Tech for Good: A Report by Mckinsey & Company

Our workplaces are becoming more attuned to human wellbeing, and more nimble to its requirements – in large part due to the wide-reaching impact of technology. McKinsey Global Institute, business and economics research arm of the global management consulting firm McKinsey & Company, tackled the topic of technology, and how it can be used for good – or not – in all aspects of human wellbeing. Excerpted in this eek’s officeinsight are the report’s full summary, along with one of the six broad themes the report focuses on, dealing with the future of work.

FULL STORY ON PAGE 3...

Architectural Food for Thought – The ABB LEAF Awards

In its 18th year, the LEAF Awards were celebrated in the last week of October in Germany, honoring “the outstanding projects and personalities that have made the biggest impact upon the built environment, and the international architectural community.” We feature the list of exceptional winning designs.

FULL STORY ON PAGE 11...

L. Paul Brayton

Office furniture industry icon Paul Brayton passed away in late July 2019. This week, officeinsight Publisher Bob Beck takes to remember the man who stands as a titan of the industry, of entrepreneurship, of talented energy, and an example of the American Dream.

FULL STORY ON PAGE 18...

CITED:

“THOSE THREE THINGS – AUTONOMY, COMPLEXITY, AND A CONNECTION BETWEEN EFFORT AND REWARD – ARE, MOST PEOPLE WILL AGREE, THE THREE QUALITIES THAT WORK HAS TO HAVE IF IT IS TO BE SATISFYING.”

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Our workplaces are becoming more attuned to human wellbeing, and more nimble to its requirements – in large part due to two things: One, the growing body of evidence-based research being conducted to support design-led wellbeing initiatives; and two, the wide-reaching impact of technology.

In its most recent quarterly report, the McKinsey Global Institute, business and economics research arm of the global management consulting firm McKinsey & Company, tackled the topic, “Tech for Good: Smoothing disruption, improving wellbeing.”

The 80-page report offers its readers a wealth of data-driven insights into the limitless ways technology touches our lives today.

It examines six wellbeing themes that are most frequently discussed in the context of technology adoption: job security, material living standards, health, education, environmental sustainability, and equal opportunities – “areas in which technology could potentially be disruptive and create problems but can also be used to mitigate those same risks and add significantly to welfare. They are also areas where existing use cases illustrate the potential of technology to ‘do good.’”

The first theme, “Job Security” deals directly with the future of work, and we have excerpted it below. The remaining five themes are equally compelling – offering a broad-scale view of topics those in workplace design encounter daily. We encourage our readers to explore the full report. However, if you’re pressed for time, we have also excerpted the report’s summary.

Happy November, and enjoy!


“The development and adoption of advanced technologies including smart automation and artificial intelligence has the potential not only to raise productivity and GDP growth but also to improve well-being more broadly, including through healthier life and longevity and more leisure. To achieve these benefits – and reduce disruption and potentially destabilizing effects on society – will require an emphasis on innovation-led growth and careful management of the workforce and other transitions related to technology adoption and diffusion.”

“Technology has no overall purpose on its own; its effects are driven by human choices and actions. History is filled with examples of its potential both to do good and to cause harm: electricity brought substantial productivity gains, but also long transitions from agriculture to industry that were accompanied at times by stagnating real wages. Once-thriving manufacturing and mining towns have been depleted by the shift to a services-based economy.

How different will automation and AI be as they build on now-ubiquitous digital technologies? These technologies could displace some jobs but also improve work when technology is used to complement human capabilities.
They could cause stress by increasing the intensity of work but also improve health and longevity if their uses include breakthroughs in personalized medicine and better disease prevention. Their deployment will require new skills but could also help make education more accessible. They consume large quantities of energy even as they help make homes, offices, and vehicles more fuel-efficient. Automation may bring heightened risks of unemployment and social change – and has already contributed to the wage polarization between high-skill and low-skill workers. Robotics deployed since the 1980s have raised productivity and changed the workplace, while at the same time creating new jobs elsewhere.

In short, technology will not improve lives on its own: it will need a development agenda for policy makers and business leaders that mitigates some of the downside effects of technology adoption, both in the short and longer term.

This discussion paper, the latest in our ongoing research on the impact of technology on business and society, is an attempt to understand both the positive and negative effects in more detail and to examine and evaluate ways in which new and mostly digital and smart technologies could potentially enhance welfare and soften disruptive transitions in advanced economies.
For the research, we compiled a library of about 600 use cases of technology applications that contribute to well-being, especially in relation to key societal challenges such as job security, health, and equal opportunities. More than 60 percent of these cases use some AI capabilities. We then developed a comprehensive welfare model of technology adoption that quantifies technology impacts beyond pure GDP. It incorporates critical dimensions of inequality, risk aversion to unemployment, leisure, and health and longevity, building on recent economic literature on welfare and well-being. Using this model, we conducted a simulation of welfare outcomes that enables us to compare the contribution of the new generation of technologies to previous generations and to identify key priorities for moving toward what we call a “Tech for better lives” outcome. Our preliminary insights from this exercise include the following:

- Technology is not intrinsically good or bad, but it can produce positive or negative outcomes – and often both – depending on how it is used. It affects different parts of the population unequally. In general, actions by business leaders and policy makers need to accompany technological innovations to ensure that the overall effects, and how they are distributed, create a positive balance.

- While technology adoption may be disruptive in the short term, especially to jobs and incomes, our library of applications (use cases) highlights a variety of ways in which technology itself can help smooth those disruptions and preempt risks. For example, online training programs and job-matching digital platforms can help workers improve skills and find employment, while mobile payments for financial access and online marketplaces that reduce prices of goods and services can positively affect material living standards. Other socially beneficial use cases include adaptive-learning applications to better prepare young people for the labor market, AI-powered drug discovery and personalized medicine for longer and healthier lives, and clean technologies for environmental sustainability.
While technology has been a significant contributor to welfare growth in Europe and the United States in the past 40 years, our modeling suggests that, for the next decade, welfare growth may continue on the same trajectory only to the extent that new frontier technology adoption is focused on innovation-led growth rather than purely on labor reduction and cost savings through automation, and that technology diffusion is actively accompanied by transition management that increases workers’ mobility and equips them with new skills. Other measures may also be needed to ensure a successful transition, potentially including support for wages. For all its potential, technology that enhances wellbeing is a tool kit that cannot address all the issues on its own.

A first attempt to estimate the approximate monetary value of a scenario in which proactive management smooths transitions related to technology adoption and innovation-driven growth suggests that the potential boost to welfare – the sum of GDP and additional well-being components – can be between 0.5 and 1 percent per year in Europe and United States by 2030. This is as much as double the incremental growth from technology that we have modeled under an average scenario. Other scenarios that pay less heed to managing transitions or boosting innovation could slow income growth, increase unemployment risk, and lead to fewer improvements in leisure, health, and longevity.

Government and business have important roles to play in ensuring good outcomes. The public sector can help drive innovation and improve welfare by supporting research and development including in health, spurring technology adoption through procurement practices and progressive regulation, and ensuring retraining and transition support for workers coping with workplace disruption. Business can focus technology deployment on new products, services, and markets, augment the skills of the workforce including with technological solutions, and increase worker mobility by creating new career paths, among other steps. They can also prioritize technology solutions that simultaneously improve their bottom line and the outcomes for society.

This paper is aimed at stimulating discussion about the opportunities and challenges surrounding technology adoption and how technology itself could help mitigate negative outcomes. This is a debated area of economics and policy. We hope our efforts and preliminary findings will stimulate other research in this field that will spur improvements in methodology and refine our insights. We intend to return to the issues raised in more detail in due course.”

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**Exhibit 7**
Many factors besides income contribute to individuals’ well-being.

Factors affecting individual well-being in the United Kingdom

<table>
<thead>
<tr>
<th>Factor</th>
<th>Increase in self-reported life satisfaction, on a scale from 0 to 10 for a unit increase in each factor</th>
<th>Determinants of life satisfaction at age 34, Bubble size = partial correlation coefficient</th>
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</thead>
<tbody>
<tr>
<td>Social life</td>
<td>0.19</td>
<td>Emotional health</td>
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<tr>
<td>Use of leisure</td>
<td>0.17</td>
<td>Not involved in crime</td>
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<td>Health</td>
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<td>Spouse/partner</td>
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<tr>
<td>Income</td>
<td>0.11</td>
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<td>Job</td>
<td>0.09</td>
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<tr>
<td>Flat/house</td>
<td>0.07</td>
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<tr>
<td>Amount of leisure</td>
<td>0.07</td>
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Sources: British Household Panel Survey, 1996–2005; British Cohort Study; Measuring wellbeing and cost-effectiveness analysis: Using subjective wellbeing, What Works Centre for Wellbeing, Discussion paper 1, December 2015; McKinsey Global Institute analysis

“Research shows that job security – which includes being unemployed or being worried about the risk of unemployment – has an asymmetric effect on well-being: whereas being employed is not associated with a strong effect on life satisfaction, losing a job or not being employed has a highly negative and lasting impact on life satisfaction, especially where it is linked to loss of income.”

“As noted earlier, technological innovation in the past both created jobs, through innovation, higher wages, and higher demand, and destroyed them, through substitution by machines. While the long-term effects are positive, the short-term disruption from the transition can be wrenching.

From our use-case library, we see that sharing platforms and AI-driven decision-making can increase the speed and effectiveness of innovation within companies. The rapid creation of new and better products and services will not only benefit consumers, but also create more demand and offset some of the reduction in labor demand due to automation. These are critically important elements of job security, which is at the heart of well-being for many people. At the same time, we acknowledge that the effect of these and other technologies may take time to become tangible, whereas the impact of job losses could be felt more quickly.

Our work on AI and automation anticipates that some jobs will be displaced, others created including through a surge in innovation unleashed by the technologies, and almost all will change. We have identified three key transitions relating to job security and the adoption of automation and AI that will need to be navigated. First, millions of workers will likely need to change occupations:

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**Three technology categories have significant potential to improve key areas of well-being.**

Based on positive use cases of technology, Total number of use cases = about 600

<table>
<thead>
<tr>
<th>Potential impact</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
<th>Technologies with highest potential impact</th>
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<table>
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<tr>
<th>Technology category</th>
<th>Job security</th>
<th>Material living standards</th>
<th>Education</th>
<th>Health</th>
<th>Equal opportunities</th>
<th>Environmental sustainability</th>
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<tbody>
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<td>Data and AI</td>
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<td>Connectivity and platforms</td>
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<td>Robotics</td>
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<td>Augmented reality</td>
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<td>Digital fabrication</td>
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<td>New materials and biotech</td>
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<td>Clean tech</td>
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1 Potential impact assessed as relative number and impact of use cases; use cases involving several technology categories counted in each relevant category.

we estimate that about 75 million people worldwide will need to switch occupations by 2030 in the event that automation takes hold at a pace in the middle of our range of adoption scenarios. If the speed of adoption is faster, at the top end of our range, it could affect up to 375 million people, or about 14 percent of the global workforce.

Second, workers will need different skills to thrive in the workplace of the future. Demand for social and emotional skills such as communication and empathy will grow almost as fast as demand for many advanced technological skills. Automation will also spur growth in the need for higher-level cognitive skills, particularly critical thinking, creativity, and complex information processing. Many companies already see skill gaps as a top priority, and almost two-thirds of firms we surveyed believe that at least 25 percent of their workforce will need to be retrained or replaced in the next five years. Globally, some large companies including Walmart, SAP, AT&T, and emerging-market companies including Tata, Infosys, and Tech Mahindra are adopting broad “reskilling” initiatives, but they remain exceptions.

Third, workplaces and workflows will change as more people work alongside machines. This will be challenging both to individual workers, who will need to be retrained, and to companies, which must become more adaptable. Such changes may not be easy to implement and may create significant friction in the economy. This mismatch risk is real, as automation will affect many sectors and geographies at the same time. Typically, a large fringe of the population is not mobile in the short term, especially those who own their homes or have family commitments.

Even if unemployment does not materialize at a large scale, many workers’ jobs will change. We have estimated that for about 60 percent of workers, around 30 percent of work activities have the potential to be automated, based on technologies that have already been demonstrated. The prospect of even partial automation of their work can increase the fear of unemployment for many, including middle-class workers who have traditionally been more insulated from unemployment.

How can technology reduce the risk to job security? Critically, it will bring innovation that is valued by the economy and will thus boost demand for labor. As we will see in our modeling of potential welfare outcomes later in this paper, innovation is an essential element for achieving positive outcomes. To that end, collaboration platforms such as Slack and Asana, and communication solutions such as WebEx and Circuit, play an enabling role: they can be used to crowdsource ideas, help share knowledge across multiple locations, and create effective spaces for collaboration. Innovation can also be boosted by governments’ adoption of platforms—following the lead of countries such as Estonia—making it easier to create and register a company. The World Bank estimates that the time it takes to start a business somewhere in the world has already fallen from about 50 days in 2005 to about 20 today on average.

Alongside innovation, technology can make a significant contribution to workforce fluidity, helping people retrain and businesses redeploy human resources, while minimizing the time and cost of displacement. Digital platforms and AI can be used to improve the chances that job seekers find opportunities to match their skills and preferences. This can reduce the length of time people spend between jobs and improve their earnings prospects. For employers, talent-matching technologies can improve worker productivity and provide savings in recruiting, interviewing time, training, onboarding, and attrition costs. Recent research further amplifies the significance of better talent matching for firm productivity and individuals’ wage levels. Learning platforms, remote learning technologies, and new forms of digital-based businesses can all start to bridge some of the remaining gaps. Such technology tools can enhance labor-market efficiency and on-the-job training, which international evidence suggests contribute to low unemployment (Exhibit 11).

Governments in some countries are launching initiatives to promote new skills. For example, Skills Norway, the country’s agency for lifelong learning, offers individually adapted training online in literacy, numeracy, ICT, and oral communication for adults. Numerous online tutorials, and certain MOOC platforms such as FutureLearn, offer free or freemium classes on how to prepare for interviews and how to apply for a job.

The development of platforms and other remote working tools, such as online help desks, videoconferences, and simultaneous shared access to documents, can have an impact on well-being by allowing many more people not only to find work but also to work flexibly, as best suits their needs.”

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In its 18th year, the LEAF Awards were celebrated in the last week of October in Germany, honoring “the outstanding projects and personalities that have made the biggest impact upon the built environment, and the international architectural community.”

The LEAF Awards’ 2019 edition is organized in partnership with ABB, a Swiss-Swedish multinational digital technology leader headquartered in Zurich, Switzerland.

“The most impressive aspect about this year’s awards was the diversity of entries on show from all over the world,” commented Katrin Förster, Global Key Account Manager for Architects at ABB, in the press announcement. “We saw everything from the renovation of a hut on the outskirts of Scotland, to a coffee shop in Korea, a super modern hotel in Macau, an arena in Senegal, a vinegar museum in China, an exclusive shopping mall in Hamburg to a R&D center in San Francisco. How unique to have such a brilliant array of projects for the judges to choose from! It motivates us, as technology innovators, to work closer with architects and develop solutions that truly help to create the best buildings of the future.”

To learn more about each winning project, head to www.leafawards.arena-international.com; the website, unlike many design awards’ online presence, provides detailed information about each project (scroll through to the “Winners” section). We invite you to browse through the winning designs, featured below.

**THE 2019 ABB LEAF AWARDS WINNERS**

>Overall Winner

**MOZHAO ARCHITECTS, ‘Zishe-Planting Pavilion and Planting Terrace’, Shenzhen, China**
>Lifetime Achievement Award  
Diller Scofidio + Renfro

Lifetime Achievement Award: Diller Scofidio + Renfro. Photo: Geordie Wood

>Best Arts & Culture Building Project  
OPEN Architecture, ‘UCCA Dune Art Museum’, Qinhuangdao, China

Best Arts & Culture Building Project: OPEN Architecture, ‘UCCA Dune Art Museum’, Qinhuangdao, China

>Best New Start Up Practice Project  
Nathanael Dorent + Lily Jencks, ‘Ruins Studio’, Dumfries, Scotland, UK

Best New Start Up Practice Project: Nathanael Dorent + Lily Jencks, ‘Ruins Studio’, Dumfries, Scotland, UK

>Best Tall Building Project  
Zaha Hadid Architects, ‘Nanjing International Youth Cultural Centre’, Nanjing, China

Best Tall Building Project: Zaha Hadid Architects, ‘Nanjing International Youth Cultural Centre’, Nanjing, China. Photo: ZHA

>Best Regenerative Impact Project  
Marcy Wong Donn Logan Architects, ‘Ford Point Revitalization’, Richmond, California US

Best Regenerative Impact Project: Marcy Wong Donn Logan Architects, ‘Ford Point Revitalization’, Richmond, California US
awards

>Best Mixed Use Building Project
West-line Studio, 'Up to the Mountain and Down to the River', Fuxing Town, China

>Best Residential Building Project – Single Occupancy – Sponsored by LAUFEN
FujiwaraMuro Architects, 'House in Toyonaka', Osaka, Japan

>Best Residential Building Project – Multiple Occupancy – Sponsored by LAUFEN
Skidmore, Owings & Merrill, 'Manhattan Loft Gardens (The Stratford)', London, UK

>Best Interior Design Project
Design Studio MAOOM, 'Coffee Nap Roasters 2nd', Seoul, Korea
>Best Commercial Building Project
TCHOBAN VOSS Architects, ‘Große Bleichen 19’, Hamburg, Germany

>Best Hospitality Building Project
STUDIO QI, ‘Annso Hill’, Tengchong, China

>Best Refurbishment Project
Marcy Wong Donn Logan Architects, ‘Uber Advanced Technologies Group R&D Center’, San Francisco, California US

>Best Public Building Project
Andrew Bromberg at Aedas, ‘Hong Kong West Kowloon Station’, Hong Kong

>Best Achievement in Environmental Performance Project
LUO studio, ‘Longfu Life Experience Centre’, Puyang County, China
>Best Future Building Under Construction Project
ODA New York, ‘Postkantoor’, Rotterdam, The Netherlands

>Best Urban Design Project
MOZHAO ARCHITECTS, ‘Zishe Planting Pavilion and Planting Terrace’, Shenzhen, China

>Best Façade Design & Engineering Project – Sponsored by INOX-COLOR
Marcy Wong Donn Logan Architects, ‘Center Street Parking Garage’, Berkeley, California US

Best Façade Design & Engineering Project – Sponsored by INOX-COLOR: Marcy Wong Donn Logan Architects, ‘Center Street Parking Garage’, Berkeley, California US
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With a variety of distinct seating options, the Elevate collection lets people choose the way to work that inspires them the most.
L. Paul Brayton
by Bob Beck

Office furniture industry icon Paul Brayton died July 29, 2019 of complications arising from a long, arduous battle with Parkinson’s Disease. This is too late to be an obituary, but until recently I was unaware of his death and since learning of it I’ve spoken to several other industry friends who hadn’t read or heard of it either; his many friends and colleagues over the years should know of his passing. And certainly, his colorful personality and many contributions deserve an office-insight story in memoriam.

Mr. Brayton’s wife and partner of 37 years, Gwen Inghram Brayton passed away in 1997, and he never remarried. The couple had five children – Krista Allen, Dr. Lynn Brayton, Steve Brayton,
Lisa Brayton and Kim Adcock, and ten grandchildren.

Paul was originally from Burlington, IA, and even though he lived in High Point, NC, most of his adult life, he considered Burlington his hometown, returning there often. Ultimately, he bought and renovated an historic house in Burlington overlooking the Mississippi River. Designed by Chicago prairie school architect, George Washington Maher, the 10,000 square foot house had been built in 1915 and had suffered through a fire and some less than artful “renovations.” Gwen Brayton worked with a local Burlington designer to restore the Brayton’s secondary home to a showcase level.

Always a man of high energy and an entrepreneurial spirit, early in the marriage, with kids coming along apace, Paul held down four jobs – at a retail furniture store, a dry-cleaners, a weekend furniture delivery service, and late-night at a bar. During those early years he was getting by on about four hours of sleep per night.

As if four jobs weren’t enough, he also bought and sold cars on the side. Later in life he was an avid (if that’s a strong enough word) collector of cars, with a penchant for the most expensive, classic brands; Rolls Royce, Mercedes Benz, Porsche and Ferrari to name a few.

Paul entered the contract furniture industry working for Lehigh Leopold, where he was hired into a management training program with stints working as a trainee in the factory, as a time study apprentice, as a customer service representative and ultimately “graduating” to outside sales. Covering Michigan, Indiana and Kentucky, he traveled 50,000 miles a year by car and tripled the sales in his territory in two years.

In 1966 Paul was “discovered” by John Davis Jr. of Davis Furniture Industries. (see officeinsight February 18, 2019) Mr. Davis offered Paul a po-
position as general manager, responsible for manufacturing and sales operations throughout the United States. It was while working at Davis that Paul really fell in love with the office furniture industry, and even though he loved working for John Davis, that entrepreneurial itch had to be scratched. So, in 1971 he struck out on his own, founding L. Paul Brayton Ltd., manufacturing lighting, planters and accessories. While that company met with some success, even selling planters to the Nixon White House, Paul was anxious to return to manufacturing office furniture.

In 1973 Mr. Brayton joined with a High Point acquaintance, Hollis Black, to found Brayton International Collection. Mr. Black was a highly respected operations man at one of the High Point furniture companies, and he took responsibility for manufacturing operations, while Mr. Brayton concentrated on marketing, sales and finance.

A breakthrough for the fledgling company came when Mr. Brayton met Robert Knoll the owner of the Michael Knoll, Paul and Robert Knoll

Brayton International

Paul in 1985

Paul, the day he received his honorary PhD from Kendall College
The two hit it off and Brayton International became the North American Licensee of Walter Knoll. The agreement was that Brayton would manufacture the designs of the Walter Knoll Company in High Point to the German company’s exacting standards. The arrangement worked out well for both companies fueling very rapid, profitable growth.

As is typical of Paul Brayton’s story, the Braytons and the Knolls became close personal friends as well as business partners. They travelled and vacationed together in both Europe and the U.S., and when Robert Knoll wanted his son, Michael, to gain experience in the industry he came to Germany.

A sampling of the many cars Paul collected over the years
work at Brayton International, living for a time with the Brayton family. The combination of excellent designs manufactured to the highest quality along with Paul Brayton’s marketing and selling skills built an excellent reputation and brand recognition within the workplace design community. It also produced double-digit growth through the 70s and 80s. And the combination of reputation and growth attracted the attention of Steelcase when it decided to improve its position at the design-end of the market through acquisition.

Mr. Brayton brushed-off the initial approach by Steelcase. He was enjoying success, calling his own shots and making money – what’s not to like? So Steelcase upped the ante – not necessarily the monetary ante – but rather by calling-in Bob Pew himself. Mr. Pew charmed Mr. Brayton, as he was wont to do, and in the end Brayton International became a subsidiary of Steelcase in 1987.

Without having been there, it seems obvious that Mr. Brayton also charmed Mr. Pew, because once Steelcase completed the acquisition of Vecta, Metro, Design Tex and Atelier International (ai) along with Brayton, it formed the Steelcase Design Partnership (SDP) and made Paul Brayton the president and CEO of the group. Note: subsequently, Stow Davis, which was already owned by Steelcase and Details (an internal start-up), joined what was to ultimately be the Steelcase Design Partnership until the structural changes that created Coalesse.

Mr. Brayton was president and CEO of the SDP for eight years, retiring in 1995. In recognition of his career and his many contributions to the commercial design industry Mr. Brayton was awarded an honorary PhD by Kendall College in Grand Rapids, MI.

Upon his retirement he devoted himself to commercial development in High Point and to various philanthropic activities. Wanting to focus his philanthropy on the local High Point community he made significant contributions to the High Point Community Foundation. Joining with his wife and children, they established “Women in Motion” within the foundation.

Its website says, “Women in Motion of High Point is a volunteer-led initiative of the High Point Community Foundation and the L. Paul Brayton family, formed to enable women, and men, to combine charitable donations and provide significant grants focused on the critical needs of women, children and families living in the greater High Point community.”

In an officeinsight telephone interview Steve Brayton said, “Women in Motion helps women make that next step up in life. Whether it’s from a factory worker to an office position or from an office worker to a vice president or from a vice president to president, the purpose is to help women in the immediate High Point area have the resources they need to move up. My dad always felt like he made the money there so he should support the local area.”

On the commercial development side, he was active by himself and with various partnerships in buying, renovating, leasing and selling buildings; primarily in High Point. His largest project was the Showplace in the High Point Market Center, for which he led the commissioning of the design and construction of what has become a landmark of the High Point furniture Market.

L. Paul Brayton stands as an example of the American Dream. He succeeded in building a fortune for himself and his family while freely sharing his drive, vision, knowledge and ultimately a significant part of that fortune with those around him.
The man of action has the present, but the thinker controls the future.

Oliver Wendell Holmes Jr.

Collaboration is the lifeblood of the knowledge industry. But sometimes you just need some quiet to focus and crystallize an idea.

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Designing for Healthier Food Choices

by Sally Augustin, Ph.D.

A Kao-lead team linked what we’re looking at with what we choose to eat; we make healthier choices when looking at nature images than we do otherwise. The researchers found that, “Visual exposure to natural versus urban scenes leads to healthier dietary choices…Successful weight loss requires individuals to focus on distant health gains while sacrificing immediate culinary pleasures. Time discounting refers to the tendency to discount larger future gains in favor of smaller immediate rewards. Hence, lower discounting should lead to better dietary practices and healthier dietary choices…The current study examined whether viewing pictures of natural scenes induces lower discounting, leading to healthier dietary choices…participants who viewed pictures of natural scenes chose a smaller amount of sugar for their reward drinks compared with participants viewing the urban scene and the control condition. The discounting rate mediated the association between exposure to natural landscapes and a smaller amount of sugar chosen for the reward drink (i.e., a healthier dietary choice).”


Sally Augustin, PhD, a cognitive scientist, is the editor of Research Design Connections (www.researchdesignconnections.com), a monthly subscription newsletter and free daily blog, where recent and classic research in the social, design, and physical sciences that can inform designers’ work are presented in straightforward language. Readers learn about the latest research findings immediately, before they’re available elsewhere. Sally, who is a Fellow of the American Psychological Association, is also the author of Place Advantage: Applied Psychology for Interior Architecture (Wiley, 2009) and, with Cindy Coleman, The Designer’s Guide to Doing Research: Applying Knowledge to Inform Design (Wiley, 2012). She is a principal at Design With Science (www.designwithscience.com) and can be reached at sallyaugustin@designwithscience.com.

SUDOKU

Fill in the empty cells so that every row, column and cube contains a digit from 1-9, without duplication. (Level: Easy)

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PRODUCT INTROS

> **Concertex’s new Deflect upholstery pattern is a mod performance fabric that rounds out the company’s fall 2019 Topo collection.**

Pure contract, Deflect is suitable for all high-traffic environments. Reminiscent of chain link, the fun, textured pattern is comprised of a polyester warp with two interesting yarns in the weft; a polyester filament adding a pop of color and a vinyl coated yarn to create texture with a hint of metallic sheen. This technique is called a deflected weave and truly brings the textile to life. The product is extremely durable (boasting over 100,000 double rubs) and has a Nano-Tex finishing. It is offered in a variety of vivid hues (Highlight, Hotwire, and Waves), as well as crisp neutrals (Metal, Galaxy, and Crystal). Read More

> **KnollTextiles launched Well Suited, a collection of textured textiles celebrating a modern expression of classic menswear, plus a new Knoll Luxe Capsule Collection by Creative Director Dorothy Cosonas.**

Well Suited includes four upholsteries, a wide width drapery and two high-performance wallcoverings. The upholsteries are Dapper, Fancy Twill, Attire, and Utmost II. Dapper speaks to the ongoing trend of chunky textured upholsteries and features an artisanal spinning process that blends up to six colors of wool fiber to create the multidimensional and heathered yarns used in both the warp and weft directions. Fancy Twill is a tailored textile (54% Cotton, 37% Wool, 10% Polyamid) with a smooth appearance. An oversized version of the diagonal rib pattern characteristic of a twill weave, it feels and wears like high-end suiting fabric but without compromising its high performance of 100,000 double rubs. Attire has a richness of color that is rarely found in a budget-friendly upholstery. It is 56% Wool, 24% Nylon, and 20% Polyester; its wool content gives it a soft, dry sophisticated hand. Utmost II is a true multi-purpose velvet approved for use as upholstery, drapery and wrapped panels. Woven with Trevira, it is permanently flame retardant. The drapery in the collection is Phantom, woven at 108 inches wide. A striated effect within the weave structure runs up the roll in the warp direction and on the face of the fabric. A more solid look is on the back. The wallcoverings are Silhouette and Bespoke Wall. Silhouette is a non-woven wallcovering created by using a needle felt construction. Bespoke Wall is KnollTextiles’ first made-to-measure digitally printed Type II vinyl wallcovering. It features a non-repeating multicolor ombre pattern that is custom printed to meet the specifications of each project. The new Knoll Luxe upholsteries are LUXE Doyenne, woven with alpaca yarn in an exciting palette; LUXE Chic, which incorporates a custom dyed fine cotton warp that is woven with a fancy twist wool, alpaca and mohair boucle yarn in the weft; and LUXE Bella, a high durability, high pile velvet is intentionally crushed to create an allover textural effect where no two yards are exactly alike. Read More

> **Tarkett introduced Blockade & Soundblock by Jhane Barnes.**

Featuring bold geometric patterns created using innovative custom technology, this collection features two soft surface styles in Powerbond® and modular platforms targeted for office,
education, and hospitality spaces. With mathematical formulas as her guide, designer Jhane Barnes has mastered the art of making structured patterns appear random and unpredictable. These formulas are her recipes that, without writing them down, she’d never be able to bake the same pattern twice. The Blockade formula was introduced years ago for a shirt in her menswear collection, designed exclusively for Neiman Marcus. This recipe led her back to this playful geometric pattern and its seemingly random color placements for the Blockade collection. Using a different branch of mathematics, she created a second recipe, which resulted in Soundblock as a companion pattern. Even though the components of the Soundblock design are smaller, the overall visual effect appears to have a larger scale than Blockade, making it ideal for expansive, open spaces. Read More

NOTEWORTHY
>ASID, which published its first-ever Interior Design Salaries and Benefits General Report in June, released two additional reports highlighting how career path, specialty, and firm size impact salaries. With a finger on the pulse of all design sectors, ASID was able to focus on both the commercial and residential sectors to gather and assess data. The findings shed light on the compensation differences among design professionals specializing in commercial, residential, or both, and the associated benefits and salary trends in firms of all sizes, as well as reveal the career timing for peak salary and the importance of certifications and licenses. The ASID 2019 Salaries & Benefits Specialization Report examines the focus of practice and the resulting variations in salary. Survey participants were comprised of 39.3% commercial designers, 37.4% residential designers, and 23.3% who work in both sectors. The majority of commercial designer respondents specialize in workplace (70%), followed by hospitality (35%) and healthcare (33%), with others reporting work in education, government and financial services, retail, facility management, historic preservation, and entertainment. The residential respondents noted a majority focus on kitchen & bath (70%) and luxury (69%), with others noting aging-in-place, multifamily, multi-generation, historic preservation, sustainability, and model home projects.

Takeaways include:
- Specialty affects compensation type: Specializations can impact compensation in both amount and the method by which it is received by the professional.
- Commercial vs. residential salary: Median salaries were generally higher for commercial designers.
- Business profits can impact salaries. More than half of residential design professionals and those practicing both commercial and residential design reported salaries dependent on business profits.
- Firm size and salary do not correlate: While professionals employed in firms with 100 or more employees have the highest median salary regardless of specialization, professionals specializing in hospitality and luxury residential design at firms with two to nine employees had higher median salaries than those at firms with 10 to 99 employees.
- Benefits differ from commercial to residential sectors: Commercial design professionals indicated the receipt of multiple benefits, whereas professionals in residential and those practicing both commercial and residential design indicated only a few, with a relatively high percentage of professionals indicating none of the benefits listed are received.

Additionally, this report dives into the factors that contribute to receiving top salaries. The Society collected data to examine the geographic locations and the career levels in which the highest salaries can be achieved. As with the original compensation report, the importance of credentials, licenses, and certifications was clear.

- The ASID 2019 Salaries & Benefits Firm Size Report emphasized many key results from the Specialization report, in particular, the importance of certifications and additional business skills. It also sheds
insight on how firm structure, size, and characteristics impact the compensation of its employees. Notable research results find:

- Room to grow: Salaries are higher at companies where there is room for upward mobility – median salaries were significantly higher for design professionals employed at large firms compared to sole practitioners. Larger firms also reported more stable growth in income.

- Significant median salary gap between small and large firms: The largest difference in median salary was between sole practitioners with more than 30 years of experience and professionals at large firms with the same experience, at an amount of approximately $40K.

- The “decade difference”: Median salary increased with years of experience, with the largest jump from 10 years or less to 11 to 20 years.

- Salary and satisfaction lack strong correlation: Although higher median salaries were observed mostly among those who are more satisfied, sole practitioners and professionals in small firms may consider satisfaction in the organization to be a source for retention, whereas satisfaction in the overall profession may be an important motivating factor for professionals in medium and large firms. Read More

> ASID opened four of its leading awards programs for submissions: ASID National Awards, ASID Fellowship, ASID Ones to Watch, and the ASID Outcome of Design Awards.

- The ASID National Awards represent the Society’s highest level of professional recognition in four categories: Designer of Distinction, Design for Humanity, Design Innovation, and the Nancy Vincent McClelland Merit Award. The awards recognize a body of work created over the course of a career rather than a specific member achievement. However, institutions, companies, and patrons may be recognized for specific exemplary projects or product innovations. All nominations are due on Dec. 4.

- ASID Fellowship, bestowed on less than 1% of membership, is the Society’s highest honor. ASID Fellows have made notable and outstanding contributions to the profession through their work and have demonstrated a long-standing commitment to ASID and the interior design industry. Honorary Fellowship is conferred upon professionals who are not interior designers but have made notable and outstanding contributions to the profession, not only through their jobs, but through their demonstrated commitment to ASID and support of the interior design industry. All nominations are due Dec. 18.

- ASID Ones to Watch identifies and recognizes rising leaders in the interior design industry who demonstrate exceptional leadership potential and a willingness to push the boundaries of the profession. Emphasis will be placed on participants whose backgrounds are currently underrepresented in management roles in the interior design industry, including women, members of racial and ethnic minority groups, LGBTQ, and persons with disabilities. Awards are presented in four categories: Design Excellence, Education Leadership, Manufacturing Leadership, and Volunteer Leadership. From the 20 award winners, the Society will select up to eight ASID Ones to Watch Scholars to participate in an exciting leadership development training program. All nominations are due Dec. 4.

- ASID Outcome of Design Awards, now in their second year, celebrate the proof of designs in the power of design. By highlighting new tools and processes in design, strategy, technology, and research, the awards shed light on innovative designers and businesses that focus on the quantifiable effect of projects on people in spaces. All submissions are due Dec. 18. Read More

> Davis Furniture Industries, Inc., celebrating 75 years in business, has broken ground on a new 50,000sf office and warehouse facility in High Point, NC. Located directly across College Drive from the current Sales and Marketing Office, it will house 35,000 sf of warehouse space and 16,000 sf of office space. It will be the ninth building on Davis’ 25-acre campus, and when finished, the company will have a total of roughly 450,000 sf of space. Serving as a showroom for customers, the office space design will highlight Davis’ diverse product offerings in the contract market. Office spaces
are balanced with private offices and open workstations. An open concept kitchen provides an ideal café area and leads out to an expansive terrace. Multiple conference rooms distributed throughout the space will highlight the distinctive blend of conference and meeting furniture that Davis offers. The design for this new facility was led by J. Robert Bazemore Inc. who worked closely with Mercer Architecture on the building design. The strategic objective was to create a functional space where people could comfortably come together to exchange ideas and knowledge. The new facility will offer triple the amount of office space the corporate office staff currently occupies. Davis expects the investment in the new space will be about $6.5 million. Kirkland Construction has been chosen to lead the building efforts. Read More

> Herman Miller partnered with Creative Office Pavilion to host the Magis Puppy Design Challenge at the Herman Miller Park Avenue Flagship in Manhattan. A benefit for Social Tees Animal Rescue, 19 of New York’s top architecture and design firms including Gensler, HOK, Mancini Duffy, Perkins Eastman, CallisonRTKL, TPG Architecture and more, came together in a spirit of friendly, canine-focused competition. In the weeks leading up to the event, each entrant used their creative talents to reimagine their very own Magis Puppy, the cherished plastic dog statuette originally created by designer Eero Aarnio for Magis’ children’s line in 2004. Each firm’s Puppy faced a panel of judges, which this year included Social Tees Animal Rescue director Samantha Brody, television personality Robert Verdi, designer Ellen van Dusen and We Gather founder Whitney Crutchfield. Vocon’s plush “Cat” (pictured) was awarded Best in Show; MKDA’s wax-coated “Puppy Tussaud” received Best Handler; Corgan’s “Nopuchi” was named Top Dog for its take on the iconic glass-top Noguchi table; and Nelson’s space-themed “Rover” received the 2019 People’s Choice award. The night commenced following a live auction, in which all 19 Puppies found their forever homes with the highest bidders – raising a total of $4,000 for Social Tees. Read More

Herman Miller and Creative Office Pavilion Magis Puppy Design Challenge. Vocon’s “Cat” awarded Best in Show.
BUSINESS AFFAIRS

Herman Miller, Inc. announced Oct. 29 it has acquired the remaining shares of contemporary British furniture designer naughtone for approximately $46.1 million. Herman Miller partnered with naughtone in 2016 by acquiring a 50% stake in the company to help enhance its global offering in ancillary and collaborative furnishings, an area in which Herman Miller saw significant growth potential. As a result of this partnership, naughtone has generated average annual sales growth of 35% over the past three years. This partnership has helped Herman Miller expand its product design and development capabilities, fueling 11 new product launches and leading to numerous design and innovation awards.

“naughtone has been a vital strategic partner in growing Herman Miller Group’s ancillary product offering,” said Andi Owen, Herman Miller President and CEO. “I’m so proud of our shared values, as well the modern aesthetic and contemporary British design they bring to our family of brands.”

Based in Harrogate, North Yorkshire, naughtone was founded in 2005 and has grown rapidly in the collaborative furniture market under the leadership of Matt Welsh, Kieron Bakewell and Mark Hammond. Known for contemporary design and high-quality manufacturing, particularly in upholstery, naughtone’s innovative products such as the Always chair range, the Polly chair, and the Viv chair are used by clients around the world, including some of the biggest brands in commerce and culture.

“Our partnership with Herman Miller has helped us significantly grow our global market presence, especially in North America,” said naughtone Vice President of Sales Matt Welsh.

“This expanded relationship sets us up for continued success, and we look forward to working together in this new capacity to achieve great results.”

Herman Miller expects to consolidate naughtone’s operating results following the closing date of this transaction. Net sales for naughtone’s most recent fiscal year that ended in May 2019 totaled approximately $37 million. Excluding potential one-time purchase accounting adjustments, this transaction is expected to have an incremental $0.01 to $0.03 accretive impact on earnings per share in the remaining seven months of fiscal 2020. Additional information concerning the transaction is included in an investor presentation available on Herman Miller’s website. Read More

Interface, Inc.’s Board of Directors declared a regular quarterly cash dividend of $0.065 per share. It is payable Nov. 22 to shareholders of record as of Nov. 8. https://investors.interface.com/investor-relations

Industry Stock Prices

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Interface, Inc. on Oct. 25 announced its third-quarter fiscal 2019 results (dollars in thousands except EPS):

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<tr>
<td><strong>Net Sales</strong></td>
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<td><strong>Gross Profit</strong></td>
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<td><strong>EPS (dil)</strong></td>
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Third Quarter Highlights:

- Q3 net sales up 9%; Q3 organic sales up 2%
- Q3 GAAP EPS of $0.45, up 221%; Q3 adjusted EPS of $0.47, up 15%
- SG&A expenses managed through tight cost disciplines
- Delivered value creation commitments at one-year anniversary of nora® acquisition
- Reduced debt in the quarter by $46 million
- Full year 2019 outlook unchanged and on track

“Our transformation from a carpet tile company to a commercial flooring company continues to create value for our shareholders,” said Interface CEO Jay Gould. “Through this transformation, we’ve diversified our product offerings, with resilient flooring now comprising 25% of our revenue volume. In the third quarter, we grew adjusted earnings per share 15% year over year while delivering strong margin improvement and efficiently managing SG&A expenses. This quarter marked the one-year anniversary of the nora systems acquisition, which has contributed solid earnings per share, aligned with our commitment to shareholders. Despite a challenging demand environment, we remain on track to meet our previous full year 2019 outlook. LVT continues to perform strongly and drove organic growth in the quarter as we lapped a difficult comparable in carpet tile from the shipment of a large customer order in Q3 last year.

“Going forward, our robust product innovation is both increasing our opportunities with current customers and expanding our end market demand. We’re excited about our new product launch of 3mm LVT, which is going to market in the Americas and is developed specifically to meet customer needs in the healthcare, multifamily and tenant improvement segments. These lower price-point and higher-margin LVT offerings provide new cross-selling opportunities across our expanding product portfolio; particularly combining LVT and rubber in segments like healthcare. Additionally, we are capitalizing on strategic investment opportunities across our business and building on the momentum of our Carbon Neutral Floors™ program by accelerating approximately $10 million dollars in capital expenditures in order to scale our capabilities to manufacture carbon negative products which we are targeting to launch next year.”

Third-quarter organic sales were up 2% year-over-year driven by growth in LVT and the addition of nora net sales to the company’s organic sales calculation during the comparable period post-acquisition. For the nine-month period, organic sales were also up 2% year-over-year.

Gross profit margin was 39.0% in the third quarter, which included $1.3 million of nora purchase accounting amortization — an increase of 760 basis points from the prior year period. Adjusted gross profit margin was 39.4%, an increase of 160 basis points over adjusted gross margin for the prior year period.

Third-quarter 2019 adjusted operating income was $46 million, up 23% versus adjusted operating income of $37 million in the third quarter last year. For the nine-month period, adjusted operating income was $108 million versus adjusted operating income of $97 million in the first nine months of last year.

Third-quarter SG&A expenses were in line with expectations at 26.2% of sales.

The company recorded restructuring charges of $672 thousand in the third quarter as a result of lease exit costs associated with the restructuring plan that was previously announced in the fourth quarter of last year.

Third-quarter 2019 adjusted net income was $28 million, or $0.47 per diluted share, compared to third quarter 2018 adjusted net income of $24 million, or $0.41 per share. For the nine-month period, adjusted net income was $67 million, or $1.13 per diluted share, compared to adjusted net income of $65 million, or $1.08 per diluted share in the first nine months of 2018.

The company had cash on hand of $85 million and total debt of $626 million at Sep. 29, 2019, compared to $84 million of cash and $672 million of total debt at Jun. 30, 2019.

“In addition to solid growth and profitability in the third quarter, we also generated strong cash flow,” added Interface CFO Bruce Hausmann. “We generated $30 million of cash via working capital and reduced total debt by $46 million, lowering our
net debt to adjusted EBITDA ratio to 2.7x. We are maintaining the disciplined de-levering strategy that we committed to when we announced the nora acquisition."

**Fiscal Year 2019 Outlook**

Looking ahead to the full year of 2019, Interface is targeting to achieve:

- Total net sales growth of 14 - 15%
- Organic sales growth of 2 - 3%
- Adjusted gross profit margin of approximately 39.5%, an increase of 80 basis points versus prior year
- Adjusted SG&A expenses of approximately 28.5% as a percentage of net sales

Full-year interest and other expenses are projected to be approximately $30 million, and the effective tax rate is anticipated to be approximately 24%. Diluted share count is anticipated to be approximately 59 million shares. Capital expenditures for the full year are forecast to be $75 million to $85 million.


>Mohawk Industries, Inc. on Oct. 24 announced its third-quarter 2019 results (dollars in thousands except EPS):

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| Net Sales    | $2,519,185 | $2,545,800 | -1.0%
| Gross Profit | $691,691  | $720,433  | -4.0%
| SG&A         | $451,471  | $433,189  | -4.2%
| Op. Inc.     | $240,220  | $287,244  | -16.4%
| Net Earn.    | $155,518  | $227,013  | -31.5%
| EPS (dil.)   | $2.15     | $3.02     | -28.8%

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| Net Sales    | $7,546,160 | $7,535,016 | 0.1%
| Gross Profit | $2,053,236 | $2,191,680 | -6.3%
| SG&A         | $1,380,826 | $1,309,730 | 5.4%
| Op. Inc.     | $672,410 | $881,950 | -23.8%
| Net Earn.    | $479,544 | $632,365 | -24.2%
| EPS (dil.)   | $6.61 | $8.42 | -21.5%

Adjusted net earnings for the quarter were $199 million, and EPS was $2.75, excluding restructuring, acquisition and other charges. For the previous year third quarter, adjusted net earnings were $246 million, and adjusted EPS was $3.29. For the nine-month period, adjusted net earnings were $564 million and adjusted EPS was $7.77 compared with $735 million and $9.80 last year.

“Our third quarter operating results were in line with our expec-

ceptions, though we are not satisfied with our performance,” said Mohawk Industries Chairman and CEO Jeffrey S. Lorberbaum. “As anticipated, our U.S. businesses presented the greatest challenges during the period given soft retail demand, the impact of LVT, a stronger dollar and excess ceramic industry inventories. Trends in our other major markets weakened, creating a more competitive environment. We expect the present conditions to persist and will further adjust our strategies as needed.

“We are progressing on many initiatives to improve our business, with the most significant of these being aligning ceramic production with demand in the U.S., realigning our North American carpet operations, optimizing our LVT manufacturing and ramping up our new plants. In addition, we are entering new product categories, introducing innovative product extensions and optimizing our recent acquisitions in Australia, New Zealand and Brazil. We are investing more in sales personnel and marketing to increase our penetration in new and existing products. We continue to streamline our operations to enhance efficiencies, and we are leveraging automation and process enhancements to lower costs.

“Our free cash flow for the quarter is up year over year, and our balance sheet remains strong. Since the beginning of the third quarter, we purchased over 740,000 shares for approximately $91 million under our stock purchase program.”

**Results by Segment** (dollars in thousands):

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| Op. Inc.     | $84,410 | $118,716 | -28.9%
| Flooring NA  | $1,001,908 | $1,047,540 | -4.4%
| Op. Inc.     | $80,223 | $93,369 | -14.1%
| Flooring ROW | $600,855 | $612,487 | -1.9%
| Op. Inc.     | $84,428 | $84,108 | 0.4%

<table>
<thead>
<tr>
<th>9 Mos. Ended</th>
<th>9.28.19</th>
<th>9.29.18</th>
<th>%Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Ceramic Net Sales</td>
<td>$2,772,805</td>
<td>$2,691,618</td>
<td>3.0%</td>
</tr>
</tbody>
</table>
| Op. Inc.     | $286,886 | $366,893 | -21.8%
| Flooring NA  | $2,907,327 | $3,055,468 | -4.8%
| Op. Inc.     | $140,374 | $268,779 | -47.8%
| Flooring ROW | $1,866,028 | $1,787,930 | 4.4%
| Op. Inc.     | $276,392 | $273,334 | 1.1%

“For the quarter, our Global Ceramic Segment sales increased 3.5% as reported and 4% on a constant currency and days basis,” said Mr. Lorberbaum. The segment's operating margin was 9% as reported, declining year over year primarily due to
inflation and lower production rates partially offset by productivity. Our ceramic businesses around the world are facing slowing economies, and excess industry capacities are increasing competition. The U.S. ceramic market has been impacted by a decline in product mix, consumers shifting to LVT and excess inventories in the channel. Recently, the U.S. imposed 104% tariffs on Chinese imports, and further anti-dumping duties are anticipated. We expect the U.S. ceramic market to remain soft, and we are taking actions to improve our sales and costs. We are expanding our offering of stone looks and polished tiles and introducing additional value-oriented collections. We are initiating a limited launch of our new easy installation ceramic tile, and we will expand more broadly in the beginning of the year. We are developing new markets for our porcelain roofing and thick landscape tiles. Our new countertop plant in Tennessee is ramping up, processes and formulations are being refined and new products are being created. Although the Mexican economy has slowed, we have outperformed the industry by expanding our product offering and growing our customer base. We have outpaced the Brazilian ceramic market with our premium brand and leading offering, and we are installing a new porcelain line. In Europe, lower demand is impacting pricing and compressing margins as we increased sales of lower value tile. We are strengthening our higher value offerings by expanding our commercial technical tile, porcelain slabs and outdoor products. Our Russian ceramic business is the market leader and is gaining share due to our national distribution system, owned and franchised stores and project specification teams.

“During the quarter, our Flooring North America Segment’s sales decreased 4% with an operating margin of 8% as reported. Operating income for the segment declined primarily due to lower volume and inflation. The segment has been reorganized by product category to enhance our sales, product and operational strategies and execution. Polyester carpets continue to gain share in a soft market, which has reduced our overall product mix. We have completed the expansion of recycled polyester fiber to support continued growth in the category. The realignment of our residential carpet manufacturing will be largely complete in the fourth quarter and will improve our cost, quality and service. We are closing higher cost extrusion and dyeing assets and consolidating yarn and tufting operations. We have increased automation and upgraded assets to reduce our backing and yarn costs. Our commercial business continues to outperform residential with carpet tile and LVT growing fastest. We are expanding our sales organization and increasing our carpet tile manufacturing. During the period, LVT sales outperformed the other categories, and our operations improved production volume, speeds and cost. In September, we set a record for rigid LVT production, and our flexible LVT line is running at speeds comparable to our European operations. Our manufactured sheet vinyl sales continue to grow as we broaden our position in the apartment and home center channels. We expanded our waterproof laminate offering, and our RevWood collection is growing with its superior scratch and dent resistance, state-of-the-art visuals and greater value.

“For the quarter, our Flooring Rest of the World Segment’s sales decreased 2% as reported and increased 2.5% on a constant basis. The segment’s operating margin was 14% as reported, due to volume growth and lower inflation offset by price and mix. In a slower environment, the segment delivered solid results, driven by product innovation, cost improvements, new businesses and acquisitions. Our new LVT, sheet vinyl, laminate and carpet tile operations are making progress in reaching our expected levels. In laminate, we outperformed the market as our new premium products gained momentum and improved our mix. We have introduced the Signature collection, which sets the standard for the most realistic visuals and textures, and we are adding our water-proof technology to most of our laminate products. Our Russian laminate expansion is operating at expected levels, and our sales are growing. As our LVT production increases, we are expanding our sales organization, and we are introducing new rigid collections that are embossed in registration. We continue to enhance our line speeds, yields and formulations, reducing our costs. Our sheet vinyl business improved as our new Russian plant expanded sales and volume increased. Our insulation business is performing well, with volumes at historically high levels with selling prices and material costs declining. Our panels business has slowed, reducing our pricing and volume partially offset by mix and material cost. In Australia and New Zealand, the integration of our acquisition is largely complete. To increase our position, we are upgrading hard and soft surface offerings, investing in our retail and commercial sales and we have closed high cost assets in Australia.”

Outlook

“We see the present market conditions continuing, and we are taking actions to better position our business for the future,” Mr. Lorberbaum noted. “We are investing more in sales and marketing to expand placement of our products and increase the utilization of our new plants. Our new greenfield projects will progress as sales and costs improve. Our LVT production is improving, and increased distribution will follow. Our U.S. and European ceramic businesses are being impacted by lower market demand, and we are reducing inventory levels, expanding product offerings and entering new categories. The restructuring of our U.S. carpet operations will be substantially complete this year and will benefit our costs next year. Taking all of this into account, our EPS guidance for the fourth quarter of 2019 is $2.13 to $2.23, excluding any one-time charges.
“Next year, our business will benefit from our new products, higher utilization of our start-ups and cost reductions we have taken during 2019. Our results and balance sheet should improve with strong cash generation to take advantage of future opportunities. We have a strong global management team, and they are focused on enhancing our results and optimizing our long-term profitability. We will adapt our business strategies to future circumstances as required.”

The full text of Mohawk’s 3Q19 earnings release, including all tables, may be accessed at the Investor Information section of Mohawk’s website. A replay of the company’s Oct. 25 conference call with investors may be accessed here. A telephone replay of the call will also be available until Nov. 24 at 855-859-2056 for U.S./Local calls and 404-537-3406 for International/Local calls; Conference ID # 9847415. http://ir.mohawk.com/news-releases/