

Paul Varga

It's All About The End Game



**Paul Varga at
Brown-Forman
headquarters**

Photo: John Sommers

**PAUL VARGA'S RESUME
SHOWS ONLY ONE EMPLOYER
— BROWN-FORMAN —
AS HE WENT FROM INTERN
TO CEO OF A MAJOR MULTI-NATIONAL
COMPANY IN 18 YEARS.**

By Liz Demoran

Turn off of the city streets of Louisville in July and drive onto the Brown-Forman Corporation “campus” and you find yourself in a different world. Lush green lawns, a parking lot mostly disguised behind a tall wrought iron fence covered in ivy, and a headquarters building with tall white pillars out front are your first introduction to the company culture.

Paul Varga was tapped to carry the mantle of Brown-Forman, a unique decision in 2005 considering Varga’s age at the time, 41, and the fact that he is not related to the Brown family.

Brown-Forman Corporation was founded in 1870 by George Garvin Brown, a young pharmaceuticals salesman in Louisville, Ky., with the help of his half-brother J.T.S. Brown, and \$5,500 in saved and borrowed money. Brown had the then-novel idea of selling top-grade whiskey in sealed glass bottles.

Today the company is a worldwide leader in the wine and spirits industry with about 3,750 employees and operations not only in Kentucky, Tennessee and California but also in the Asia Pacific area, South America, Europe, Africa and Eurasia, and FY '06 net sales of \$2.4 billion from its products available in 135 countries.

Its patriarch is Owsley Brown II who two years ago decided to ease out of the day to day operations, retaining his post as chairman of the board, and began the process of handing over the reins of the company to the next generation.

According to Brown, Varga embodies the company’s values of integrity, trust, teamwork and excellence. “Paul has beautifully exemplified the skills and abilities we seek in the company’s leadership. The results turned in by Brown-Forman Beverages under Paul’s leadership have been nothing short of outstanding,” he says.

Pathway to CEO

According to Varga, a 1985 graduate of the UK Gatton College of Business & Economics with a bachelor of business administration degree, “I grew up with the old school of thought that moving from company to company was the way to rise up the corporate ladder, but I quickly learned that wasn’t the best course for me.”

“I didn’t sit around saying ‘I’m deserving of this or I think there is a 10 percent chance or 25 percent chance I’ll one day be running the company,’” says Varga. “In

fact, I knew I was appreciated by the company and that if I worked hard and took care of today, tomorrow would always take care of itself.”

Brown remembers first being impressed with Varga during Varga’s first presentation to the executive leadership team. Varga was confident, personable, in command of the facts, compelling in his assessment and conclusions. That presentation identified Varga’s potential for greater leadership.

He was put on the executive committee at the age of 33 long before it might have been done at another company. He had a ringside seat to see how Brown-Forman, not just any corporation, runs. It is a company centered around a clear set of core principles that reveres its past, values its present, and embraces its future. Historically, and currently, it utilizes a committee style of management. One of the company’s mantras is that “the collective wisdom of all of us is far superior to the individual intellect of any one of us.”

It was in this collaborative environment that Varga stood out.

From the Company Culture

Corporate culture comes from having a long past. “It’s not like we are trying to figure out how we do things here,” says Varga. “It’s almost a 140-year-old business. The fact that the family controls it and the family feeling spills over into it — I call that constructive nepotism. It’s very thoughtful. It’s not even necessary that it be blood nepotism. It’s that feeling of wanting to bring people in who would actually enjoy spending a career at a place, learning and passing along stories from one generation to the next.”

Some describe the company culture as tribal in the sense that there is an oral tradition of passing down stories about how the company operates by observing people’s behavior.

“One of the reasons I think I am in this job is because my beliefs are in pretty nice harmony with this company’s beliefs, and that is a huge plus on a couple of levels. One, knowing that I will enjoy the place personally is satisfying and then certainly the history, the family’s involvement, and the things we believe in gives this company a long-term perspective which is probably foremost,” says Varga

Varga and others mentored by Brown have learned work/home life balance in addition to time management organization and finance.

“Without a doubt,” says Varga, “Brown has still, to this day, the best perspective on that I’ve ever seen. He knows that this is just work in the end and it’s not like you’re trying to sprint your way through work all day long. Owsley calls it a marathon and says, ‘Go make your contribution over a really, really long time so you don’t kill yourself in the first three weeks or three years trying to do everything.’”

The End Game

As CEO of Brown-Forman Beverages, Varga found himself talking about the end game. People inside and outside the company would ask him, “What is the end game?” just as Billy Crystal’s character in “*City Slickers*” asked “What’s the one thing?”

“The end game is to make sure the game never ends,” explains Varga. That statement crystallized what had been, and was going on, at Brown-Forman since its inception. Every time this small family business needed innovation, it found it. Varga found innovation in his conceptualization of branding.

“I think everyone expects a family business to either be sold at some point or to dominate the world, but most of the corporations that exist in the world go on somewhere in between. For us, independence and the

commitment to doing it our own way is part of the pursuit, to make sure we run the company in our way and develop it the right way so that it goes on and on and on.”

Varga explains this goes back to making sure that you are investing for many, many years into the future.

“By design, in our business you have to do that because the whiskey we are making today won’t be ready for several years. We have to have some sort of longer term perspective. Also, the people you hire or the ads you develop are actually set up in a way that will make your business better four or five years down the road as much as it does today. I think that is different than the way some companies run and I call that working toward making sure that the game never ends.”

Varga appreciates this delicate balancing act of honoring what went on before him for 14 decades as well as the need to be mindful of re-inventing what went on before, but in just the right way.

“Sometimes you do things that run their course and you can get rid of them,” Varga points out. “Other times it means protecting the staple brands like Jack Daniels with total dedication.”

Varga describes the company’s signature Jack Daniels brand as a “beautiful blend that embodies a real respect for its past and its heritage and its traditions,” but also is constantly being renewed as the company is always looking for new ways to present the product. Being Brown-Forman’s most important brand, such renewal efforts could be considered a little bit on the risky side because of the importance and size and traditional success of that brand. But Varga suspects the reason it’s still growing so strong more than a century later is because, in fact, the company is constantly renewing it, and not resting on the laurels of the brand.

The other piece of ensuring that the game never ends is trying to start new brands with the hope that they will become traditional brands. Over 20 - 25 years, looking back, not every new product has made it or done exactly what was wanted, but a few of them have become important to the company and that makes all of them worthwhile.

The hallmark of the company, innovation, is reflected in a variety of ways including ideas and methods developed in the lab, product development, packaging structures and visual representations of the brand, and advertising.

The innovation that Varga brought to the table is a little different way of thinking about the company.

“I don’t know if it was necessarily innovative, but it had my bend on it. Not that we changed anything about the place, but it opened up ways we could talk. It’s the plan for us to constantly be taking these special brands and coming up with new ideas about them, how to talk about them, how to present them, how to keep them alive to the consumer.”



Paul Varga meets with graduate students from the One Year Immersive MBA Program in the UK Gatton College of Business and Economics.

Branding the Best

When the Brown-Forman Corporation defines itself as “Our Brand of Business,” it is the ultimate revelation of the company’s end game that permeates throughout its product lines.

“Probably the greatest lesson about branding a truly great brand,” says Varga, “is that in some way, shape or form, it is different. It’s got some point of uniqueness somewhere and some group of people somewhere will find that uniqueness compelling and relevant.

“At Brown-Forman, we have always studied brands, but that is different from studying the actual ‘science’ of branding. So, seven or eight years ago, we began to look at building our brands from a different perspective. That research has evolved to our current brand building pursuit which is to build a brand and make it go and keep it relevant over a long period of time.”

“Each of the brands we build or try to build in the future,” says Varga, “will have its own unique model or recipe for success which is one of the great lessons we have learned. We try to document what are the models and recipes for success brand by brand by brand by brand. That alone is probably a great leap forward for us, knowing we have to be adaptive enough to do it differently brand by brand.

“In its heart, there’s almost a highest order of branding that you strive for — and you don’t get it all the time — to achieve brand loyalty between the customers you serve and your brand. It’s often times the greatest and strongest when it’s emotional; it’s not just a rational or physical involvement with the product, but something very emotional. A lot of that emotional relationship often gets sparked not necessarily by anything that we have created. There just isn’t anything like third party endorsements.

“You may achieve superiority, but I don’t think you ever achieve pure excellence at it. It’s a very daunting challenge and I think we have to push ourselves to make sure we are trying to figure it out. I’ve been working on some of these brands a very long time and I am still excited about them.”

Quick Fact

Fifteen years ago, Brown-Forman helped found The Century Council, a nonprofit organization dedicated to combating underage drinking and drunk driving. Visit www.centurycouncil.org

Family Foundations

For Varga, it’s all been a pretty simple thing. There is a confluence of his own family-instilled values and Brown-Forman’s highly-developed sense of itself created over nearly 140 years of successful business.

“I’ve only worked for one company, Brown-Forman.

“I’m very much a family person because I grew up in a super family,” says Varga. “Very close in age, his siblings, three brothers and two sisters, and parents live in Louisville now as does he and his wife, Missy, and their three children.

“All my brothers and sisters are all raising our children around each other. It’s like one very big extended family that stayed very much in contact with each other and close to one another so that piece of my life is a real passion,” he says. “I actually consider it fairly rare and it’s something I don’t take for granted. A lot of people that work here, their families are in another city or they just don’t get to interact with their nieces and nephews, brothers and sisters and parents very much.”

Varga recalls his parents teaching the Golden Rule about treating others as you would like to be treated. “It is the easiest statement of respect there ever was, just for knowing that you are not in the world by yourself. I don’t know that I go around preaching it, as much as I would hope to be just living it. It certainly is something I intend to teach my children.”

His experience at UK was truly a family affair as well with five siblings all interacting with UK at the same time. An All-SEC Conference tennis player at UK, two of Varga’s brothers were also on the tennis team with him.

“I learned at UK how to do a lot of things all at the same time. Tennis was a year-round sport so you just never broke from it for a couple of years. And so I juggled that with school and changed majors, which added to the complexity of it, and I didn’t want to be around more than four years. Between that and wanting to have a fun, social life and have a great experience with friends and family, here I sit today trying to do all of the same stuff. Instead of going to school, I’m working at a company. I have my own family and I’m trying to juggle that and remain somewhat civilized by having a social life and get away enough from work to keep it all in balance.”

After all, it’s all about the end game for this family man.

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