And he said, "That's not a good school for you." And I said, "If I apply, will I get in?" He said, "No." (laughter) Well, in those days, the headmasters of the really good schools, the Andovers [aka Phillips Academy or Phillips Andover] and the Exeters [Phillips Exeter Academy] -- they told you what school you were going to.

ALTMAN

Oh, OK. Interesting. And they fed the schools, obviously.

GALEF

Oh, yeah.

ALTMAN

Sent five a year to Harvard, or something to that effect. So he was the one that pushed you, or urged you to go to Amherst.

GALEF

He said, "Amherst is the right-sized school for you." He said, "The way you behave here, Amherst is the perfect-sized school for you." He said, you know, "It's four times the size of this." And he said, "You like intimacy, the bigger the school, the less intimate it is."

ALTMAN

A far cry from UCLA, 30,000 students.

GALEF

Well, I audit classes at UCLA. I don't know how the teachers do it, the professors; I don't know how they do it. When you've got 300, 400 kids -- how do you know how anybody's doing?

ALTMAN

And you had the experience of learning in classrooms of eight to ten people at Deerfield.

GALEF

At Amherst, I could go to Robert Frost's house on Sunday afternoons, and sit in front of the fireplace with him and a few of the other students, and ask him about anything I wanted to.

ALTMAN

That's amazing. Was he a professor or a teacher there?

GALEF

No. He had been a teacher there, but he still had a house, and he loved the students. And so at regular hours -- yeah. It was a unique experience.

ALTMAN

It sounds like you also got very well-networked there. Just at least between the classmates and people like Robert Frost.

GALEF

Oh, yeah. I mean, I am amazed today, when I think about how many relatively important people I've met. It's really, really been most beneficial.

ALTMAN

And I suppose learning how to deal with them at Deerfield must have been incredibly important, as you mentioned.

GALEF

Yeah. Well, I'm not sure you had to learn how to deal with them, but you sure wanted to. You know, White Plains High School or Scarsdale High School or

New Rochelle High School, any of those schools which were good-sized, a couple of thousand students -- if five kids got into Princeton or Yale, that was about normal. My class had 100 at Deerfield, and people thought that they were failures if they only got into Wesleyan. Yeah, that meant you were a dummy.

ALTMAN

No one wants to be a dummy.

GALEF

Dartmouth wasn't high on that list, Cornell was frowned upon.

ALTMAN

Really?

GALEF

Yeah. Most of the kids went to Williams, Amherst, Harvard, Yale, and Princeton. I'd say three-quarters of the class went to those five schools.

ALTMAN

Interesting. There's one other question I had for you, too, about the -- actually, a couple others, but you mentioned that most of the kids went to church on Sundays. Was it strange at all being Jewish in a community like that?

GALEF

No.

ALTMAN

Totally accepted, natural.

GALEF

No. You went, you could go with your friends. We didn't know the words to the songs; we had to memorize them, and they didn't want me to sing, anyway, because I can't. But it was mandatory.

ALTMAN

OK. Interesting.

GALEF

And the preacher, who was a Deerfield graduate, naturally, everybody who lived in Deerfield was a Deerfield graduate, would deliver messages about the school. So, no, I didn't feel strange at all.

ALTMAN

I was also wondering if you could talk a little bit more about the sports you played there, football and swimming, and maybe if there were any influential coaches, because I know sports have impacted my life, and been huge in building my -- who I am today. Any particular stories that might stand out?

GALEF

Not really. I was a good athlete as a kid, and my mother had an aunt who owned a boys' camp and girls' camp in the Adirondacks. And I went there every summer from the time I was five until I was fourteen, and I was always the

outstanding athlete of my age group at the camp. And it didn't matter whether it was boating or sailing or swimming or track or anything, except baseball.

ALTMAN

Couldn't play baseball?

GALEF

No hand-eye coordination.

ALTMAN

(laughter) Me, too, actually.

GALEF

Never could get it through at the right time.

ALTMAN

Yeah. No golf, no baseball for me. So is it -- so were there any, from I guess when you were young, like through Deerfield and even into college a little bit, were there any teachers or coaches or anybody that stands out?

GALEF

Well, I had one teacher who absolutely stood out. His name was Willard Thorpe, and Willard was Roosevelt's Head of Economic Affairs.

ALTMAN

Wow. So this was at Deerfield.

GALEF

No, this was --

ALTMAN

That was Amherst? OK.

GALEF

I actually inaugurated a chair in his honor. He would spend as much time with me as I would ask for. He was the professor that -- but what do you call it -- the guy you report to for your -- the professor you work with for your degree?

ALTMAN

Oh, like, your -- I want to say your mentor, but your --

GALEF

Honors [advisor].

ALTMAN

OK, OK.

GALEF

And, boy, he was terrific. And then Larry Packard, who was a history professor, was -- he fascinated me. The only professors that I had a hard time with were the English professors. The first paper I turned in, I got back a note that said, "G: beneath contempt."

ALTMAN

Really?

GALEF

Yeah. (laughter)

ALTMAN

Wow. So it was more the math and the science that --

GALEF

Math was always easy for me. Science was not easy for me, because I really wasn't that interested. I could add a column in a phone book, but I was damned if I could remember the symbol for any of the chemicals.

ALTMAN

(laughter) You could really add a column in a phone book?

GALEF

Oh, yeah, I could.

ALTMAN

With a pen and paper?

GALEF

Five years old. Write it down.

ALTMAN

You're kidding. That's amazing.

GALEF

Yeah.

ALTMAN

I've never heard of that before. (laughter)

GALEF

My parents used to show me off.

ALTMAN

(laughter) Sounds like a little Einstein.

GALEF

I can't do it anymore.

ALTMAN

OK.

GALEF

Yeah. Advanced math was a problem for me. I got through algebra, geometry just fine, and even advanced algebra, but when I got over into calculus, (inaudible).

ALTMAN

It's a little more theoretical. It's a little strange.

GALEF

I just stopped taking courses in it.

ALTMAN

(laughter) That's one way to deal with is.

GALEF

Yeah. Oh, I was also on the golf team.

ALTMAN

Oh, OK. So fairly busy with extra-curriculars.

GALEF

Yeah.

ALTMAN

So at Amherst, what were most of the courses that you took? Did you have a major?

GALEF

We had to take a required curriculum the first two years.

ALTMAN

OK. So they told you what to take the first two years.

GALEF

Yes. Told you what to take, because they wanted to make sure that you were going to have a well-rounded education. And some of the stuff you didn't want to take, but once you got through your sophomore year, you were on your own, you could take anything you wanted.

ALTMAN

OK. Do you think that required two years turned out to be helpful for you?

Like, did you take stuff you wouldn't have taken otherwise?

GALEF

Yeah. Yes, it was helpful. And the reason it was helpful was, it provided other knowledge. And whether I used it then or enjoyed it later, I at least had a base. And I had a roommate [Bill Youngren] who was an incredible piano player, and he used to go play at Ryan's and Condon's in New York on the weekends, and he would have the classical music on all day long. And --

ALTMAN

So I hope you liked classical music.

GALEF

Well, I learned to. And he -- his father founded National Can. (laughter)

ALTMAN

Founded National Can?

GALEF

Yeah.

ALTMAN

What was that?

GALEF

Cans.

ALTMAN

Oh, OK.

GALEF

Somewhere in the Midwest. And Youngey [Bill Youngren] went on to head the Classics department at Harvard.

ALTMAN

That's quite a different career than his father, for certain.

GALEF

Yeah. He thought his father was out of his mind.

ALTMAN

(laughter) OK. That's one reason not to want to go work for him.

GALEF

Well, you know, why would you want to go play with numbers all the time, when there's this wonderful world of music?

ALTMAN

That's really funny. So did you end up declaring a major at Amherst?

GALEF

Yeah, economics.

ALTMAN

Oh, OK. It was economics. So was it mostly economics courses, after your sophomore year?

GALEF

No. I took two each semester.

ALTMAN

Two -- OK, two economics.

GALEF

Yeah, two out of five. We were allowed to take five courses, it was 20 hours.

ALTMAN

So aside from the company that you started, were there any other particularly good memories from college, or anything that stands out?

GALEF

I have almost nothing but good memories.

ALTMAN

OK.

GALEF

I'm one of those people that have gone back, starting with my 20th reunion, I have been at every reunion.

ALTMAN

Most -- so mostly social, then?

GALEF

Oh, yes. The reunions were all social.

ALTMAN

Well, no, but when you were at school, any --

GALEF

I think they would probably consider me a social animal.

ALTMAN

OK. (laughter) That's kind of the sense I was getting.

GALEF

Yeah. I would not miss a Saturday night. (laughter)

ALTMAN

OK. (laughter) Great. Just trying to --

GALEF

Even when the coaches would tell you--

ALTMAN

(laughter) Now, and just one more time, how many sports did you play at Amherst?

GALEF

Three.

ALTMAN

It was three. So it was golf -- it was golf, football, and swimming.

GALEF

Yeah.

ALTMAN

Did one of those stand out as your favorite?

GALEF

Well, I gave up football after my sophomore year. I gave up golf after my freshman year. And I quit swimming after my junior year.

ALTMAN

OK. And there weren't really athletic scholarships in those days.

GALEF

Not like now. Though Amherst still does not give them.

ALTMAN

That's right. That's right.

GALEF

But there were always enough good athletes to fill the teams.

ALTMAN

I assume all the athletic activity also helped out the dating life as well.

GALEF

What do you mean?

ALTMAN

Also helped out the dating experiences?

GALEF

Not much.

ALTMAN

Really?



GALEF

Yes. Actually, I don't think at all.

ALTMAN

Really. Interesting.

GALEF

It was when I finally was able to have a car that improved, and one of the reasons for working at the radio station was that I could have a car. So I had a car starting in my sophomore year, and nobody else could have one until they were a junior. Had to have a special dispensation, had to have a reason for having a car.

ALTMAN

I guess necessity is the mother of invention, to say the least. (laughter) Well, great, I think we've covered most of what we wanted to get out of the background. Are there any other stories that you might like to tell? Anything that stands out from college or high school, or --

GALEF

No, not really. No.

ALTMAN

OK.

GALEF

That covers it fairly well.

ALTMAN

Great. Well, in that case, I am going to turn the tape recorder off.

GALEF

OK.

## **1.2. Session 2 ( February 7, 2007)**

UCLA Oral History Program Andrew Galef Session 2 February 7, 2007

ALTMAN

All right, and we are live. It's February 7th; this is Mike Altman, I'm speaking with Andy Galef of The Spectrum Group in his Westwood office, and we are continuing the oral history for the Oral History Office and the Price Center. And this is the second session, and today we're going to be discussing what Andy characterizes as the first of his post-school segments of his life, or the first segment of his career. So, Andy, if you'd like to take it away, and tell us the story in your own words.

GALEF

In 1957, after my first year at the Harvard Business School [HBS], I started interviewing various companies as they came through who were interested in Harvard Business School students. And I found the interviews rather

unsuccessful from my perspective, from my point of view, because I was constantly being interviewed by people who had graduated one, two, or three years before me, and they were all representing, of course, major institutions. Well, I didn't think I was all that smart, that I wanted to go compete, after having spent the two years at Harvard Business School, waiting in lines for promotions at the various banks, consulting companies, and for the most part, major retail and manufacturing companies. So I got out the research book, a lot of books, and got the names of -- and this is going to almost sound silly -- of companies that were doing somewhere between \$5-10 million, which today would be doing somewhere between \$50-100 million, to see whether or not I could get a start in a different kind of atmosphere. And, I sent letters to 200 companies and got three interviews out of that. One of them seemed quite interesting, because it was both a manufacturer and marketer of consumer products, and it was in New York City. And so when I graduated in 1958, my wife and I, and by then one child, moved to New York, and I went to work for this company. This company made barbecue grills, outdoor clothes dryers, and some toys, Tom Thumb cash registers being the main one of the toys. I went to work for them as a marketing assistant, but immediately it became obvious to me that what they didn't have was the territorial coverage that they needed. The principals in the company basically dealt with the Woolworths, W.T. Grants, S.S. Kresges, Western Auto, those kinds of companies -- and Sears. The major department stores and smaller retailers and the distributors of hardware -- the departments were called hardware -- were not covered well so my assignment, after I had worked for a few weeks in New York, was to scour the country for additional outlets that might be interested in our products. And much to my surprise, since I had never really actively sold to professionals before in my life, everywhere that I went, I got carload orders, and when I got back at the end of that seven months of visiting these outlets, mostly distributors, I had put in place a sales force. Each time I would visit a distributor, I would ask the distributor who in his area he really liked that I might interview. And so I developed for the country a rather extensive and effective group of agents. One of the incentives that the company had granted me for doing the traveling job was a percentage on the products that I had sold, and an ongoing but smaller percentage based upon the output of the agents that I had hired. And since -- I had a rather successful first year in business, the only problem was that when it came time to pay me the money that they owed me, they didn't have the money, and so we -- (my father and I) had a meeting with the management of the company, and the outcome was that instead of getting paid, I received a substantial percentage of the company.

ALTMAN

In the form of equity.

GALEF

In the form of equity, real equity. Obvious, to me, was that since it was so easy for me to sell the products when I was on the road that the products must have been underpriced. And so now that I had a say-so, I kept raising the prices until we met resistance.

ALTMAN

Andy, just one thing I want to make sure -- I'm going to give you this one, if you don't mind, because I just want to make sure -- what you say is much more important than what I say, and I just want to make sure the mic stays close, just so that you can use your hands freely, if you don't mind. Just because if I go and find this tape (inaudible) stops recording it, I miss a lot of what you say.  
(break in audio)

ALTMAN

You just mentioned that the settlement for not having the salary for you was a percentage of the company in equity.

GALEF

The next bit didn't get caught.

ALTMAN

OK, I don't think it did. I think I missed it.

GALEF

Anyway, the thing that occurred to me, once I had some say-so as an equity owner, was that the prices that the company was charging must have been awfully low, because it was so easy for me, who never had sold anything, to get orders, and it was also -- even simpler for the agents that I had hired to get orders. So we had a major problem. In addition to the fact that the company was unprofitable, we ran out of capacity. The company had two factories, one in Bristol, Pennsylvania, and one in Brooklyn, New York. As the orders were pouring in, I went out in search of another location for manufacturing, and found one in Belvedere, Illinois, which was an old existing former factory that was inexpensive and adaptable for what we were doing. In order to try and get that factory as successful as we could as fast as we could, I moved my family to Rockford, Illinois, which was ten miles from Belvedere. Belvedere was a city of about 5,000 people; Rockford was 100,000. So I couldn't really go from New York to Belvedere. It took about a year and a half to get the factory really running, and at that time, we had again run out of space.

ALTMAN

I'm sorry?

GALEF

We had again run out of --

ALTMAN

Capacity.

GALEF

-- of capacity. And so I found a location in San Jose, California, that was a metals factory and foundry, and I didn't need the foundry but I did need the metals factory. And so I bought that. The foundry piece was basically a manufacturing facility for Federal Mogul. It sort of ran itself while we were making some of the products, specifically, barbecue grills and the outdoor clothes dryers, because by then, we had almost gotten out of the toy business. The toy business was both highly competitive and design sensitive. In the barbecue grill business, by that time, we were as big as anybody in the country; the three biggest ones at that point being Big Boy, which was manufactured in Southern California, Weber, which was in the Midwest, and us. And we were each doing between \$10-20 million in just the barbecue grills, and we were the largest manufacturer of outdoor clothes dryers in the country. So at that point had a volume of about \$20 million, which was a far cry from the \$8 million that we had started with. At that point, a lot of folks turned up to talk to us about buying the company, and we decided to entertain it, since we were always under financed. We ended up selling the company, and I guess that's sort of a story in itself because I didn't know how -- I didn't have the slightest idea how you sell a company, and neither did anybody else, and the lawyers that we talked to and the bankers that we talked to also didn't seem to have much of an idea, nor did my professors at Harvard Business School really have any idea of how you negotiated the sale of a company that had unusual growth. I finally decided that the only way to do it was to keep saying no until somebody finally said, "Well, that's really as far as I'm going to go," and then I said, "I'll give you one more chance." And we got almost twice for the company what we had been told we could get for it, just because we didn't know what we were doing. That was that stage in my life. And then I looked for another company, because now, I mean, I felt I could run almost anything.

ALTMAN

Do you mind if I go back and just ask you a few questions about the first company?

GALEF

No.

ALTMAN

I guess just going back to Harvard Business School, when you were looking for the first company that you would take your first job out of school with, and you said you sent letters to hundreds of companies -- did you have criteria in mind for the company that you wanted to work for?

GALEF

Well, the only thing that I was sure of was that it had to look interesting.

ALTMAN

OK. And what would be interesting to you?

GALEF

Well, it turned out that a lot of family businesses were on that list, and if they were still really being run as a family business, I didn't want to get into the middle of the family. So when I got to -- if I got letters back, I would --

ALTMAN

Do the research?

GALEF

Yeah, I would do more research, and then I would tell them I was really sorry, but I had found something. But by interesting, I guess I wasn't interested in things like mining. I basically was looking at --

ALTMAN

More growth companies?

GALEF

Consumer goods companies were the majority of what I was looking at.

ALTMAN

So was there anything internal about the company? Did it have to -- and you mentioned \$5-10 million, and did it have to be a growing company, or --

GALEF

With those sized companies, it was hard to tell if they were growing or not, because you could not find a lot of financial history about them, other than if a bank would make an inquiry for you, and get financial history, and they didn't always have it or have access to it. So it was really a crap shoot.

ALTMAN

OK. Just something that was not the traditional business school path.

GALEF

Well, I knew that the world of -- the straight world of finance was not for me. I really decided that being a consultant was not for me, although I later, in a way, became one. But I wanted to do something where I could impact results.

ALTMAN

OK. So -- and I actually don't think I caught the name of that first company that you --

GALEF

Kamkap, K-A-M-K-A-P.

ALTMAN

OK. Good. And you actually mentioned that you had a wife and a child at that point.

GALEF

Yes, I got married when I graduated from college, and had my first child in 1957, which was four years later.

ALTMAN

OK. And where did you meet your wife?

GALEF

She was my childhood sweetheart.

ALTMAN

OK, that's right. I think we discussed that in the first session. And did she have any -- did she have any say, or did she, I guess, care what kind of job you took? Was she urging --

GALEF

Sure, we had discussions. And we also had discussions about, were there any geographic problems, and she said, "East Coast or West Coast?"

ALTMAN

She was OK with the East Coast or the West Coast?

GALEF

Yeah. It also turned out she was also OK in Illinois.

ALTMAN

OK. So she was very flexible.

GALEF

Yeah. She was pretty flexible.

ALTMAN

As far as geography. And you mentioned that you realized that they needed more territorial coverage as soon as you got into the company.

GALEF

Yeah.

ALTMAN

Now, was that your realization? Did you --

GALEF

Well, they had never pursued it. And so I guess the answer is, yes, that was -- they were keeping their factories running at about 80% of capacity, and so they seemed to be happy doing that. But I always felt that they were in danger if they lost one major customer, because they only had about 20 customers, it could seriously affect the company. What I really later found out was that those 20 customers, given long enough, would have bankrupted the company, anyway, because of their demands and negotiating power.

ALTMAN

Now how's that?

GALEF

Well, they were paying very, very low prices.

ALTMAN

Oh, that's right. You mentioned they were underpricing.

GALEF

And they especially were underpriced when you took into account the advertising money that they got, the rights of return that they got. It was a company that was basically only alive because each year, the volume went up a little.

ALTMAN

Gotcha. Now, did you sit down and run this kind of analysis when you got to this company?

GALEF

Well, after about a month.

ALTMAN

And was there anybody else there doing this at the time?

GALEF

No, the company was basically run by the two owners. And one of the owners even had a side business. It was his family business.

ALTMAN

Which you wanted no part of.

GALEF

For sure.

ALTMAN

Oh, and he didn't tell you about it. How did you feel about that when you found out?

GALEF

Well, since it was in the pots and pans business, I felt that there was probably -- if he was making more money at that, he was spending more time at that. And that turned out to be true; his only major customer was Sears Roebuck.

ALTMAN

Gotcha. Now, did they hire you in a role to come in and do this kind of analysis? Like, what was your title when you came in, and your specific responsibility? Or was it like a general manager?

GALEF

Marketing manager. Since they didn't have one, they were perfectly happy to give me the title.

ALTMAN

Gotcha.

GALEF

And they paid me exactly the average of my graduating class from Harvard.

ALTMAN

Really? Sounds like a deal.

GALEF

\$7,800.

ALTMAN

Wow. That's about -- from what I understand, what the Harvard grads are making today, it's about 20% of the signing bonus of most of them. So you mentioned that when you started going out and actually selling the products, you were getting carloads of orders. Now, so what did this do -- what kind of impact on their sales did this -- would you say it doubled their sales, 150% increase

GALEF

Oh, over three years, it was 150%.

ALTMAN

150%. OK. And why do you think -- do you have any idea why you were more effective than --

GALEF

I thought we had good products, reasonably priced. And we were innovating. We were the first ones to put a spit and a motor on a grill. We made little ones, medium-sized ones, big ones. I think we were a good supplier.

ALTMAN

So how did you go about marketing the product? Did you sit down and come up with a pitch?

GALEF

They gave me the prices that I could sell at, because I had no knowledge of the cost of goods, other than what they had told me, because I didn't bother to go into the factories to find out. Well, that basically was not my purview.

ALTMAN

Gotcha. Now, you mentioned your first year was very successful, and I assume that was financially, but did you also -- was it successful in terms of enjoying the job? Did you like what you were doing at that point?

GALEF

I was spending more time traveling than I would have liked, and I'm not really good at small-town America, never having -- other than in Amherst, having lived in a small town.

ALTMAN

It's hard for New Yorkers, I'd imagine. But in terms of an interesting company, you felt that --

GALEF

Well, in terms of the education I was getting, which was a very different kind of education than I got in college or in business school. It was enjoyable.

ALTMAN

And you think that this experience was particularly valuable later on in your career?

GALEF



Oh, it was invaluable later in my career, because I really got to understand, more than anything, how important it was to listen. If you spent time with these people the way that I did in the cities, I would go set up in the Holiday Inn in a room, invite people in, sometimes I had to send a car to pick them up to bring them in or whatever, they almost always had something significant to say. And if you listened --

ALTMAN

These are your clients you're talking about, right?

GALEF

Hmm?

ALTMAN

These are your clients, the people you're selling to?

GALEF

Yeah. If you listen really well, you found out that they would tell you what it took to sell them. You'd say, "Well, what's your biggest problem? How do you display the merchandise? What kind of advertising do you do?" If you ask them enough, they would tell you exactly what you needed to tell them in order for them to buy from you. Because by the time you got done, you had them in a box.

ALTMAN

And that wasn't a skill you learned in school.

GALEF

That was for sure -- although maybe if I paid more attention in administrative practice courses --

ALTMAN

To the HR courses especially? (laughter) I'm in the same boat. So when you got the settlement from the company, in terms of equity, were you happy with that settlement? And did that change your position in the company? Did you become an executive at that point?

GALEF

I started running the company.

ALTMAN

Oh, you basically took over.

GALEF

Pretty much.

ALTMAN

OK. So what percentage did you own?

GALEF

A little over 50.

ALTMAN

Oh, wow. OK. So that's a fairly sizeable equity -- (laughter)

GALEF

Yes.

ALTMAN

-- equity settlement. And was that negotiated primarily by your father, or did you book the negotiations?

GALEF

It was always primarily done by my father, because I was much younger than the experts, who we were negotiating with. And so I felt it was more appropriate for my father, but he would not agree to anything without my accepting.

ALTMAN

Right. Sounds like a pretty tough team, between you and your father. A good team.

GALEF

We were both pushovers.

ALTMAN

I'm sure, I'm sure. (laughter) How did that affect your relationship with the previous owners of the company? Were they still involved with the company at that point, after that?

GALEF

Well, one of them was involved in two aspects of it, one in the creative design part of the business, as well as handling S.S. Kresge and Western Auto, and --

ALTMAN

These were your clients?

GALEF

These were the clients that the company had before me. Anyway, yes, the one who had the Sears business on the side basically withdrew at that point to promote his 100% owned business with Sears.

ALTMAN

OK. Interesting. So when you basically -- it sounds like you basically took over the company at this point.

GALEF

Well, you know --

ALTMAN

Or you started running it, I guess, would be the better --

GALEF

Yeah, I think running it would be better.

ALTMAN

And then did you basically sit down and run a more thorough analysis? Because you realized -- you came up with the realization that you needed more

capacity at that point. Did you just kind of do a thorough evaluation at that point?

GALEF

I then really went and utilized some of the things that I had learned.

ALTMAN

In school?

GALEF

In school. (laughter) Which was a pretty thorough education in finance, manufacturing, marketing. I think I probably did get some of it that I was not conscious of on the way through school, which was the human side of the business. It must have occurred somewhere, other than from my parents.

ALTMAN

Now at that stage, did you utilize, you know, your network from Amherst and Deerfield and HBS, or were you basically just working in the company on your own?

GALEF

I was pretty much on my own.

ALTMAN

On your own?

GALEF

Yeah, I mean -- trying to think. Well, some of the network from Amherst, and some of the network from HBS, yes. But not extensively, and I didn't really pursue it. But if people that I knew, and knew fairly well, were in some similar kinds of businesses -- and then I had, I guess there was one friend, two friends, who went to work for consulting firms, that I stayed very close to. One was a manufacturing guy; one was a financial guy; and one was a marketing guy.

ALTMAN

Sounds like quite a team.

GALEF

They all work for the same --

ALTMAN

Same consulting firm?

GALEF

They all worked for Booz Allen.

ALTMAN

And so were they particularly useful to you at this point?

GALEF

You know, I'd have lunch with them probably once a quarter, and it was not for them to help me, but just in discussion. Yeah, it was helpful.

ALTMAN

Now, when you moved --

GALEF

I was all alone.

ALTMAN

I know. It's nice to have colleagues out there, every now and then. Now, when you moved your family to the Midwest, was that tough on you and your family personally, or...

GALEF

Well, I would say that it wasn't -- it was tougher on my wife, because she was an only child, and her mother was very upset at her only child leaving.

ALTMAN

She was a New Yorker.

GALEF

But aside from that, Rockford turned out to be a very friendly town to new arrivals, who were affluent enough to be a part of Rockford society.

ALTMAN

Maybe a bit of a breath of fresh air after the Northeast for so long.

GALEF

You know, I ended up in California on purpose, I guess.

ALTMAN

Right. Winter?

GALEF

This was not a -- it was well thought through, where I wanted to live, because I really did have a choice.

ALTMAN

Right. Very similar to my decision to come to business school at UCLA. I was wondering if you could maybe talk a little bit about some of the challenges that you might have faced in starting the factory, or if that went relatively smoothly, or...

GALEF

We had one terrific engineer in the company, and I insisted that he come to the Midwest with me, because he would not move his family. And so that made the start-up -- probably if I had tried to do it myself, without that kind of help, I think we would have failed. Because I was not what I would call a competent manufacturing guy, before I set up the factory in Illinois -- that was my first real involvement in a factory. And -- yeah, without George Terry, I could never have done that factory. Or I would have had to hire an outside consultant.

ALTMAN

Right. So was George somebody who stayed with you for awhile?

GALEF

Yeah.

ALTMAN

So he was a close person, business contact, or -- colleague.

GALEF

George was still with the company when we sold it.

ALTMAN

Now, you said that you became a competent manufacturer, or -- you weren't a competent manufacturing guy when you started that factory. Were you aiming - - was that one of your goals in taking this job and expanding, was to learn about manufacturing? Or was it something that just kind of evolved?

GALEF

Well, I had one advantage, and the advantage came from Harvard Business School. Arch Dooley was the manufacturing professor that I had, and from Arch I learned the language.

ALTMAN

Now, I'm assuming manufacturing, the curriculum -- is that similar to operations today?

GALEF

I have no idea what operations today is. But it was manufacturing processes, layouts...

ALTMAN

OK. It's the same thing. Supply chains...

GALEF

We didn't have that designation --

ALTMAN

That's exactly operations.

GALEF

What kind of machine tools, what do they do, so when you walk through a factory, you can talk like you know what the hell is going on, when you didn't necessarily.

ALTMAN

Right, (laughter) You got to act smart, even if you can't be smart.

GALEF

I was better at shipping and receiving. Although I used to have some fun in the factory as once a month, on weekends, we had a contest. I would take on the head of any department, or the best person in the department, and see whether or not I could do that job as well as them. (laughter) They'd watch and they'd place bets, but the bets were always a point spread.

ALTMAN

(laughter) OK, so how often would you win, and how often would you lose?

GALEF

Point spread? I lost probably 80%.

ALTMAN

It's a good morale boost around the company.

GALEF

Because that's what it was about, it was about promoting camaraderie.

ALTMAN

Morale boost. That's great.

GALEF

We used to do it on Saturday mornings.

ALTMAN

Oh, you had your guys working on Saturday?

GALEF

We had those contests on Saturday when we were behind for the week; we would then catch up on Saturday.

ALTMAN

Very smart, Mr. Galef.

GALEF

I don't know whether it was smart or not, but...

ALTMAN

Well, if people are going to be working on Saturday, you might as well give them a little fun in the morning.

GALEF

In those days, back in 1959, people worked six days.

ALTMAN

Oh, OK. But at least they got to go home at (inaudible), right?

GALEF

They were expected to go to work six days.

ALTMAN

OK. So that was an experience it sounds like you enjoyed.

GALEF

It was a lot of fun.

ALTMAN

Getting that factory going.

GALEF

Yeah. And I think also learning about purchasing.

ALTMAN

Learning about purchasing was fun.

GALEF

Yeah.

ALTMAN

Could you talk a little more about that? I would never associate purchasing with fun, personally.

GALEF

Oh, well, it was -- it was always a question of how much you could get out of a vendor. And again, if you listened, and didn't speak all the time, you could find out just how low the vendors would go. (laughter). And you also, you know, you knew who his competitors were, and you could, by throwing out names of competitors, whether you ever talked to them or not, get the guy to be just nervous enough to make sure you got the best deal.

ALTMAN

(laughter) That's really -- that is funny. That's really... I had another question, just about the factories themselves. You mentioned the Midwest, and then California. Was there -- I just would have thought you might have looked for factories closer together geographically. What was the reason for having them spread out?

GALEF

Freight.

ALTMAN

Freight. Cheaper?

GALEF

We could not sell very much in California from Brooklyn, even when they bought a carload, and it came out the cheapest way. That, and the stores had to carry bigger stocks. When they had promotions, to get stuff from Brooklyn to Los Angeles was not easy, unless we got them to overstock. And so, yeah, there was a real reason for it.

ALTMAN

Wow. Now --

GALEF

You've got to remember, in those days, you didn't fly stuff.

ALTMAN

It was all done by freight, or trucks.

GALEF

It was much too expensive to fly stuff.

ALTMAN

Interesting. So sales had really --

GALEF

Plus our stuff was bulky.

ALTMAN

Right. So did you have a lot of customers in California before you opened the factory in San Jose, or did you get the -- open the factory and then get the sales?

GALEF

We had -- well, we had two things. Most of our big customers had warehouses on the West Coast, whether they'd be in Nevada or Arizona or California. And

so we had a backlog of customers. And when we went and saw them, and said, "We now have this factory in California," we got a lot of additional business.

ALTMAN

OK. But they weren't currently buying from you, because it was too expensive to ship.

GALEF

Well, they might have bought one or two models from us, because again, because you had Big Boy out here, could give them overnight delivery, you order it in the afternoon, and it shows up on your dock the next day. Well, with us, you didn't have that luxury until we opened up out here.

ALTMAN

OK. Great. So you mentioned that as a result of this, sales had really gone up; you were up to \$20 million by that point. And you were profitable, I assume?

GALEF

Yeah.

ALTMAN

And you were not profitable when you joined the company, or just barely profitable?

GALEF

No, they were not profitable.

ALTMAN

OK, but you weren't --

GALEF

Well, I was told they were.

ALTMAN

Not you, not you, but they -- they were not. So you mentioned --

GALEF

They even gave me financials that showed that they were profitable.

ALTMAN

They gave you false financials, or mistaken financials, or...

GALEF

I wasn't smart enough to ask for their tax returns.

ALTMAN

OK. Gotcha. (laughter) So when you went out and bought the factory in San Jose, did you do the negotiations yourself?

GALEF

Yes.

ALTMAN

OK. And when you went out to San Jose, did you run that company by yourself? Or did you bring your -- was it George [Terry] again?

GALEF



Yes, I brought George again.

ALTMAN

OK. And then you put somebody in place to run the factory in the Midwest.

GALEF

Right. And I set up staff meetings in San Jose.

ALTMAN

(laughter) So everyone had to come to you. So when the company went on -- went for sale, you mentioned a lot of people showed up to buy it. Who showed up?

GALEF

I don't remember the guy who bought it, but [inaudible] showed up, Weber showed up, Chattanooga showed up, Newell showed up, Thermos showed up, and a company that Ron Perelman bought later showed up -- we had five people.

ALTMAN

OK. Five suitors, or --

GALEF

Five suitors. Coleman was the company that Ron Perelman bought later. Yeah, the -- they all stayed in the bidding for awhile.

ALTMAN

Now, how long did that go on for?

GALEF

It went on for about a year.

ALTMAN

Really?

GALEF

Well, I was not in any hurry.

ALTMAN

Yeah, you were making money.

GALEF

And so -- yeah.

ALTMAN

Now did -- was your father involved in that one at all, or just you?

GALEF

Well, I was on the West Coast, and so my lawyers were on the West Coast, my accountants were on the West Coast, everybody was on the West Coast.  
(laughter)

ALTMAN

(laughter) And I was just wondering if you could talk just maybe a little bit more about those negotiations, and about what you -- what finally turned the page on that?

GALEF

One by one, they dropped out. And finally, we were down to only one, and I said, "No, but you're close."

ALTMAN

(laughter) OK. Interesting. Now, did you stay with the company as an advisor?

GALEF

No.

ALTMAN

You just got out.

GALEF

Yeah. I told them that the only thing that I would take would be a board seat if they wanted me to, but no, I had no interest in working for the company, other than a couple of months transition. No interest at all.

ALTMAN

Great.

GALEF

I was too used to doing things my own way.

ALTMAN

You get used to that pretty quickly. So what was the selling price on the company?

GALEF

It's never been published.

ALTMAN

Really? OK. Well, we can leave it off.

GALEF

It was a lot of money in those days.

ALTMAN

OK. Fair enough. Well, that's all I had about that company, and if you want to move ahead and talk about the next one.

GALEF

The next company I found was here in Southern California.

ALTMAN

OK.

GALEF

It was a company in the stainless steel sink business, and --

ALTMAN

So you bought this company?

GALEF

I bought an interest in the company. Large enough to run it. Partially owned by a Canadian manufacturer of stainless steel sinks.

ALTMAN

And the name of it was...?

GALEF

Ziegler[-Harris].

ALTMAN

Ziegler.

GALEF

[Zeigler-]Harris.

ALTMAN

OK. And so this company, I assume, was interesting to you.

GALEF

Yeah, and again, it was a consumer product, and it was in metal, which I sort of understood. It wasn't all consumer products -- as a matter of fact, Ziegler-Harris was barely in the consumer part of the business, but they were a good competitor in hospitals, in water -- what do you call it? -- when the sprinkler comes up --

ALTMAN

Drinking fountains?

GALEF

Drinking fountain. When you get old, words sometimes come hard.

ALTMAN

(laughter) I'm getting there, too.

GALEF

Yeah, it was partially owned by a Canadian manufacturer, and partially owned by an investment company out of New York, who basically was controlling it for a provision of the job for a relative.

ALTMAN

OK. So to keep their family employed, basically?

GALEF

Yeah.

ALTMAN

OK. So a family business, more or less.

GALEF

No, there was only one member of the family.

ALTMAN

Gotcha.

GALEF

They thought he was unemployable, so he had to be kept employed. And he was a nice enough man.

ALTMAN

I assume he was in some kind of management role?

GALEF

He was in -- if you can manage from a small office where the door was always closed, yes.

ALTMAN

OK. (laughter) So manager in name, but not in practice.

GALEF

He did not have a major role in the company. And he was not that expensive.

ALTMAN

OK. (laughter)

GALEF

But I basically took that company on because I thought that I could expand them into the residential business, because all of the required machinery was in place. They had good drawing equipment --

ALTMAN

So when you say machinery, you mean internal to the company?

GALEF

Internal.

ALTMAN

They had all the assets that they needed?

GALEF

Yeah. Didn't have to buy machines. You could draw it into the shape that you wanted, and trim it...

ALTMAN

So in your mind, it was just a question of designing the right product.

GALEF

It was a question of -- not even designing, because they -- the biggest company in the business was a company called Elkay, E-L-K-A-Y, in Chicago. And you didn't have to design; all you had to do was get Elkay's catalogue. Stainless steel sinks all look pretty much alike.

ALTMAN

Yeah, there's not a lot of diversity to the product.

GALEF

Stainless steel sinks had not invaded the California market at that time; they were all porcelain. And I thought, "Oh, wow, what an opportunity."

ALTMAN

So what did you think the advantage of stainless steel over porcelain was?

GALEF

Today, try and buy a porcelain sink: you can only find stainless steel.

ALTMAN

Really? I don't know much about sinks, so.

GALEF

But it was a fashion kind of thing back in those days, and it's a fashion kind of thing today. But the stainless steel sink is much more durable, and truly is stainless. And porcelain sinks will stain and crack, and they're just not as good. I had a cousin who was the largest builder in Southern California in those days, Larwin.

ALTMAN

Could you spell that?

GALEF

Hmm?

ALTMAN

Could you spell the company?

GALEF

L-A-R-W-I-N. And by prior arrangement, before I invested in the company, I had approached them about putting my sinks in their models. And they did. However, the public was not interested.

ALTMAN

In the stainless steel sink?

GALEF

In the stainless steel sink. I could only sell the bar sink.

ALTMAN

Now what's a bar sink?

GALEF

Small, like with the spigot that comes over like that.

ALTMAN

OK.

GALEF

Because people didn't mind having stainless steel bar sinks, but they didn't want them in their kitchen.

ALTMAN

Hmm. Now --

GALEF

Or in their bathrooms, or anywhere else.

ALTMAN

Now, was this geographic? Because it sounds like Elkay was successful.

GALEF

Elkay -- yes. But the Midwest was a stainless steel market.

ALTMAN

OK. And California hadn't caught up to the stainless steel. Interesting. Now, do you -- have you thought about why? Was it just a timing lag, like they hadn't --

GALEF

It was not the fashion. And a lot of businesses are fashion. So that was a highly unsuccessful venture.

ALTMAN

Wow.

GALEF

That's the only way I could express it.

ALTMAN

Now how long did that take? How long were you involved in that venture?

GALEF

You mean before I ran out of money, about a year and a half.

ALTMAN

OK. Wow. That was pretty quick.

GALEF

Well, it was quick because I didn't want to spend all of my money, and when it was obvious to me that it was not going to get that much better, I decided that I should turn it over to the Canadian owner to decide what he wanted to do with it.

ALTMAN

Was that a tough realization to come to? Was it -- or were you able to think fairly clearly about it?

GALEF

I think failure is always tough. But I didn't have much trouble making the decision that that was the right thing to do.

ALTMAN

So you weren't that emotionally attached to the company that it was difficult to sell.

GALEF

I was much more emotionally attached to other things. Children. By that time, I had three.

ALTMAN

Oh. OK. Now when were your other children born?

GALEF

'60 and '62.

ALTMAN

OK. And that was in California? Or they were --

GALEF

No. They were born in Illinois. I didn't get to California until '62.

ALTMAN

OK. Interesting.

GALEF

Mike, the baby, was three months old.

ALTMAN

OK. When you got out here. So with all this going on, did you have much -- did you have enough time to spend with your family? It sounds like you were -- you said you were emotionally attached to your children, so it sounds like you were able to make enough time for them.

GALEF

Well, they were all pretty little. No, I mean, my then-five year old, I could take to the snow.

ALTMAN

Up to Lake Tahoe?

GALEF

For the most part, she wasn't ready for Tahoe. We would go up to Frazier Park up here and sled.

ALTMAN

Snow angels. Very fun. So you ended up -- so you just sold the business back to its Canadian --

GALEF

Well, we call it "gave."

ALTMAN

I'm sorry? Oh, gave the business back. (laughter) Sure. So I assume -- so did you learn lessons from that venture? I assume you learned lessons that carried you through the rest of your career.

GALEF

The lesson that I learned was, "Don't think you're smart enough to change the world." You really should work at something that other people think works. And also probably had my head a little bit in the clouds for a period of time. Because I was so damn sure I was right. And that was a real comedown.

ALTMAN

I can imagine.

GALEF

I think I could have worked harder.

ALTMAN

With that company?

GALEF

Yeah, I think being in Southern California is very different from being in Northern California.

ALTMAN

I'd agree with that.

GALEF

And I had a terrific house in Northridge; the business was in San Fernando so I didn't have any traffic problems. There was a big horse ranch across the street from my house.

ALTMAN

A bit of a distraction?

GALEF

Well, it was -- had a tennis court; it was a little bit different from anything I'd lived in before. Yeah, I think I could have been better at it.

ALTMAN

Now, you said you think you learned not to think you're smart enough to change the world. Now, do you think you could have done more market research on it before you went into the venture? Like, how would you approach it differently? I mean, just flat-out not buy the company, or -- what steps do you think you would have taken, knowing what you know now?

GALEF

I probably would have investigated a lot of things a lot more. This was almost an impulse buy because it made sense to me. I learned in the next part of my life that the businesses that were in the most trouble were impulse kinds of things, where somebody said, "Ah-h." (laughter) And, you know, if you're Steve Jobs, that's fine. Bill Gates, that's fine. But there aren't a lot of those, and so you really should do your homework really, really well before you go and make an investment. So I think that was the big lesson.

ALTMAN

OK. Great.

GALEF

Then the next thing was -- I had a friend who had a business that was in trouble, and I had known that and I had known him and he had asked me if I could come help him out.

ALTMAN

And what was your friend's name?

GALEF

Jack Salzburg.

ALTMAN

All right.

GALEF

And he needed help mostly in the marketing and sales end of his business.

ALTMAN

OK. And what kind of business?

GALEF

Windows and doors. Aluminum windows and doors. And since I had nothing to do -- (laughter).



ALTMAN

Were you financially stable at this point? OK.

GALEF

No, as I say, I didn't build a whole lot. Blew a good piece --

ALTMAN

But not the whole thing.

GALEF

-- but not the whole lot. And I got divorced at about that same time.

ALTMAN

Same time that you got out of the last company?

GALEF

Yeah, I think that it was -- it was upsetting, the whole circumstance. The first time in my adult life that I'd been wrong, but it was a major wrong. And I think it was considered a foolish wrong. And in retrospect, my first wife was more than justified in saying, "I'd really like to have my life smoother." Anyway, I went to work -- the company was called Fullview. And I basically was responsible for managing the sales force, managing the sales, and trying to get the prices up, because the company was more successful in terms of market share than it was in terms of profit.

ALTMAN

So they were underpricing to get to market.

GALEF

Yeah, they were either underpricing, or they were inefficient.

ALTMAN

OK. A combination of the two?

GALEF

It turned out to be somewhat a combination of the two. But I knew that in long-term this was not for me.

ALTMAN

Doing -- working in the marketing/sales, or windows and doors, or...?

GALEF

Working for that company. Long-term, it was not for me; I didn't think it was -- I didn't think it had a bright future, but I thought it did have a reason for being.

ALTMAN

When you say "a reason for being," you mean a reason for you to be there, or a reason for --

GALEF

No, a reason for the company to exist. It was while I was working there that I met Paul Teoppen, who was at Mordy and Company, one of the people there, and that's when the discussion started with Mordy and Company, which takes us to the next --

ALTMAN

Next stage?

GALEF

The next stage, unless you want to ask some more questions about the window and door business, which was really mundane.

ALTMAN

Really mundane? Well, now what was -- was it mundane just because it was not a growth business, or -- I mean, just because when I think --

GALEF

It was a viable business because it was in Southern California; there's a lot of window businesses in Southern California, but we didn't really make replacement windows, we made the ones for the tracts.

ALTMAN

Right, OK. I guess my question is, you know, it sounded like you were interested by the barbecue business, you were interested by the sink business, so what separated those two from the windows business?

GALEF

I was asked if I would come in and help, and I had nothing else to do.

ALTMAN

Right. No, but, I guess my question is, how was it compared to the other two industries which you found interesting?

GALEF

It was a business where relationships were the most important thing.

ALTMAN

OK. I understand.

GALEF

So you either had salesmen who had good relationships, or you had to find them. The builders tended to use the same people, and as people would move from one company to another, the business would move with them.

ALTMAN

Right. So it was less of a meritocracy with the product, or it was hard to differentiate within the company.

GALEF

Really hard to differentiate yourself.

ALTMAN

I understand.

GALEF

And so -- what's the joy? What's the challenge?

ALTMAN

Unless you really like schmoozing a lot.

GALEF

Yeah, you know, that was never my forte.

ALTMAN

So since there wasn't -- so you could characterize it by saying, since there wasn't too much challenge to the actual side of the business, it wasn't interesting for you.

GALEF

No, you know -- no, I couldn't find anything that got me excited about it.

ALTMAN

Now, how long were you there for?

GALEF

Oh, maybe a year.

ALTMAN

OK. And that's right before you went to work for Mordy.

GALEF

Yeah.

ALTMAN

OK. Well, I think I'm about wrapped up; I can't think of any other questions. So if you'd like, we can continue with segment two next time.

GALEF

Yeah. I'll keep this for you.

ALTMAN

Sounds good. All right, and I'm going to shut it off.

### **1.3. Session 3 ( February 14, 2007)**

UCLA Oral History Program Andrew Galef Session 3 February 14,2007

ALTMAN

This is Mike Altman, we're here with Andy Galef on February 14th, 2007, doing the third segment in this oral history; we're at his Westwood offices of The Spectrum Group. And as I mentioned, we're going to be doing the third segment of his life and career. Andy, last time we talked about your first ventures out of business school, which you terms as the pre-Mordy years, and we're going to talk about the [George] Mordy years today. So if you'd like to go ahead and tell the story?

GALEF

Sure. Mordy and Company consisted of George Mordy, Paul Teoppen, and Frank Grisanti, and also had had another partner, who was John McKeown. And he had died. And so they were looking for another partner, and I was fortunate enough to be selected. When I say "fortunate enough," for me, an absolutely ideal job. And the reason it was such an ideal job was not only did I have the chance to make some good money, but I was also being associated

with extraordinarily bright people, who had about the same attention span as I did, which was -- you got to keep it interesting, you got to keep it moving, you got to have new challenges all the time. Mordy and Company was started in 1937 by George Mordy, who was a senior accountant with Price Waterhouse. And in his accountancy years, he had discovered that there were a lot of companies that were doing less than well. And he found those companies much more interesting, and so he started Mordy and Company. And when he started it he was alone. He was very well known at Security Pacific Bank, and so he approached them and they started sending their problem loan people to him for him to help. Mordy Company grew over the years; by the time I got there, George was in his late 70s, and he had been talking a lot about retirement for a period of time, but I don't think there was anything that George loved more than doing the job that he was doing, other than his wife. And his wife was absolutely the most important thing in George's life. After I'd been with the firm about a year, George and Dorothy [Mordy] took a trip to Africa, and they were climbing Kilimanjaro when Dorothy died on the mountain. And thank God my father was an immigration attorney, or one of his major specialties was immigration, and he was able to arrange through the State Department to get George and Dorothy's body back, because --

ALTMAN

Wow, that would have been an issue?

GALEF

Oh, major issue. Anyway, George then decided that it was really time for him to retire, and so he told the three of us who were left to figure out how we wanted to carry on. Well, my favorite of the two remaining partners was Frank Grisanti, so we decided to break off as a group, and we really wanted to do different things than Paul Teoppen wanted to do. He wanted to deal with sort of one at a time, large clients, and Frank and I were still -- for sure, I was still young and aggressive and was interested in getting as much experience as I could. And Frank, although he was older than I was by about -- let's see, 12 years older than I was -- still was very vital and interested. And between us, we had done for sure enough work in crisis management.

ALTMAN

How old were you at this stage -- at this point in time?

GALEF

35.

ALTMAN

OK.

GALEF

Yeah, 35.

ALTMAN

Mid-30s.

GALEF

Yeah.

ALTMAN

So you and Frank decided to --

GALEF

No, I was 33. (laughter)

ALTMAN

OK.

GALEF

Yeah, so Frank and I decided to go off together and started Grisanti and Galef, which was pretty successful, in that we were the first national firm in the crisis management business, and we brought in three other partners: one in New York, one in Chicago, and one on an airplane.

ALTMAN

One on an airplane?

GALEF

Yeah. (laughter) He would go anywhere.

ALTMAN

OK. I assume he was young.

GALEF

He lived here in Los Angeles, but he would go anywhere.

ALTMAN

Who were the partners that you brought in?

GALEF

Hmm?

ALTMAN

Who were the partners that you brought in?

GALEF

Win Shiras was the first one, and Jerry Goldress, and Gil Osnos.

ALTMAN

So were they Harvard, or Deerfield, or...?

GALEF

Win was -- no, they were not part of the network necessarily. Win was -- happened to be Harvard Business School. Gil Osnos I knew through some industry connections in New York; Jerry was actually -- spent two years talking to Jerry. He wanted to join, and we weren't sure we had enough work, at that point in time, for three of us in the LA area. But he was a thoroughgoing professional, and he -- we finally decided to take a chance. We also had a bunch of other people who were -- I call them sort of stringers.

ALTMAN

Stringers?

GALEF

Well, they didn't work for anybody else, but we didn't -- they weren't partners; when we had an overload of jobs that needed to be done, they did them. And that was Paul Richards and Peter Dusenberry. And I think the last one that worked on a fairly constant basis lived in Connecticut, and his name was Jim Hart. Those were the most significant ones. So we had -- for crisis management, we had a reasonable-sized firm.

ALTMAN

You said you were the first national firm?

GALEF

Yeah, we were the first one that had more than one office. We had an office in New York and Chicago; for awhile we had one in Atlanta. And then there was also Dick McNair up in San Francisco; we had an office up there also.

ALTMAN

OK. So your full staff was approaching -- as far as your full resources, ten people?

GALEF

Yeah. Yeah, we all basically did the same thing because we never had more than one person responsible for a client, because it was very difficult to do. You'd spend more time in communication with each to make sure you were treating the client well. We tried it a couple of times, and it just was not --

ALTMAN

Tried to use an efficiency index.

GALEF

Well, we were all different personalities, and although we all did things very much the same way, in terms of getting to the bottom of why things were as they were, we just had different personalities. Sometimes we would change partners on a job if there was a clash between the personality of our person and the personality of the client. It was a very interesting period in my life, because in the -- oh, in the 12 years that I exclusively did that kind of work, I served almost 100 companies. And they were all different kinds; I mean, I really haven't gone through and figured out exactly how many were in what, but it was everything from restaurants to retail -- and when I say retail, I'm talking about things like The Custom Shop and the House of Nine and retail stores. Clothing stores for the most part. Clothing manufacturers. Medium tech companies.

ALTMAN

Medium tech?

GALEF

Yeah. They weren't high tech and they weren't low tech (laughter), so I call them medium tech companies, that were -- I mean, this is back a long ways; there were no Microsofts. But there was technology, and we were in the age of the pig-sticker.

ALTMAN

You've got -- what did you say?

GALEF

In the age of the Royal McBee.

ALTMAN

OK.

GALEF

Royal McBee was a bunch of cards with holes in them.

ALTMAN

Oh, punch cards? I've heard of them.

GALEF

And you put the skewer through the holes, and it picked up a set -- out of all the cards, it picked up the particular thing you were looking for.

ALTMAN

Right. I've never seen them, but I've heard of them.

GALEF

Yeah, well, it was the predecessor to IBM. And -- yeah, there were a bunch of manufacturing companies, some distribution companies, to give you a little bit of an idea. Oh, supermarkets. I was a supermarket specialist; I don't know how I got to be that, but I was.

ALTMAN

Yeah, I was going to ask you; did you all have specialties, as far as industries?

GALEF

I was the only non-engineer in the group.

ALTMAN

OK. So you got to do all of the -- more or less, all the retail?

GALEF

No, I got to do a lot of engineering stuff too. Yeah, I mean, the supermarkets -- the big ones were Alexander's Markets and Jordano's in Santa Barbara [CA]. Also in the home manufacturing business, which had a few companies that were making modular homes.

ALTMAN

As in home building?

GALEF

Well, they were -- no, these were not -- these were mobile homes and modular homes -- vacation homes. Oh, I also sort of -- it was kind of fun -- my first taste in the winery business, which --

ALTMAN

Really? Up in Napa [Valley, CA], or...

GALEF

No, this was actually in Lamont [CA], outside of Bakersfield [CA], and it was a co-op, and the co-op was not doing well at all, so I became the resident expert for a year.

ALTMAN

In wine?

GALEF

In wine, in making wine. And I took it out of its cooperative stage, and --

ALTMAN

So did you actually go into the winery?

GALEF

Well, no. I needed to position it where, though I didn't have a vote, but needed a vote put together in order to sell it. It was obvious to me that it had to be sold, because it was in the wrong part of the state. Bakersfield grapes are not terrific. It was sold to a Canadian beverage company, Labatt.

ALTMAN

I've never heard of Bakersfield wine, so I can understand.

GALEF

Yeah, and it's kind of interesting; some of the -- I spent a year and a half working with Bergen Brunswick, changing their distribution system, because it was so inefficient that they were not making a lot of money in those days.

ALTMAN

What was the name of that company?

GALEF

Bergen Brunswick.

ALTMAN

OK. And what kind of manufacture?

GALEF

Drug.

ALTMAN

Drug manufacturer. OK.

GALEF

No, drug distributor; they didn't make much. They were suppliers to --

ALTMAN

Now, did you have a standard blueprint when you went into a company of what it should look like?

GALEF



No. Also, some of the companies were public, some were private. And I had actually a bunch of interesting experiences. One of them was the National Environment Corporation, NATEC.

ALTMAN

OK. And what kind of company...?

GALEF

Uh, NATEC was basically in the building business. It had been run by a rather -- it was public. And the fellow that had sort of founded it and was running it was much more interested in the satisfaction of his own ego than he was in actually running a business to make money. And it did make money for awhile, and then it went off a cliff.

ALTMAN

What -- now, what happened? Why did it go off a cliff?

GALEF

Sometimes the egos get so big that they make terrible decisions. It was a growth company until you made some acquisitions that were anti-growth, or were a problem. And the one thing they were really terrible at was integrating acquisitions. So that was a lot of fun.

ALTMAN

So how many -- what kind of acquisitions did they make, and why did they not make sense?

GALEF

They bought more of the same, and then they got off into insurance.

ALTMAN

Wait, they were a home building, and then they got off to do insurance?

GALEF

Yeah, because you could make money at that. But anyway the biggest company, aside from Bergen Brunswick and Bell and Howell, that I worked on was Farah.

ALTMAN

Was what?

GALEF

Farah is a men's clothing manufacturer headquartered in El Paso [TX]. There were two brothers involved in the company, and the one that was the genius died, and the one that thought he was the genius got fired by his board at the insistence of his lenders.

ALTMAN

Really?

GALEF

Yeah, because his board had bankers on it, and the bankers, to a great extent, were running the company, or forcing the company to do things. Now, I

thought they were right in what they had proposed to do; the problem was that they hadn't chosen people who were capable of carrying through what they wanted to do.

ALTMAN

So how did you go about fixing that?

GALEF

I moved to El Paso, believe it or not.

ALTMAN

You moved to El Paso?

GALEF

I moved to El Paso for a year.

ALTMAN

Wow. To work exclusively on this company?

GALEF

Well, it was a major problem, and for a year, that occupied probably 80% of my time. And I closed factories; I closed a mill. I tore the company apart, restructured it, and I'm happy to say it's still in business.

ALTMAN

Nice work. (laughter) Now, going into a company like that, do you have a checklist of things you look over?

GALEF

No.

ALTMAN

No.

GALEF

No, I mean, the only thing that basically, in the crisis management business, that had a consistent pattern, was that we would only work for the board of directors, and everybody else in the company had to work for us, because in those situations, you don't really have time to make friends.

ALTMAN

So did you find it difficult to move into -- you were essentially moving into management roles at these companies, right?

GALEF

You are effectively the president, or the CEO, or whatever you want to call it today.

ALTMAN

Right. How difficult was it to get -- I guess buy-in -- from the people you were managing?

GALEF

Well, people always want to have jobs, and keep their jobs. And they understood that they were dependent on you. So I never found that to be a

problem. However, you never used -- you always stayed away from using a heavy hand as long as you could.

ALTMAN

Did you find that was something that was hard to do at all? Because I imagine you have to go into a company and kind of keep emotionally a little distant from the personnel in there, knowing that you were only in there for a short period?

GALEF

They didn't know how long you were going to be there, because you were there to save the company, or to straighten it out, or whatever. And even though they knew that you were a professional savior, they knew that you weren't going to leave until the job was done, or, in the alternative, it may be that there was no way to make it work, in which case, they're no worse off than they were before you got there, and they recognized that. And for the most part, I think all of us at Grisanti and Galef were new and accomplished, in terms of our skill set, that they hadn't seen for awhile.

ALTMAN

When you say new, you mean --

GALEF

New to the company; new to the client. Just looking at this list, the one that probably -- I spent five years, more at times and not at other times, with a company called Electrasound. Actually, the parent company was called Viewlex; it was on Long Island. And they were in several businesses; they were -- the one that was really kind of terrific was they had a record company. I was never a big fan of the then current artists --

ALTMAN

Even in the 60s?

GALEF

This was in 1970...

ALTMAN

Oh, it was in the '70s?

GALEF

Early '70s.

ALTMAN

So you weren't a big fan of the record division?

GALEF

Well, I became one, because I was running a record company. (laughter) When I got there, they had co-presidents. The record company was a subsidiary; it was Buddah Kama Sutra Records.

ALTMAN

OK. I haven't heard of them.

GALEF

Oh, they had Isaac Hayes and Gladys Knight, a whole bunch...

ALTMAN

Did you have to hobnob with any of the stars?

GALEF

Well, I ended up going to opening nights, and meeting all of the other major record producers, like Clive Davis, Ahmet Ertagun, all of those people.

Anyway, it was a fascinating experience, because I had never dealt with that type of personality.

ALTMAN

The entertainment?

GALEF

It was my first immersion in the entertainment business, and it was wild. I will never forget -- and I was such a straight arrow. They couldn't believe me. And when they really couldn't believe me is when the A&R guys --

ALTMAN

Accounts receivable?

GALEF

No. Artists and --

ALTMAN

Oh, artists and recording.

GALEF

Yeah, the A&R. Anyway, we didn't make any money when the acts would go on tour.

ALTMAN

It was all for record sales?

GALEF

We only had record sales, which means we also only had great expense.

(laughter) And so I called our senior A&R guys, and I said, "We are not going to have you go with the artists anymore on their tours." And they said, "Well, you can't do that." And I said, "Well, we don't get any money when you go on tours with the artists." And they said, "Who's going to take care of the artists if we don't go?" And I said, "The artists all have their entourages, and it would seem to me that the people that are benefiting from them appearing would..." And they said, "No, no, no. You don't understand. We have to take care of the artists." And I said, "Well, give me an example." And they said, "Well, middle of the night. The artist wants coke." And I said, "Go to the machine in the lobby." (laughter)

ALTMAN

(laughter) Whole different world, huh?

GALEF

It was a whole different world.

ALTMAN

That's really funny. You were with that -- you worked with them on and off for five years, you said.

GALEF

Yeah.

ALTMAN

Was that ---

GALEF

Well, they had a bunch of businesses. Viewlex was a viewing device, and in addition to the part of the records, they also were large producers for other people. They were the major producers of the RCA Classic records. Anyway -- they had a few other subsidiaries.

ALTMAN

So was five years longer than you would normally spend with a company?

GALEF

Well, the reason it strung out to five years basically was, I had -- the first two years were really pretty intense. And then I had three years of being a consultant board member, but I was not -- I had fixed the problem, and so I did not need to --

ALTMAN

So you weren't involved in the day-to-day operations.

GALEF

Right. I had found really good people to run it.

ALTMAN

I was curious, just to back up a step, you mentioned that when you -- you know, when you stepped into the company, there was a skill set that employees hadn't seen before. Could you maybe just talk a little bit more about what the skill set was?

GALEF

Well, it was basically discipline. You don't know any more than anybody who has run a business. The place where most of them fall apart is that they forget about the disciplines when they get to be successful. And running a company isn't even a daily business; it's a minute-by-minute business, especially for one that is in trouble. And the most important thing, I think, that we brought to it, was the knowledge that we were good at fixing it. And generally speaking, they were in trouble not because the people that had been running them weren't good, but they ran from the problems instead of really delving into them and dealing with them, and dealing with them on a now basis, and not, "We're going to study it." No, we're going to take action. And we had taken action in so many instances that we didn't have much question about what actions were

needed. And we could do things like, we could say, "You know, you've got 1,000 employees; we have to get rid of 10% of you. Go figure out which 10%." And they would say, "You want us to -- what?" And we would say, "If 90% of you still have jobs in a successful company, if that's what it takes, that's what we have to do. And this is Tuesday; we would like the list by noon tomorrow." Because you didn't want them really spending a lot of time, because they knew who the best producers were, and who were not. And sometimes they would say, "Well, what do you need that department for?" And we would say, "You don't think we need that department?" And they'd say, "Yeah, we think you don't need that department." And I'd say, "OK, then you go run it and then come back and tell me that you don't need that department." Because, you know, there are all kinds of rivalries within companies, and what you had to do was break that down, so they got a real look.

ALTMAN

So you could -- so you were good at -- you and your partners were good at going in and basically restructuring the company so that -- to account for personalities.

GALEF

Yeah. That's basically what we did.

ALTMAN

Do you think it was easier for -- do you think it was an issue in general, of just the -- and I mentioned this before -- the management being emotionally attached to the company, they might have been the founder...?

GALEF

Yeah. I mean, they always had a problem, the emotional attachment. And one of our advantages: we didn't create the problem. The guy that is now working for us is the guy that created the problem, and generally speaking, he wanted his job. I would say probably somewhere between 50 and 60% of the time, he could keep his job; he just needed to change his habits. Because it was always easier if you could get a guy to change his habits to keep him because of his knowledge, than to go out and find somebody new.

ALTMAN

How receptive were people generally to your advice? Obviously, they were in a pinch, and they more or less had to listen to you, but were they reluctant, were they generally accepting, did it vary across the board? And how would you go about breaking their old patterns?

GALEF

Well, I would say that probably 75 or 80% of the companies that we advised were told by their lender that, "We think you should talk to these guys," which was exactly the same as a bank saying, "If you don't talk to these guys, we're going to have a tough time lending you money." And I mean, "These guys --

we're not going to lend these guys any more money than we would lend you, but they might bring a new perspective that would be helpful to you." And we were never welcomed with open arms; they were always very skeptical. A lot of them truly resented us for the first week. And then when they found out that we knew what we were doing, they would slowly, for the most part, they would slowly come around. And a lot of these people became friends.

ALTMAN

(inaudible), because I would just imagine, once they saw what you could do for them, I'm sure they would buy in. I just know for me, especially the first time I was doing something like this, I would be probably scared to death walking into a company knowing that nobody wants me there, and that I suddenly have the responsibility of managing these people -- was it hard for you at first, the first few years?

GALEF

No. I'd run businesses, and this was just a way to have some fun for awhile.

ALTMAN

Just a couple of other questions, just backing up a little bit again. You mentioned that everybody that you worked with had different personalities. I was wondering if you could talk a little bit about how you found different people that you ended up working with across the country, and what kind of different personalities and (inaudible)?

GALEF

Well, everybody is their own person. Basically, I am just thinking about how many people operated the same way, and I would say very few of them operated in the same way. They all had different emotional capacities, and the emotional capacities were usually a major part of the reason that things had changed. The -- not a lot of people deal well with adversity, and when we would need to replace somebody, or retire them, or whatever, we wrote job descriptions just like everybody does; we included the characteristics and the personality, the method of operation that we thought would be required. And then we, for the most part, hired search firms to go find them for us, because that's a time-consuming process. And unless we knew somebody who had a particular set of skills that the companies needed, who was semi-retired or young and ambitious or whatever, we actually used search firms. Yeah, I mean, we -- I guess we used about half a dozen search firms.

ALTMAN

OK. Had relationships with.

GALEF

That we had relationships with. We were valued clients, I can tell you.  
(laughter)

ALTMAN

Good for their business.

GALEF

Well, and we were only looking for CEOs. (laughter)

ALTMAN

Yeah, just in terms of the people you brought in across the country to work with you, were they similar to you -- had they all run companies?

GALEF

Yes. Everybody had run a company, or more than one company. That was a necessity.

ALTMAN

Right. And did they all get into the business essentially in the same way -- for the same reason you did? Just to keep things interesting, or challenges...?

GALEF

Well, for sure Frank Grisanti. Yeah. He was just like me, only he was sweeter.

ALTMAN

OK. I can't imagine that, Andy.

GALEF

(laughter) The -- you've never seen me conduct a meeting where we were resolving some problems.

ALTMAN

Float like a butterfly, sting like a bee.

GALEF

Where were we?

ALTMAN

Talking about why a lot of your partners went into the business, and whether it was the same motivations as you?

GALEF

Boy, they all had the same kind of attention span that I've got. Our mayor, former mayor here, [Los Angeles Mayor Richard J.] Dick Riordan and I used to tease each other about who had the shorter attention span. (laughter)

ALTMAN

Now, where do you think that came from?

GALEF

A young man in a hurry, you mean?

ALTMAN

Well, I mean -- yeah, I mean, essentially a lot of people do like to go to the same job every day for years. Can you think of anything --

GALEF

Boy, I can't imagine anything worse.

ALTMAN

Yeah. Well, I'm the same way. I'm just curious if...



GALEF

I can't imagine wanting to go to the same place every day for years, doing the same job. I don't think anybody should run a company for more than five years; I think that's the maximum, you will have gotten everything that that person can do for that company in that period of time. However, finding somebody to replace them isn't always easy, but...

ALTMAN

Right. What do you think happens after five years? Do you think he becomes bored?

GALEF

Oh, I think he's done everything he can do. And if it took him five years, you should have fired him three years before that. But he also is going to play more golf after five years; he's going to take the company jet and is going to start going to all of those silly conventions; he's going to start giving speeches. And so you -- after awhile, you don't have his full attention. I don't care who it is, you don't have his full -- I shouldn't say that. Andy Grove is a real exception. I mean, there are true exceptions around. But for the most part, you've got all you're going to get from a guy.

ALTMAN

And you know, there was also something you mentioned just a minute ago; you said not a lot of people deal well with adversity. Do you think one of the strengths of your firm was that you and your partners deal with adversity better?

GALEF

We dealt with adversity all the time, so (laughter) I think for us, that was routine. We didn't know what adversity was; we thought it was opportunity.

ALTMAN

(laughter) So do you think that's something that comes from your background? Like, is there anything you can think of that would -- you know, I know myself personally; I think I deal with adversity better than most because of my athletic background.

GALEF

Oh, that helps.

ALTMAN

I was wondering if there was anything that you could point to.

GALEF

I don't know. I have restless legs syndrome. I run at night when I'm in bed. No, I think high-energy people have a real problem with not having constant new things to do. High-energy people never stop learning. Low-energy people never learn anything. So I don't think there's any magic.

ALTMAN

Now, when George Mordy told you he was retiring, what was your initial reaction? Were -- did you know right away this is what you were going to do? Were you disappointed...?

GALEF

Well, he wasn't retiring until his wife died.

ALTMAN

Right. But when he told you --

GALEF

I was already there. It was when McKeown died that they had an opening.

ALTMAN

Oh, OK. So when you and Andy decided to --

GALEF

Me and Frank.

ALTMAN

Oh, I'm sorry. (laughter) (inaudible) I apologize. Like you mentioned, when you start to get old, things start to slip. When you and Frank decided to go off on your own, did you -- did Mordy have any opinion or advice for you, or did he more or less just turn you loose? Did you still view him as a mentor at that point?

GALEF

Well, Frank was basically my mentor. He was the one who really taught me the business. My contacts with George Mordy were basically in our once-a-month staff meeting, or if he was in the office and I was in the office, he would ask me questions about what I was doing. And I would tell him, and then he would say, "Well, have you thought about..." But that was the full extent of my contact with him, other than lunch at the California Club every day.

ALTMAN

Every day?

GALEF

He ate there every day. Yeah, I mean -- yes.

ALTMAN

You mentioned that Bergen Brunswick was one of your largest clients. Could you name -- could you just talk a little bit -- it seems like this might be a good example, just to talk about the problems that needed to be fixed, maybe just talk about that one a little bit, kind of a case study? (inaudible)

GALEF

Well, they were in a -- they basically were drug distributors, pharmaceutical, and other products for pharmacies. And they had expanded rather rapidly, and they did part of it by buying other smaller distributors. But they had -- mainly, their problem was an inventory problem, and they did not have any kind of sophisticated inventory system, even though they had spent a lot of money

trying to put them in, to find them and put them in. And the real question was, how do you restructure your facilities in a way that achieved efficiency, because the way they were doing it, all of their margin was eaten up by their inefficient inventory systems. I was not an inventory system specialist, but I knew what a good one needed to have, and so -- we took the better part of the system that they had, that they had paid for, and further automated it, both in terms of -- you've got 10,000 products, and that store only wants one bottle of Robitussin, and how do you pick, pack, and deliver?

ALTMAN

Supply chain management.

GALEF

Hmm?

ALTMAN

Supply chain management, basically?

GALEF

Yeah. Yes, today, it would be called supply chain management.

ALTMAN

Fancy terms now. Make ourselves sound smart.

GALEF

And so they had been so discouraged by the fact that they couldn't get it to work that they were not self-disciplined anymore. And so it was basically a matter of getting them to focus on what the problem was, because they didn't have any other problems. And -- God, I can't remember his last name now -- Emil, he welcomed us with open arms. I mean, he -- Emil Martini and his brother Bob.

ALTMAN

He really wanted a savior.

GALEF

He knew that he had a great company. And he had built it. And yet, he couldn't get this one piece right.

ALTMAN

(laughter) Poor guy must have been going crazy.

GALEF

He was not in financial trouble; he was in profit trouble. Yes, it was driving him crazy. Man, he was really happy when the savior showed up. That was actually a really simple one, because we didn't -- I didn't have to do anything but walk them through this one problem that they were having.

ALTMAN

Now, did all of your clients at this stage come from the bank?

GALEF

No. Burgen Brunswick did not come from the bank. No, they were not in bank trouble. Trying to think of how it arrived -- somebody who was a friend of Frank's was also a friend of Emil's. And Frank was, at that time, pretty fully tied up, and so I went to the initial meeting that was set up by this friend, and came out of the meeting with a "Wow, when can you start?"

ALTMAN

So companies that weren't necessarily in bank trouble were contacting you?

GALEF

Yeah. We had, by then, developed a reputation that people other than banks knew who we were.

ALTMAN

So essentially, would you say you were one of the first turnaround consulting firms?

GALEF

Yes. Yeah. Mordy and Company was the first.

ALTMAN

The first.

GALEF

Yeah. Towards the end of this period in my life, I was truly doing international stuff.

ALTMAN

OK. And when did -- so that started like, late '70s?

GALEF

Mid-'70s. I was traveling all over the world.

ALTMAN

What were some of the international companies?

GALEF

A bicycle manufacturer who had factories in Taiwan and Austria. Some computer equipment companies.

ALTMAN

Sure. Was this just about the time that companies realized how much cheaper labor was abroad?

GALEF

For the most part, it was not cheap labor at that point, it was -- some of it was cheap labor, but for the most part, it was supply chain management, because you needed to be near your major customers. The cost of transportation was always a factor.

ALTMAN

So that was about the stage when business started to get more international, and companies started to, I guess, go global.

GALEF

Yeah. The international part of it -- these were American companies, for the most part, who had become global.

ALTMAN

So what was the maximum amount of companies that you'd be working on at any given time?

GALEF

There were only six days in a week, and I would never do more than two a day.

ALTMAN

Two a day?

GALEF

Yeah. (laughter) I usually did -- if they were So Cal -- like if they were in Southern California -- if they were in Los Angeles or Southern California, or as far away as Bakersfield or San Diego -- Bakersfield and San Diego, I could only do one in a day. But I usually did a morning and an afternoon.

ALTMAN

OK. So you would you have two on your plate --

GALEF

I'd probably have six or seven on my plate at any particular time.

ALTMAN

Wow. And did you -- obviously, it's manageable.

GALEF

Yeah, because they were all in different stages. I mean, you have one that was new that you'd be working on, and you'd have one that was ready to go out the door, because you couldn't do any more for them. And so --

ALTMAN

Did you have to do anything special to learn time management skills, or did that all come very easily for you, to try and manage all these different companies?

GALEF

Well, it was financially beneficial to keep busy, because we charged by the hour. You made more money in a ten-hour day than you did in a nine-hour day.

ALTMAN

Simple math for an MBA.

GALEF

Yeah. But you never short-changed anybody. I mean, as much time as they needed, you had to give them. So, yeah, there were times when that's how the firm grew, is that we had more clients than we could handle. And so we kept adding people to take care of that, and having one client was an aberration.

ALTMAN

OK. So you were probably getting bored when you only had one client.

GALEF

Well, I wouldn't necessarily -- my last client, I only had one client. But it was a fascinating client. They were the US distributors for Fujitsu, and man, you want to talk about problems in supply chain management, and language problems. And at that time, Fujitsu was a major player, and the guy running the company was an absolute delight; he and his wife were both absolute delights. And he was a salesman. (laughter) You'd talk to him about -- here's your margin on this, and here's your margin on that, and he'd say, "How much will the customer pay me?" (laughter) And everybody in the company was a salesman.

ALTMAN

That's a tough company to run.

GALEF

Oh, yes. I mean, I set the sales prices, finally. But I didn't go out and sell the --

ALTMAN

Not when you have all the salespeople working there.

GALEF

Wow. I mean, you couldn't talk to anybody about anything except volume, sales, -- that's all they were interested in.

ALTMAN

So were they losing money?

GALEF

Yeah. Bucketfulls.

ALTMAN

(laughter) So with those kind of international companies, were there language barriers ever that you had to overcome, or generally -- like did you --

GALEF

I never spoke German or Austrian. I was OK at French and Spanish, and that was about it.

ALTMAN

OK. You can do business French and Spanish, or...

GALEF

Hmm?

ALTMAN

You could conduct business in French and Spanish?

GALEF

In those days, I was pretty fluent.

ALTMAN

OK. I was just curious, because I took French for about seven years, and I could not conduct a business meeting in French to save --

GALEF

Oh, no, no, no. You always had somebody with you when you were doing a business meeting. But you can get through a menu.

ALTMAN

Well, yeah. I can usually find out where the bus is, but that's about it. So you were pretty busy through this period, you were working probably six days a week, it sounded like, usually? Or were you up to seven?

GALEF

No, never seven, because I had too many children.

ALTMAN

OK. And you had -- it was three children? Five? And did you get remarried during this stage?

GALEF

Yes.

GALEF

Had to.

ALTMAN

Had to. And where did you meet your wife?

GALEF

Hmm?

ALTMAN

Where did you meet your second wife?

GALEF

Friend, through a friend, who said, "You should meet this girl."

ALTMAN

Good friend.

GALEF

Yes. Good friend.

ALTMAN

So you had -- so five kids; what were their names?

GALEF

Hmm?

ALTMAN

What were their names? Or are their names, I'm sorry.

GALEF

The two little ones?

ALTMAN

OK.

GALEF

Felicia [Galef] and Katherine [Galef]. The other three, I think you have.

ALTMAN

Actually, I listened to it, I don't have --

GALEF

Oh, Stef [Galef] and Marge [Galef] and Mike [Galef].

ALTMAN

OK. And did you have enough time, do you think, to spend with your family?

GALEF

I would take family vacations. I had a house in Tahoe; had a house in the Springs; had a condo in Snowmass. So I spent, I thought, good time with my kids. My kids say, "Dad, you were never around. Why should my kids be any different?"

ALTMAN

(laughter) It's all right; I said the same thing.

GALEF

But they still talk to me, so.

ALTMAN

Did they ever come with you on business trips? I remember you saying you went to El Paso for a year.

GALEF

Yeah, I moved the family.

ALTMAN

Oh, you did take the family to El Paso?

GALEF

Yeah. Rented a house.

ALTMAN

Wow. And then you took your house back here?

GALEF

Yeah.

ALTMAN

And did they enjoy that, for the most part? I'm sure they wanted to be with their dad --

GALEF

Hated it.

ALTMAN

Hated it? (laughter)

GALEF

Boy, you ask my kids about El Paso, and they'll talk to you about where they're going to shove the enema tube. (laughter)

ALTMAN

(laughter) OK. Actually, I've driven through El Paso, (inaudible) I can understand. Did you ever have any other periods when you went away for an extended period of time?

GALEF

The -- I didn't just do weekends, when we used the condo or the house, we always went for at least a week.



ALTMAN

Right. No, but did you move the family for an extended period of time again?

GALEF

The only time I moved part of the family was, I rented a house in Bridgehampton.

ALTMAN

A house in --

GALEF

Went one summer.

ALTMAN

Where is that?

GALEF

Long Island, in the Hamptons. And borrowed a sailboat from a friend, and had a wonderful summer, and I only worked, or almost only worked with Viewlex at that point. Viewlex's headquarters were on Long Island.

ALTMAN

I'm sure the family really enjoyed that.

GALEF

It was a really great summer.

ALTMAN

Now, in this stage in your life, your life was starting to wind down, did you -- now, what -- I guess the first question would be, what years would you characterize end this stage in your life?

GALEF

I basically stopped in '78, '79.

ALTMAN

OK. Was there something that kind of led to that?

GALEF

Yeah. Yeah. Farah.

ALTMAN

OK.

GALEF

After getting the company fairly well straightened out, we had a court battle over who had control of the brother's estate that had died, his wife or his brother. And in the court battle, the brother won. And so here's this guy has the right to come back in after you'd done all the work, and I decided, if I'm going to do all this work, I should also be a beneficiary. We never took stock positions in any of the companies that we worked with, because we didn't want a conflict; we didn't want any question at all about whether or not we were doing what the company needed.

ALTMAN

So you were just paid purely by the hour.

GALEF

Yeah. Well, we got bonuses a lot. But, yes, we worked by the hour. And so I started in '78 looking for companies.

ALTMAN

OK. Sounds good. Well, it sounds like that transitions into the next phase of your life, so that's probably a good breaking point, unless you've got anything else you'd like to add.

GALEF

No. It's an interesting list.

ALTMAN

Great. OK. Well, I'm going to shut the recorder off then.

#### **1.4. Session 4 ( February 21, 2007)**

UCLA Oral History Program Andrew Galef Session 4 February 21, 2007

ALTMAN

And we're live again. This is Mike Altman, I'm here with Andy Galef at his offices with The Spectrum Group, on February 21st, 2007. And we are going to talk about the fourth segment -- or the third segment of his business career, after leaving his consulting firm, Grisanti and Galef. And Andy, if you would like to go ahead, we can get started.

GALEF

Yeah, as I said, I think, at the end of the last session, my experience at Farah, where after working very hard, and getting everything turned around, the company saved and all of that, a court decision gave the company back to Willie Farah. At that point, I really decided that if I was going to work that hard, I should be a beneficiary. So I started looking around and seeing what might be available, and I really made a very conscious decision to do a small one first, because the -- learning what needed to happen, both in terms of finding money and the way that the money lenders calculated what they would lend you, as well as all of the legal knowledge that you needed to gain in order to have -- to make sure that when you were negotiating, that you were not at a huge disadvantage to somebody else who had done something before. And so the first company that I looked at, I had actually consulted for; it was called the Edward Hyman Company, based here in Los Angeles, and it was in the work clothes business.

ALTMAN

I'm sorry, what kind of clothes?

GALEF

Work.

ALTMAN

Work clothes. OK.

GALEF

It had two factories, both in Mississippi. One in Hazlehurst, and one in Prentiss, Mississippi. And it was owned by a group in La Jolla, and it had not been under their ownership as successful as it had been under Ed Hyman's original --

ALTMAN

Ed Hyman was the founder?

GALEF

Ed Hyman was the founder of the company, yeah. But Ed was at this point 80 years old. And he had a son-in-law who was sort of running the business, along with the new owner, who was brilliant in his own way, but never quite learned how to tackle a textile company. And I had had experience in the textile business at Farah, and several others, so we -- when I say "we," when I set up The Spectrum Group, I kept as partners in The Spectrum Group Frank Grisanti, and the other senior partners from Grisanti & Galef, I gave them a piece of The Spectrum Group.

ALTMAN

OK. And did they still have -- Grisanti & Galef, did they change the name, and kept --

GALEF

There is -- Grisanti, Galef & Goldress is still in business. Grisanti, Galef & Osnos, Grisanti, Galef & Shiras, are no longer in business, nor is Grisanti & Galef anymore. The Hyman thing was a very interesting experience, and we -- after working for a couple of years, expanding its operations substantially, through taking them out of just work clothes and putting them into men's jeans, under the Hang Ten label.

ALTMAN

I remember them. Wore them when I was very little.

GALEF

And picking up some of the people that Willie Farah had fired because they worked for me.

ALTMAN

So was there bad blood between you and Willie Farah, would you say, or --

GALEF

Yes, there was terrible bad blood, because he thought I was going to come in and tell the banks that he had to come back. They had thrown him out. So when he found out I wasn't going to do that, there was -- I'm not sure how bad the blood was, but we're definitely not friends. Anyway, the Hyman experience said to me that there was some real interest and that I could probably do well at this. The next one was a company that -- Ogden Corporation, which was a

conglomerate, wanted to sell, and it was based here in Burbank. It was called Aviation Power Supply. Aviation Power Supply was a re-manufacturer and repair facility for jet engines, mostly for helicopters.

ALTMAN

So Aviation Power was a subsidiary of Ogden --

GALEF

Was.

ALTMAN

And then you bought them.

GALEF

Right. We bought it from Ogden. And the aviation businesses have always sort of interested me. And after --

ALTMAN

Had you worked with aviation before?

GALEF

Only the Air Force.

ALTMAN

Only the Air Force.

GALEF

But Ogden wanted to get rid of it, because it was small, and it took proportionately more of the senior management's time. Through the purchase of Aviation Power Supply, I met more people who were in the buyout business, and especially lenders in the buyout business, or financiers. Which basically led to the next purchase, which was a Coca Cola Bottling Company, and I'll get to that in a few minutes. I took APS, and used it for one of those rare times when I reached back in my past to find somebody who I knew -- there was a company called Cooper Industries in Houston, and it was run by a classmate of mine from Harvard Business School by the name of Bob Cizik. And there was a subsidiary of Cooper Industries, which was basically in the large machinery business, that was in the Airmotive business, and it was called Cooper Airmotive.

ALTMAN

Airmotive?

GALEF

Yeah. And it was the largest independent repair facility of jet engines in the US, and in addition to that, it had a distribution arm for aircraft parts of all kinds, sophisticated and unsophisticated; you could buy toilet paper from them if you wanted to. Anyway, Bob knew that it was not a long-term operation for them, because it didn't relate to anything else that they were doing. So he agreed to sell Cooper Airmotive to me, or to sell it to Aviation Power Supply, at which point Aviation Power Supply became a company called Aviall,

because I changed the name, and was a major force in servicing both airlines and private aircrafts, in terms of engine repair and parts.

ALTMAN

Who were the customers? Were they --

GALEF

The biggest customer was Braniff. And we did a lot of airlines; we did Southwest.

ALTMAN

Really?

GALEF

They didn't have their own facility at that time. Those were our two biggest customers.

ALTMAN

Now was that -- was the airline servicing similar to what Ogden -- I'm sorry, to what Aviation Power Supply had done before, or was that just at Cooper...?

GALEF

No, Aviation Power Supply was this midget in the same business that Cooper was in; they actually competed. Anyway, I think probably the most interesting customer that we had was a thing called Southern, and Southern, when we would get the engines, they would have bullets in them. (laughter) Southern was a CIA airline in Central America.

ALTMAN

Wow.

GALEF

And it was --

ALTMAN

So you ever find any interesting contrabands?

GALEF

Everybody looked forward to and had the money pools going as to what they were going to find in the engines as they would come in from Southern. We also did Frontier's work.

ALTMAN

Frontier Airlines?

GALEF

Yeah, it was a major force in the business.

ALTMAN

Wow. And how many people were doing that kind of work? How many from independents?

GALEF

Independents like us? Very few.

ALTMAN

OK. And then would the bigger airlines have their own --

GALEF

The bigger airlines had their own shops. American [Air] had theirs; United [Air] had theirs; Delta [Air] had theirs. Anyway, when I was buying the Aviation Power Supply initially, I went to visit friends in Chicago who were financing businesses, and they agreed to lend me the money that I needed, provided I would buy from them the remnants of a bus company, school bus manufacturer, that they had invested in that had gone bust, but it had a really nice tax loss carry forward. So they were willing to lend me the money provided they got the benefit of the tax loss carry forward, which was fine with me.

ALTMAN

That's a hell of a catch, though.

GALEF

Huh?

ALTMAN

I said, that's a serious catch, stuck with a bus company?

GALEF

I'm sorry.

ALTMAN

Oh, you're stuck with a busted bus company, right?

GALEF

No.

ALTMAN

OK.

GALEF

Why would I be stuck with it? I shut it.

ALTMAN

Oh, OK. (laughter)

GALEF

I wasn't going to suffer with it. And they paid for the closure. Anyway, but that was the beginning of a history with the First National Bank of Chicago, who at that time was also run by a classmate of mine from Harvard Business School.

ALTMAN

Old networks coming up big.

GALEF

And partially financed by Citicorp, who wanted to -- who was becoming very active in buyouts, and had even set up a separate group to deal with buyouts.

The reason that that is important is that through that group, of Citicorp and --

ALTMAN

First National?

GALEF

First National -- they introduced me to the Coca Cola Company. The Coca Cola Company at that time had made a very senior management decision to find a way to get rid of -- I'm sure there's a better word -- but to get rid of their bottlers that were not doing well against Pepsi. And the first one of those was a large Coca Cola bottling company called Mid-Atlantic Coca Cola, which had parts of Virginia, Washington, DC, part of Maryland; it was a major Coca Cola operation. I spent a lot of time negotiating with the then-owner, because these - all Coca Cola franchises at that time were independent of the Coca Cola Company.

ALTMAN

OK. So corporate would sell the syrup to the bottlers?

GALEF

Right. Coca Cola's real long-term end game was to have better control over the bottlers also, because they were totally independent businesses.

ALTMAN

So they wanted to have control over them without actually owning the bottling processes.

GALEF

Well, they were willing to be an investor in the purchase of these. Anyway, the first one was Mid-Atlantic, and Coca Cola was nice enough to even tell me who I should hire to run it. (laughter) And it achieved exactly what Coca Cola was hoping it would achieve.

ALTMAN

Which was --

GALEF

There were two investors in mid-Atlantic other than ourselves, Prudential and Citi[corp].

ALTMAN

The same Citi people from Chicago?

GALEF

Yes. Well, no, one of the senior Chicago guys had moved over to Citicorp in New York. And he was the one that made the connections. It was fascinating to me that once you understood that the financing of Coca Cola Bottling Company was really, really simple, because you had a put to Coke -- they weren't not going to have representation in any area. So when you would walk into a Prudential, after you convinced them that they had a put to Coke, which was a difficult process, because they didn't believe it. But the strength of the franchise was really, really strong, and you knew that you had a put to Coke. So after Mid-Atlantic -- or actually, it was while we still had Mid-Atlantic -- Coca Cola asked me to do the same thing in Cincinnati and Indianapolis, and in those they

also told me who to hire to run them. They were strengthening their network, and so the guy that ran Mid-Atlantic came from Joyce, which was a large Midwestern bottler. The guy that came in to run Cincinnati was a Pepsi bottler, and the guy that came in to do Indianapolis was also a Pepsi guy.

ALTMAN

So you and your co-investors actually -- and Coke, actually owned the bottlers, or actually owned the franchises?

GALEF

We owned the franchise. But there was an understanding of, at this point, finally, of exactly what the end game was. And so it was a question of when Coke decided that they wanted to have somebody else own the franchise. And we didn't mind; we were pretty well compensated. But again, you know, life is a series of coincidences, and one of the people who was a lender to one of the Coca Cola companies approached me to ask whether or not I would be interested in owning Exide Corporation, the battery manufacturer. They, the Canadian metals company, Inco, owned Exide, and it was dragging their earnings. Exide was peculiarly unsuccessful as a major battery manufacturer, as it was one of the two biggest battery manufacturers in the United States. The other one was Johnson Controls. Between the two of them, they owned about 65, 70% of the automobile battery business in the United States.

ALTMAN

Wow. Was this known by the consumer?

GALEF

Said Exide on it. Maybe it said Sears on it, or maybe it said K-Mart on it, or maybe -- but those batteries were almost all made by those two companies. There was an Australian company, Dunlop, that made batteries, but it basically was a two-company industry. And so we made a hell of a deal buying Exide. Inco wanted to get rid of it so badly that they left money in it. And we gave them a note. (laughter)

ALTMAN

When you say a note --

GALEF

We gave them a note, an IOU.

ALTMAN

Oh. Wow. OK.

GALEF

It was a rather small purchase price for a major company in an industry. Anyway, we did a lot of surgery on Exide.

ALTMAN

Where was it located?

GALEF



In Reading, Pennsylvania, at that time. But we did move it, eventually, to Bloomfield Hills in Michigan. The reason we moved it was because that's where the guy that I eventually hired to run it lived. Initially, I put my old Grisanti and Galef partner, Win Shiras, in charge of Exide. And unfortunately, he didn't have enough experience in the really tough end of the consumer products business, and this was one of the dirtiest consumer products businesses around. I mean, everybody would cut everybody else's throat, because the way you made money was by running your factory to capacity, or as close as you could get to capacity.

ALTMAN

Yeah. It's full -- it's totally cost-based, right? I mean, you can't --

GALEF

Yeah. And you had to have -- in order to come out OK, you had to really run your factories literally 20 hours a day. But if you were successful, everybody made money.

ALTMAN

Happy ending?

GALEF

Huh?

ALTMAN

Happy ending?

GALEF

Very happy ending. Well, for almost everybody, it was a happy ending.

ALTMAN

Not Inco, I guess.

GALEF

No, even Inco was very happy, because they didn't have losses on their hands anymore.

ALTMAN

Fair enough.

GALEF

I guess the only person -- or there were two people that did not have a happy ending, the fellow that I hired, I hired him away from Tenneco, and he was running the automotive group at Tenneco; he and a guy he brought aboard as his sales manager ended up spending a little bit of time in jail for price fixing.

ALTMAN

Really?

GALEF

And he had -- totally unbeknownst to me, it was actually after we sold the company, sold it to Hillman, Henry Hillman, in Pittsburgh [PA], and these two went with the company. And when they went to jail, Hillman had taken the

company back public, and he hired Bob Lutz to run the company. And Lutz may be brilliant at auto design, he was not terrific at Exide. And so there's a different person at this point that is running it.

ALTMAN

As far as the price-fixing scheme, was that the first time somebody you had hired had done something unethical, illegal?

GALEF

Well, we had some of the same problem at Mid-Atlantic.

ALTMAN

OK. Really.

GALEF

Yeah. Major price-fixing in the Washington, D.C. area that we didn't know about.

ALTMAN

Now, did those instances affect the way you looked for managers at all, or --

GALEF

Not really. You always hoped, and if nobody had a track record that they had done illegal things, you assumed that they were ethical. Anyway, it was unfortunate, but --

ALTMAN

So how long did it take to turn Exide around?

GALEF

Four years. Yeah.

ALTMAN

So it was losing money when you went in...

GALEF

Oh, boy. Losing -- I mean, it was going out in shovelfuls.

ALTMAN

Now, and just as a follow-up -- I'm curious because the battery companies I think of are obviously Duracell or Energizer; were they --

GALEF

No, those were the small battery companies. They don't make car batteries.

ALTMAN

Oh, car batteries. OK.

GALEF

Yeah. Exide was car batteries. Cars, trucks, motorcycles.

ALTMAN

And they're still around?

GALEF

Uh-huh. Back around the same time, I had bought a company called Century Electric, which was owned by Gould, which was a conglomerate run by a

fellow by the name of Bill Ylvisaker. And he basically wanted to get out of the small motor business even though Century [Electric] had one really terrific customer. Century was not losing money, but it was barely breaking even. And so we were able to buy it at a reasonably good price, and turned it into a profitable business just by changing its product mix more than anything else. Its one good customer was a company called Caterpillar, and they were making the generators, all of the generators, for Caterpillar. And so it was not a tough decision to take the rest of the motor factories and force them into a profit position, because you were making enough off Caterpillar to do so. Then with Century, after we got that really humming, I went to the board and said, "I would like to expand Century, and I have found the company that I would like to buy into Century." And the board said, "You know, we're doing so well that we really don't want to risk the position that we've got." And so I said, "Oh. OK." And then I went to the company that I wanted to buy for Century, which was owned by Litton [magnetics group].

ALTMAN

Litton --

GALEF

Litton Industries. It was the magnetics group of Litton Industries. The reason I wanted it for Century was that where Century's motors were this big, it was a whole new add-on group of motors that put Century into a whole different category. So, anyway --

ALTMAN

What were these motors for?

GALEF

They're big motors. There was no single use for them. They had big horsepower; hell, we made motors big enough that you had to use cranes and hoists to pick them up to put them on a railroad car. Some of them were used, actually to propel Litton's ships made for the U.S. Navy, but for the most part they were going to independent companies. Anyway, that was the start of Magnetek, because when we bought that group from Litton, I changed the name to Magnetek. What we really bought was the Louis Allis, which was a famous old name in motors. That was the big piece of Litton, Litton's magnetics business. They also had a tiny little business in Huntington, Indiana, that was making ballasts for fluorescent lighting fixtures. And they had a new device, and the new device was an electronic ballast that had never really taken hold in the market, because of price differential. But having that as part of Magnetek -- by the way, I bought Century into Magnetek, so I got done what I originally wanted to do. I then bought one of the top three ballast manufacturers in the U.S. called Universal Manufacturing, which was owned by Farley Industries. That got us very seriously into the ballast business, and we were in

the non-electronic ballast business at that point, because we had not been able to figure out how to make electronic ballasts economically attractive.

ALTMAN

Can you just define "ballast?" I just want to make sure I've got the right --

GALEF

B-A-L-L-A-S-T.

ALTMAN

Right, could you just define, like, exactly what the ballast in?

GALEF

It's a -- it regulates the electric current.

ALTMAN

OK. OK. So it's basically a chip, or...

GALEF

No, no. Someday it will be a chip, but then it came in a can. (laughter)

ALTMAN

OK. Gotcha.

GALEF

In order to expand the business, again, we were looking for somebody who could design an electronic ballast better than we had been able to. And there was a company in Italy that was for sale.

ALTMAN

How did you find that one?

GALEF

I don't remember who made the introduction. But it was one of our banks. We always had very open discussion with our banks, and when we were looking for something, we'd say, "Hey, in case you know of anything, just let us know." Anyway, we bought this Italian company, and by God, they developed an electronic ballast after about a week and a half that worked; they designed it, put it together. So we now thought we had a leg up, but the competition in ballasts -- there were three of us, basically, in the business: Phillips, Osram, and us. Well, Osram owned by Siemens obviously had plenty of marketing money, and Phillips had plenty of marketing money, and they both had global distribution. And we didn't have a lot of marketing money.

ALTMAN

Right. So how do you compete with those guys?

GALEF

We competed very successfully. The ballast business was driven in the United States by large sellers of lamp fixtures. And so the negotiations were always with them. And they didn't care whose name was on it, as long as it was -- fit their cost structure, because it was buried, you couldn't see it.

ALTMAN

I guess they just --

GALEF  
They just wanted to know that it worked, and it wasn't going to set fire to anything. So we managed to do very well. At this point, Magnetek was a billion and a half dollar --

ALTMAN  
In revenue?

GALEF  
In revenue.

ALTMAN  
Wow. How did you -- so --

GALEF  
It started at 190 --

ALTMAN  
Wow. So -- over what period of time did it go from 200 to one and a half --

GALEF  
From 1984 'til 1994 -- ten years.

ALTMAN  
Ten years. OK. And how did you manage to convince the builder of light fixtures to buy your --

GALEF  
We ran tests.

ALTMAN  
Well, but then, I would assume -- it seems that Phillips would come in and try to undercut you on price.

GALEF  
Yeah. You know, there was room for three companies.

ALTMAN  
OK. (inaudible)

GALEF  
Yeah. And that one was well underway when we took Magnetek public in 1989, got rid of -- a lot of debt. It was highly leveraged.

ALTMAN  
Until 1989?

GALEF  
I never got scared of leverage, never bothered me.

ALTMAN  
Did a lot of your contemporaries avoid --

GALEF  
Hmm?

ALTMAN

Did a lot of your contemporaries avoid leverage?

GALEF

No, they all used leverage, but ten to one. For me, just seemed fair.

ALTMAN

OK. Ten to one -- GALEF I guess where I really learned that leverage is not bad, when I bought Aviall, interest rates were 21%.

ALTMAN

Wow. And you weren't afraid to leverage at that?

GALEF

I didn't have any other way of buying it. And people were willing to provide the money -- that actually was, interestingly enough, Aviall was Mike Milken's first junk bond.

ALTMAN

Interesting.

GALEF

I had all the financing lined up, and I got a call from one of Mike's associates, who said, "Could we come talk to you?" And they said, "We understand you're doing a reasonably substantial-sized deal, and we'd like to see if we could participate." And they came, and their money was cheaper.

ALTMAN

That -- so, at 21%?

GALEF

I had 18 instead of 21.

ALTMAN

Oh, you had 18. OK. (laughter)

GALEF

That was not -- (laughter). Because their money was bank money; you know, it was Columbia Savings and Loan, and the insurance company Executive Life (Fred Carr). I mean, that was the bulk of their money.

ALTMAN

What was it like dealing with Mike Milken?

GALEF

Mike is one of the smartest people I have ever met in life, and not only is he smart: he's practical, he's a visionary. I mean, you know, if you want to know whether or not he was always going to get the best of the deal, the answer is yes, he was always going to get the best of the deal. But you knew that going in. You always dealt with Mike at some point in the process. But most of the work was done by other people.

ALTMAN

Did Drexel provide the debt for other companies as well?

GALEF

Yeah. Yeah, Magnetek, Warnaco. Warnaco was an interesting one; Warnaco was 1986. I had been introduced by a friend to a lady who had worked in the apparel business, her last job being with Max Factor. And she got a lot of credit for the work that she had done at Max Factor, but she had -- it turned out she had a clash with her boss. Max Factor was a subsidiary of -- anyway, the guy that she was working for was a classmate of mine.

ALTMAN

At Harvard?

GALEF

At Harvard. And I called him, and I said, "Tell me about this lady." And he said, "She is brilliant, but she doesn't know what she doesn't know." So he said, "You know, if you've got something that..." -- Playtex was the name of the company. "If you -- " And he said, "If you can harness her energy and her absolute incredible sense of what the marketplace will buy, you've got a winner. But," he said, "I'm going to warn you, you've got to really stay on top of her." All right, OK. She wanted to run a company, so I sent her to New York, because there are very few companies outside of New York that are of any significant size in the consumer product business, women's consumer products business. And the first company we took a run at was Revlon. And, you know, I guess in retrospect I'm really glad that we couldn't do Revlon.

ALTMAN

You couldn't buy it?

GALEF

Well, the reason that we couldn't -- it was -- the buyout business had become a group of pretty well-known and some pretty well-off individuals, and in the battle for Revlon, we had enticed Forstmann Little to come with us. And Ron Perelman, in addition to his own money, had Drexel.

ALTMAN

Oh, (inaudible).

GALEF

So we were told by Drexel that he was going to win that battle, no matter how expensive it was, he was going to win it. And so we upped the price, and he won. And he has lost a bloody fortune.

ALTMAN

Really?

GALEF

Oh, yeah. He has pumped so much money into Revlon. Anyway, we didn't get it, and then the guy who was running Warnaco, Bob Mattera, decided he was going to take it private. He bid such a low price to take it private, and Linda, the lady that I was talking about, had worked for Warnaco; she had run the bra portion.

ALTMAN

Run the what portion?

GALEF

She was the chief marketer of the bra portion of Warnaco, early in her career. And when the public announcement came out, she called me and she said, you know, "I'm going through the numbers," and she said, "I think that this thing is worth 50% more than he's bidding." And so I said, "Send me the numbers," and she sent me the numbers, and I looked at it, and I said, "Looks to me like that's pretty much right." And so that started a bidding contest which we eventually won. And a small aside, that changed the rules of what you could do in bidding, because in the last bid that we put up, we said, "You've got a week to make up your mind, and we're going away. If you don't sell it to us, we're going away." And so that -- everybody knew that was state of the art, but, you're not allowed to do that anymore.

ALTMAN

Really?

GALEF

Really.

ALTMAN

What's the protocol now?

GALEF

Well, it's -- the lawyers have a term for it.

ALTMAN

OK. Gotcha.

GALEF

Anyway, the -- we bought Warnaco, we expanded the hell out of Warnaco; we got it up to a little over \$2 billion in sales.

ALTMAN

From... what? What number?

GALEF

\$400 million.

ALTMAN

Wow. Over what time period?

GALEF

'86 to '99, 2000.

ALTMAN

OK.

GALEF

14 years. Bought a whole bunch of stuff in, sold a whole bunch of stuff off. I mean, we made a lot of money on Warnaco, before its demise. And the demise basically -- there was no way anymore to talk to Linda about anything.



ALTMAN

Oh, so it was Linda.

GALEF

Yeah. And she had personally made so much money that she was a problem, and when she decided to sue Calvin Klein...

ALTMAN

Oh, jeez.

GALEF

(laughter) I got off the board.

ALTMAN

(laughter) OK. So she was actually running the company, day-to-day?

GALEF

Yeah. I was the chairman for the first ten years, and then she became the chairman, the CEO, and the -- everything. But yeah, she basically was running the company; I had an office in New York. Beautiful office, God, she spent a bloody fortune on my office. But, you know -- anyway, it was what it was. There are only, I guess, three other companies, two of which are pretty small. Bought a company called Roberts & Porter which was in the printing ink business. And it was in Chicago, and basically it was brought to me by a classmate of mine (laughter) from Harvard Business School.

ALTMAN

I'm not even going to comment.

GALEF

Huh?

ALTMAN

(laughter) I won't comment on your network again.

GALEF

And he wanted to run it. And so I put a financing in place, and I became the chairman; he was the president. And I fired him, but I left him whole, more than whole. I left him with his piece of the business, and gave him a really nice severance package, and all of that. And then I didn't know what to do with this little \$18 million business.

ALTMAN

\$18 million in sales?

GALEF

Yeah. I mean, I hadn't dealt with anything that size in a long time. So I found another printing ink company that was for sale -- that wasn't for sale, but I made it for sale, and put the guy whose company that was in charge of the whole Roberts and Porter thing, and the name of that company was Midland Color; we changed the name to Midland Color. And after three years, Jerry Braznell had that company running really, really smoothly, and I had found a

terrific combination administration and CEO through one of the banks -- I mean, CFO -- through one of the banks that was a lender to Midland Color, and the two of them got along so well, and did amazing things in both costs and new products. And anyway, then a Japanese company came along, and said, "We would like to own you." And we said, "It would be very expensive," and they said, "We don't care. And so we sold Midland Color to a company called Inx, I-N-X.

ALTMAN

And that was a Japanese company?

GALEF

I-N-X Sakata.

ALTMAN

Sakata?

GALEF

Yeah. Two words. S-A-K-A-T-A. Then I -- oh, my God -- a friend of mine -- who I didn't know at Harvard Business School, but he had gone to Harvard Business School -- called me about a public company in Portland, Oregon, that he had consulted with, and he thought needed a new owner. And so I went up and took a look at it, and it was a company called Grantree, and Grantree was in the furniture rental business. In its local area, it was quite successful, but it had money-losing operations here in Southern California and in Northern California, and I must admit that it was a huge mistake for me to have bought the company, because I was not that interested in it. And I hired a fellow that I felt would be really good at running it, that I found actually through a headhunter, one of the few times in life that I used a headhunter, and eventually closed it.

ALTMAN

What -- so what motivated you to buy it originally?

GALEF

My wife has a theory on that, which was that at the time that I looked at Grantree, I was divorced. And I had rented furniture for my house in Malibu. (laughter) She said, "You never would have bought it if you hadn't been in the position you were in at that point in time," and I think she's absolutely right. I met her about a year after I bought Grantree.

ALTMAN

Wait, so, what year was that?

GALEF

Hmm?

ALTMAN

What year was that?

GALEF

'87.

ALTMAN

OK. Great.

GALEF

Yeah, I met her in '87, we got married in '88, the end of '88.

ALTMAN

Were there any new step-kids that came along?

GALEF

Oh, yeah. We now have, between hers and mine, we have eight children.

ALTMAN

Eight? Wow.

GALEF

And 16 grandchildren. And then I did my last deal, and it truly was my last venture, which is a company called Petco. Petco was owned by a fellow in San Diego all its stores were in San Diego.

ALTMAN

And Petco Park.

GALEF

Hmm?

ALTMAN

And Petco Park is in San Diego, too.

GALEF

Yeah. But that's more recent. You know, I had Magnetek still around; Warnaco was still around. So it wasn't like there wasn't anything to do. But Petco had decided to sell itself, and a Los Angeles buyout firm had argued with Petco's owner about the price for quite a period of time. They could not quite reach an agreement, and they were friends of ours. And so they told me -- actually, they told us, because I think they told Jim Barnett, who was with me, about this Petco thing. And so we took a look at it, and we didn't think that the fellow that wanted to sell it was really that much off-base on what he wanted. And I always felt that if a price was close, you don't want to create frictions of any kind, because there is no absolute price for anything. There is a point at which you're not interested, but as long as it doesn't cross that line -- well, we bought it, it was seven stores in San Diego. Within a year, we had expanded it from the seven stores through two purchases: one of a company in the Bay Area, and one of a company in the Northwest. And we had 80 stores.

ALTMAN

Wow. What were the names of the purchases?

GALEF

WellPet...

ALTMAN

I remember them.

GALEF

Hmm.

ALTMAN

Put that on pause a second. (laughter) It's not that important, but... I used to shop for my golden retriever at WellPet in the Bay Area.

GALEF

Pet Department.

ALTMAN

Pet Department?

GALEF

Yeah.

ALTMAN

That was Pet Department.

GALEF

Right.

ALTMAN

Now that I've turned the machine back on.

GALEF

No, I mean, what I can't remember, I can usually find.

ALTMAN

There you go. (laughter)

GALEF

Petco today is over 800 stores, and over \$2 billion in sales, and is one of the two hugely successful chains, the other one being Petsmart.

ALTMAN

Are you still on the board?

GALEF

No.

ALTMAN

And so did you sell it?

GALEF

We took it public.

ALTMAN

Oh, I didn't realize you'd gone public. OK. Did you install the then current CEO?

GALEF

Yes. Then we did sell it. We sold the public company to Leonard Green and Partners. And Leonard Green took it public again, and now has bought it back in again. Now, why does somebody do that? Well, just think about it. Obviously, some of his investors were unhappy, and so, if you're going to have

long-term relationships with people, when people get really annoyed with you because you don't exceed the level that you have told them that they would get, they get unhappy.

ALTMAN

Sure.

GALEF

Because it affects their ability to raise money, so it's a vicious spiral. Anyway, you know, by then, I was 70 years old, 70-plus years old. Really not interested in doing another one.

ALTMAN

So did you know that was going to be your last venture, when you got into it?

GALEF

I probably looked at -- oh, in the next ten years, I probably looked at 20 companies, and none of them really interested me.

ALTMAN

Do you expect you might -- if something were to come along, you might do another one?

GALEF

I won't even look. That's the real truth, I won't even look at it.

ALTMAN

Really?

GALEF

Yeah. I am enjoying retirement.

ALTMAN

How many boards do you sit on now?

GALEF

Actually, I am only on two boards, and they're not business boards.

ALTMAN

Really?

GALEF

Really.

ALTMAN

Which ones are those? Are you on the Price Center board at Anderson or the Anderson board?

GALEF

No, not anymore. No, I have resigned from everything. I'm on the board of the Center for Aging at UCLA, and -- I've got one other board meeting. Oh, no, I just dropped off; I just dropped off Magnetek's board.

ALTMAN

I saw that press release, actually.

GALEF

So I am down to just --  
ALTMAN

Just one board.

GALEF  
Yeah.

ALTMAN  
One (inaudible).

GALEF  
And I still play around with some not-for-profit stuff, but --  
ALTMAN

Which ones?

GALEF  
Mostly to do with the arts. In fact, they all have to do with the arts or education.  
ALTMAN

How tough was that, for someone like you, so restless, to step into retirement?  
Or did you know that you were done?

GALEF  
I was very apprehensive about it. And I had retired three times before.

ALTMAN  
Oh, you had?

GALEF  
I had failed retirement three times. This time, I was really ready. And a smart decision.

ALTMAN  
So, I actually just wanted -- there were just a couple questions I had, actually. Just in terms of going in and buying companies, it seemed like you weren't afraid to get into any industry. I mean, such a broad range of industries from --

GALEF  
It's hard to find an industry that I didn't know something about from my consulting days. Yeah, there was no great plan.

ALTMAN  
So there -- and there was never any kind of hesitation or apprehension going into --

GALEF  
Not at all. You know, businesses -- and I don't care what business it is; I mean, there are some technical things that you need to know. But businesses are all basically the same. I mean, you can make them appear different if you want to, but you take in so much revenue, you have so much expenses, and you'd better have some left over. And if you don't, you've got to look at, how do you change it so that you have something left over? And it's -- accounting is all the same. I mean, other than the businesses like Enron. (laughter)

ALTMAN

(inaudible)

GALEF

Yeah. But, you know, and you know that you're not an expert, so if it's a marketing company, what you look at is, you better have somebody who is really good at product design and selling. If it's a manufacturing company, boy, you better have the best people you can find, in terms of efficiency and knowledge of the set-up of facilities and that kind of stuff. It's quite, actually -- it's no different from the consulting business, actually, because it's a matter of discipline. And I don't care what business you show me, I will show you -- if it's in trouble, I will show you an undisciplined business. And it may be undisciplined not for any reason itself, or its industry, but it will be undisciplined because somebody is not really focused and paying attention and doing their job. Unless it's an industry that has disappeared, like -- my wife's typewriter broke, and she still -- (laughter).

ALTMAN

I imagine that's probably hard to find. (laughter)

GALEF

They don't make them anymore. They haven't made a typewriter since 1992, or something like that. Anyway, it's been a long time. All the typewriters that are for sale in the world now are refurbished. Vi can tell you the whole story, because she's been in charge of research for typewriters.

ALTMAN

And no luck? Haven't found anything?

GALEF

Oh, no. There are repair people.

ALTMAN

Oh, OK. For typewriters?

GALEF

Yeah. And Vi did find two typewriters in Georgia that are brand new, but you could buy two computers for the price of those.

ALTMAN

(laughter) That's really funny. Now, I could tell by the smile on your face, the deception -- which wasn't captured by the tape recorder -- you really enjoyed this period of your life. It just seemed like you had a lot of fun.

GALEF

I can't imagine that there's anybody who had more fun than I did. And I think the reason that I was able to have a lot of fun with it -- and I mean, really fun -- is that I never set out to be the richest man in the world. And so each one of these was a wonderful game. And I didn't become a finance specialist; I didn't -

- every one of these, when I would get involved in the work-a-day kind of stuff, it was absolutely a ball.

ALTMAN

So there's not much better than to love your job like that.

GALEF

Well, I can't imagine why anybody would work if they didn't have a job they loved like that.

ALTMAN

Great. Well, I guess just one last question. You mentioned earlier, you know, your knack for spotting an undisciplined business. Do you have any idea, do you think, where that might have come from, your ability to spot that versus -- it seems like, just in the companies I've worked for, and obviously -- and you cite too, in the companies you were dealing with, that there was a tremendous lack of discipline --

GALEF

Well, I think we talked about it once before, and the discipline is painful, because it means that you have to figure out how to get something to change. And change is never easily accepted. But when you know that it's a necessary part of life, you deal with it. And sometimes you were fortunate enough, or I was fortunate enough, to be able to deal with it by saying, "You do that," instead of me having to actually do that. Well, that was much easier; that was making somebody else take the pain for it.

ALTMAN

Great. Well, and then I guess just one very last question; I guess aside from the furniture rental company, is there anything in this last stage you might have done differently?

GALEF

Yeah, I should have fired Linda when she got to be ungovernable. And as a matter of fact, I did have a meeting with her before I resigned, and I said, "If I were you, I would fire me," meaning she should fire herself.

ALTMAN

Fire herself. How'd she take that?

GALEF

Whoa.

ALTMAN

Fireworks?

GALEF

This was not a discussable item. No. She -- I've had a few times in life where people were their own worst enemy. I had hired a guy to run Magnetek around 1990, 1989, '88, '89, to basically take my place so that I could do more deals.



And he had a problem, and when I had to let him go, I called a guy he had worked for, who was a Harvard Business School graduate (laughter) --

ALTMAN

No.

GALEF

But not in my class. Anyway, he had worked for Whittaker, and Joe Alibrandi ran Whittaker for a long time, and he was a friend. And I called Joe, and I said, "Joe, tell me about..." Joe said it; he said, "His DNA got him again." And that's really true; people's DNA doesn't change. It was a shame, because he was terrific, until he had his problem. I mean, he was sensational.

ALTMAN

It's one of the things you learn when you're done with business school, I guess.

GALEF

Yeah. I had not realized -- it's interesting, I had not realized the number of Harvard connections.

ALTMAN

Until now?

GALEF

Yeah. Never really went through my head. But, by God. One, two, three, four, five, six, seven, eight, nine. (laughter)

ALTMAN

So, I guess that degree and network was worth it, at the end of the day.

GALEF

I should give some money to the school.

ALTMAN

Maybe a little for UCLA and (inaudible). Well, you know, I guess that about wraps it up, unless you have any more comments.

GALEF

No.

ALTMAN

OK. Well, I'm glad the tail end of the career was such a great experience for you.

GALEF

Well, it has been one fun life.

ALTMAN

I hope I can say that someday.

GALEF

You will.

ALTMAN

With that, I'm going to sign off.

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*Date:*

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