

Case 8-1

Steelcase, Inc.

Perry Grueber sat at his desk at Steelcase, Inc., on a bright day in July 2000, thinking about the work that lay ahead for him. Grueber had just joined Steelcase, a maker of office furnishings and workspace solutions, as director of investor relations. Steelcase was dedicated to improving IR at the company and had promised Grueber the resources he required to make the department an effective tool for communicating to key constituencies.

When Grueber accepted his job in May, Steelcase was trading at \$11.56 per share, just above its all-time low of \$10.38 per share and down 70 percent from a high of \$37.94. Steelcase's operating performance was mostly to blame for the declining share price; however, the company's communications with its investors also had played a role. The company had high turnover in its institutional shareholder base and, since the time of its IPO, had not actively marketed itself to sell-side analysts. These analysts, in return, expressed little interest in the company. At the same time, insider sales were increasing, sending more shares into the market amid soft demand. Grueber needed a new IR strategy to help Steelcase turn its situation around. As he settled into his new office at the company's headquarters in Grand Rapids, Michigan, he began to assess the challenge that lay before him objectively.

HISTORY OF STEELCASE, INC.

Steelcase was founded in 1912 by Peter Wege, Henry Idema, and 12 other investors under the name Metal Office Furniture. Wege hoped to capitalize on the benefits of metal furniture

over its more flammable wooden counterparts. This original vision found success early on, as government architects began to specify metal in their designs and turned quickly to Metal Office Furniture to fill their demand. Early company successes included the development of the metal wastebasket and the later invention of the suspension cabinet, which became the foundation for all modern filing cabinets.

Company sales in 1913, the first full year of operations, were \$76,000. As revenues began to increase, Metal Office Furniture hired a media consultant, who created the trademark Steelcase name in 1921. World War II and the resulting war material contracts benefited the company, and the boom years of the 1950s and 1960s catapulted Steelcase further forward in terms of revenues and profits. By the late 1960s, Steelcase had become the largest manufacturer in the office furniture industry. It retained that status through the year 2001, when the company reported revenues of \$4.1 billion.

Steelcase's founder, Peter Wege Sr., died in 1947. Wege's partner Henry Idema died four years later in 1951, and control of the company fell to Henry Idema's son Walter. The Idemas began a tradition of family stewardship over the company that continued when Walter Idema's son-in-law Robert Pew II assumed leadership in 1966. Pew became executive chairman in 1974 and retained that title until his retirement in 1999, although James P. Hackett became president and CEO in 1994. By 2000, Steelcase as a company retained the imprint of the vision and the direction it had received through the founding families' descendents.

IDENTITY, VISION,
AND REPUTATION

Steelcase built its image from the set of values held by founders Peter Wege and Henry Idema,

Source: This case was prepared by Thomas Darling under the supervision of Professor Paul A. Argenti at the Tuck School of Business at Dartmouth. Information was gathered from public and corporate sources, including interviews with Perry Grueber at Steelcase in May 2002.
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