From its humble beginnings in 1869 as Gray & Barton to becoming one of North America's largest employee-owned companies, Graybar has served as the vital link in the supply chain working to the advantage of its suppliers and customers.
Graybar’s founding occurred during a period of U.S. history known as the Reconstruction, the post-Civil War era between 1865 and 1877.

As the Union was being restored and slavery was abolished, the nation began to rebuild itself following the tremendous losses that had occurred during the war. While state and federal leaders grappled with complex legal and political issues, individuals with vision and confidence created new opportunities for our nation’s growth.

This era of invention and entrepreneurship laid the groundwork for significant industrial achievements and economic expansion.

One example of this was the telegraph. The telegraph was an important tactical factor during the Civil War, and it was also the fastest way to transmit written messages over long distances during the post-war years.

Until the Transcontinental Railroad was constructed in 1869, communication was delivered via telegraph or horse-and-buggy, making the telegraph essential to business operations. The telegraph industry was dominated by Western Union, the first communications giant in the nation.

Together, the railroad and Western Union connected America’s coasts, fueling westward expansion and the need for goods and services.
The Graybar story begins with Enos Barton, a young, ambitious man who served as a telegrapher during the Civil War. Born in 1842, Barton was fascinated by telegraphy and worked in the field while finishing his education. He was hired at age 20 as the Chief Operator for Western Union’s office in Rochester, New York. Western Union also operated four manufacturing shops around the country, including an operation in Cleveland.

In 1867, Western Union closed its Cleveland shop, which was purchased by its superintendent, George Shawk. On a trip to Rochester, he and Barton agreed to become business partners. Full of entrepreneurial spirit, Barton left Western Union and prepared to go into business with Shawk. There was only one challenge – the 26-year-old Barton was strapped for cash. So he borrowed $1,500 – including $400 from his widowed mother, who mortgaged the family farm, to finance the purchase. Barton moved to Cleveland, where he and Shawk opened for business in January 1869.

Soon Shawk grew tired of the business, and he sold his interest to Elisha Gray. Up until then, Gray had been one of the firm’s best customers. He was a professor at Oberlin College and an inventor of telegraphic equipment. In the fall of 1869, Gray & Barton was formed as a manufacturer of products, such as electric burglar and fire alarms, Morse telegraph instruments, railroad safety signals and Gray’s electric annunciator – a buzzer system used in hotels and offices.

The success of Gray and Barton attracted the attention of General Anson Stager, general superintendent of the Western Union Telegraph Company. Stager trusted their combined genius and could provide much-needed capital, so he offered to become a business partner on the condition that the company would move from Cleveland to Chicago. In December 1869, the company opened its doors at 162 South Water Street in Chicago.

With Stager’s influence, Western Union became Gray & Barton’s biggest customer. In 1871 the Great Chicago Fire ravaged the city, destroying Western Union’s headquarters and most of its telegraph lines. Fortunately, the fire stopped two blocks short of Gray & Barton’s small plant. The company continued to prosper as its 30 employees worked diligently to help Western Union rebuild its infrastructure.

A year later, Stager convinced Western Union to purchase one-third of Gray & Barton and the young firm changed its name to the Western Electric Manufacturing Company.
The invention of the telephone in 1876 and the incandescent lamp in 1879 opened up a world of new opportunities for Western Electric. Despite the rivalry between Alexander Graham Bell and Elisha Gray over the patent for the telephone, Western Electric won a contract to manufacture telephones for the American Bell Telephone Company, the predecessor of AT&T.

American Bell eventually acquired a majority ownership of Western Electric from Western Union and subsequently awarded Western Electric an exclusive contract to manufacture Bell telephones in the United States.

In 1879, Thomas Edison invented the incandescent bulb, leading to the birth of the electrical industry. Barton, who was serving as president of Western Electric, wanted a piece of the action. In the 1890s, Western Electric began manufacturing electrical equipment including transformers, fans and motors. Barton also saw a huge opportunity in distribution and envisioned a “department store of electrical apparatus” that would not only distribute Western Electric’s own products but also those of other leading manufacturers. With hard work and perseverance, Western Electric opened its supply department in 1890, offering products from Klein Tools, Square D, Westinghouse Electric Company, Bryant Electric Company and General Electric. This department also developed a sizable business selling Western Electric telephone equipment.

The rapid spread of electrical service to homes across America provided the supply department with an opportunity in the household appliance business, and the company began offering items such as Western Electric washing machines and vacuum cleaners.

As Western Electric’s business expanded beyond the manufacturing of telephone equipment, American Bell grew increasingly concerned. In 1921, Western Electric decided to split its manufacturing business and the supply department. Eventually, this led the company to spin off its supply business as a separate entity in 1925.

Many names were in contention for the new supply business, but in honor of its co-founders, management chose Graybar Electric Company, Inc. as the name of the company, which officially opened on December 11, 1925.

Western Electric’s Vice President of purchasing, Albert Salt, was chosen to lead the new company. Through a fortunate turn of events, Salt was able to establish Graybar’s first corporate office and put Graybar’s name on the world’s largest office building in the world at the time. To this day, the building at 420 Lexington is still known as the Graybar building (pictured above).
With President Albert Salt leading the newly formed Graybar, the company continued to prosper. But Western Electric faced the challenge of finding a buyer that would maintain the generous pension, health and other benefits that employees enjoyed under Western Electric.

When no outside buyers were found, the employees offered to purchase the company for $9 million. Initially, the employees paid $3 million, and Western accepted $6 million of Graybar non-voting preferred stock for the balance. When the sale closed on January 1, 1929, Graybar became the largest employee-owned company in the nation.

Just nine months after this momentous purchase, the stock market crashed. By 1932, Graybar sales had dropped 67 percent from 1929 and the company was losing money for the first time in its brief history. In spite of the incredibly difficult economic conditions, Graybar management led the company through the Great Depression with optimism. The company continued to expand geographically and even added 14 new offices in the 1930s.

Even during the Great Depression, Graybar continued to make consistent dividend payments and maintain benefits for employees and retirees.

Graybar’s household appliance brand — encompassing washing machines, vacuum cleaners and other products inherited from Western Electric — underwent dramatic change in the late 1920s and early 1930s before succumbing to the lethal effects of the Depression. For nearly a decade from 1926 through 1934, Graybar was a well-known consumer brand.

**Bell vs. Gray**

Alexander Graham Bell (pictured below) is credited with the patent of the telephone, but there are others who claim ownership of the invention, including Elisha Gray. On Valentine’s Day 1876, Elisha Gray submitted a caveat detailing his invention of transmitting musical tones over a telegraph wire. A caveat is a formal declaration of the inventor’s intention to protect his idea before filing a complete application. Bell filed an application, but since their submissions were so similar, the Patent Office suspended the decision and offered Gray an opportunity to submit a full application. Since Gray’s financial backers were not interested in the telephone, Gray declined the invitation to submit a full application and the patent was awarded to Bell.

Even though Gray would never be recognized as the inventor of the telephone, he was awarded more than 70 patents and authored several books. Many books have been written surrounding the controversy of the telephone invention. In fact, *The Telephone Gambit*, written in 2008 by Seth Shulman, claims that Bell stole the telephone’s key ingredient from Elisha Gray.
In 1934, the company chose to discontinue its own line of Graybar appliances, but remained a distributor for other companies’ appliances. In fact, Graybar became the nation’s largest appliance and housewares wholesaler, distributing dozens of brands, but without incurring the costs of advertising and promotion.

In 1941, Graybar purchased the remaining shares of its stock from Western Electric, making the company completely owned by employees and retirees, just as it remains today.

The 1940s also marked an important shift in Graybar’s business, as it focused on supporting the war effort by furnishing material and equipment to the government. Sales representatives spent much of their time advising customers on ways to substitute available products for those that were scarce. Nearly 600 Graybar employees served in the armed forces during World War II, and women filled many of the jobs of men who went to war.

The conclusion of World War II signaled the beginning of a golden age for Graybar. As demand grew, the company expanded its branches while adding new suppliers, products and customers. However, in 1970, Western Electric stopped selling equipment through Graybar, ending the relationship between the two companies.

In 1968, the Carterfone decision by the Federal Communications Commission helped create new opportunities in the interconnect business, which Graybar was well positioned to capture. This set the stage for the robust growth of the company’s comm/data business.

The Graybar Story

Graybar is widely known by its suppliers, customers, employees and the communities it serves as a company with a great reputation that adheres to high ethical and business standards.

In 2013, Graybar was recognized for the twelfth consecutive year on the annual FORTUNE World’s Most Admired Companies list. Graybar received many other accolades, including being named to Chief Executive Magazine’s “40 Best Companies for Leaders” list and Selling Power’s “Top 50 Companies to Sell For” list.

Graybar takes pride in being an industry leader and these recognitions are a tribute to the company’s business model of employee ownership and how Graybar strives to continually work to its customers’ advantage.
Built TO LAST

In 1982, Jim Hoagland, a second-generation employee and then Graybar President, moved the company’s headquarters to St. Louis, after being based in New York for more than half a century. Hoagland chose St. Louis because of its cost advantages, central geographic location and quality of life.

In 1984, Graybar developed a zone warehouse strategy and opened its first regional zone warehouse in Bethlehem, Penn. Today, seven zones help speed up Graybar’s distribution network.

In 1987, Graybar implemented a mainframe computer system from Honeywell Bull, the first enterprise-level technology platform for the organization. By the mid-1990s, the company developed an extensive library of online training programs, began using personal computers to improve productivity and even established its first website.

The late 1990s were marked by rapid growth, fueled by the dot-com boom. But by 2000, the economy began to slow, dramatically affecting Graybar’s business. Graybar’s earnings sank to a 21-year low in 2003, Graybar’s then Chairman, President and CEO Bob Reynolds decided to make a bold investment in the long-term health of the company. He and the company’s board of directors decided to dedicate $100 million toward an Enterprise Resource Planning (ERP) platform designed to improve business operations and revitalize the company’s business.

Today, this system supports virtually every business process at Graybar. Better yet, the company experienced its three most successful years in the history of the company from 2006-2008.

Continuing Graybar’s history of employee development, in 2005, Graybar established an innovative management development program with Rutgers University, called the Graybar-Rutgers Supply Chain Management Program. The program helps develop Graybar’s future leaders and has been acclaimed nationally since its inception.

In 2008, Graybar articulated a list of core values that describe the principles on which the company was built throughout its entire history. In 2009, Graybar celebrated 140 years of the company’s original founding as well as 80 years of employee ownership.

In 2012, Kathleen Mazzarella became the first woman to lead Graybar. Her current focus for the company is all about specializing in customers, driving profitable growth and preserving Graybar’s employee ownership structure.

From its humble beginnings as a small shop in Cleveland to the multibillion-dollar organization Graybar has become, its philosophy of working to the advantage of its customers, suppliers, employees, shareholders and communities continues to withstand the test of time.