



John J. Engel

**EDITORS' NOTE** John J. Engel was appointed Chairman of the Board of Directors of WESCO International, Inc. in May 2011, and has been President and Chief Executive Officer since September 2009. Prior to these appointments, he served as WESCO's Senior Vice President and Chief Operating Officer from 2004 to September 2009. Before joining WESCO, Engel served as Senior Vice President and General Manager of Gateway, Inc. from 2003 to 2004; Executive Vice President and Senior Vice President of PerkinElmer, Inc. from 1999 to 2002; and Vice President and General Manager of AlliedSignal from 1994 to 1999. He also held various engineering, manufacturing, and general management positions at General Electric from 1985 to 1994. He serves as a director of United States Steel Corporation. He is also a member of the Business Roundtable and the Business Council, and serves as a member of the Board of Directors of both the National Association of Manufacturers and the Allegheny Conference. In addition, he is Vice Chairman of the Board of Directors of the Electrical Safety Foundation International. Engel holds a Bachelor of Science degree in Mechanical Engineering from Villanova University and a Master of Business Administration from the University of Rochester.

**COMPANY BRIEF** WESCO International, Inc. ([wesco.com](http://wesco.com)), a publicly traded Fortune 500 company headquartered in Pittsburgh, Pennsylvania, is a leading provider of electrical, industrial, and communications maintenance, repair and operating (MRO) and original equipment manufacturers (OEM) products, construction materials, and advanced supply chain management and logistic services. The company employs approximately 9,200 people, maintains relationships with over 25,000 suppliers, and serves over 75,000 active customers worldwide. Customers include commercial and industrial businesses, contractors, government agencies, institutions, telecommunications providers, and utilities. WESCO operates nine fully automated distribution centers and approximately 475 full-service branches in North America and around the world, providing a local presence for customers and a global network to serve multi-location businesses and multinational corporations.

# Value Creation

An Interview with John J. Engel,  
Chairman, President, and Chief Executive Officer, WESCO International, Inc.

## Would you provide an overview of the history and heritage of WESCO?

WESCO was founded in 1922 as the captive distribution arm of Westinghouse Electric Corporation. Over the years, WESCO prospered and grew into a well-known and trusted source of electrical products and services.

In 1994, WESCO spun out of Westinghouse and had, at the time, about \$1.5 billion in sales and was losing money. During the next decade, 25 acquisitions were completed and the company grew to \$3.3 billion in sales. WESCO became a public company with an IPO in 1999, trading on the New York Stock Exchange, and ended 2003 with a stock price under \$10 and a total enterprise value of approximately \$1 billion.

I joined the WESCO team in 2004. Since then, we completed an additional 16 acquisitions and diversified the portfolio, expanded our geographic footprint, and built a series of industry-leading positions. As a result, the company grew to \$7.5 billion in sales last year.

This past decade was marked by significant value creation during which both sales and operating margins more than doubled, earnings per share grew more than seven times, and total shareholder return expanded at a 26 percent compound annual growth rate, well above our investor and performance peer group. Our total shareholder return over the past five years has been strong at a 36 percent compound annual growth rate.

## How critical is scale in a fragmented environment and will consolidation continue?

We look to play a consolidator role in the large, fragmented wholesale distribution markets in which we operate. Prior to becoming a separate company 20 years ago, we were an electrical distributor with a primary focus on the non-residential construction market. We've since evolved into a diversified global supply chain management and solutions company serving the industrial, construction, utility, and commercial/institution/government markets.

The overall industrial distribution market in the U.S. is over \$500 billion per year, of which electrical is a major category at approximately \$90 billion per year. We see a significant opportunity to execute our strategy of growing faster than the market organically while supplementing that organic growth with acquisitions.

In terms of geographic footprint, we were in five countries 10 years ago. Today, we have

commercial operations in 19 countries and have shifted our business mix to higher-growth end markets that are expected to give us greater balance through the business cycle. We anticipate further expansion as our customers continue to optimize their global supply chains.

## Is your industry leadership well understood from a branding perspective?

Historically, WESCO has been well known in industrial and construction markets for electrical products and services. We are a distributor and can't do what we do without our supplier relationships, products, and services. We combine those into complete solutions that add value for our customers' operations and supply chains. We're focused on being a supply chain management and solutions company.

Around the world, the WESCO name has strong brand recognition. As a distributor with deep roots in supply chain management and services, we have a brand that customers understand and trust, which is much bigger than any of our individual products. Our value-add is combining those products and services into solutions that meet our customers' operations and supply chain needs.

## Is this an innovative industry?

Our innovation is reflected in how we're managing the supply chain through the application of Lean continuous improvement programs. We drive change by improving the efficiency and effectiveness of the overall supply chain.

We don't manufacture the products that we sell and distribute, but we spend a lot of time understanding our customers' needs and the issues they have in managing their supply chains. This is true whether our customer is a utility, an industrial company, or a construction contractor. We're in the middle of the overall value chain. We have suppliers on one side and customers on the other, and we're the wholesale distributor in the middle of it all.

We are applying Lean to the entire supply chain, from our customers to our suppliers, and have developed a series of industry-leading value creation programs wherein we assist customers in identifying and solving their supply chain challenges and needs. As an example, last year we conducted over 2,000 Lean Kaizen events. At the heart of these Lean efforts are our engaged WESCO employees, who are customer-focused, process-driven, relentless in waste reduction, and empowered to lead positive change. ●