

# HOLDING FORTH

*Members of the Workholding Product Group—a product group within AMT—The Association for Manufacturing Technology—have a lot on their minds. CUTTING TOOL ENGINEERING Publisher Don Nelson discovered that when he moderated a round-table discussion attended by 10 WPG members. Subjects of the forum, held at Lexair Inc., Lexington, Ky., ranged from the manufacturing economy to tort reform to passing the manufacturing torch to the next generation. Excerpts follow.*

## CUTTING TOOL ENGINEERING:

The manufacturing sector tends to be cyclical in nature. Recently, we've seen a resurgence in U.S. manufacturing. That has positively affected the sales of workholding products. (WPG members reported that domestic shipments for the third quarter of 2004 were 18.9 percent higher than for the same period in 2003.) What steps can suppliers take during the good times to lessen the sting of the bad times?

**C.W. "Wes" Allen III (V.P. Mfg., Lexair Inc.):** I think you should reverse the question and ask, "What should companies do during the slow times to prepare for the good times?" You have to invest in yourself during slow times. Work on developing products and improving your processes. You don't have time to do that during good times, because you're too busy getting product out the door.

**Rod Nelson (Sr. V.P. Mktg. & Sales, Vektek Inc.):** We also think it's important to keep the talent in place. During slow times, you are tempted to cut back on staff. If you keep your good core of people in place, when the market turns around, you'll be in a position to ride the wave back up.

**CTE:** Have competitors that

didn't invest in themselves during the recent downturn fallen by the wayside?

**Jonathan Weber (Dir. Engineering, Positrol Workholding):** That's been the amazing part of this downturn. I've been in this business for 40 years, and I've never seen a downturn that lasted as long as this one. Still, out of all the workholding companies, we've had one consolidation and one company that went out of business.

**CTE:** Why do you think that is?

**Richard C. Spooner (WPG Chairman & President/CEO, Powerhold Inc.):** In the workholding community, the average-size company does \$2 million in annual sales and has fewer than 25 employees. Their size allows these companies to be very flexible and adapt easily to economic changes.

**CTE:** Why do workholding companies tend to be small?

**Weber:** It's such a service-type industry that big companies aren't interested in it. And we don't really have foreign competitors, except for the com-

modity-type items.

**CTE:** Do you put most of your effort into selling products to machine builders or to end users?

**A. James Storms (Direct Sales Mgr., ITW Workholding):** We work very closely with end users. We're in their plants constantly. They're always trying to cut their costs. Generally, they're looking to reduce the number of operations needed to move a part through production. It might be a two- or three-op process, and we'll work with them to eliminate one of the operations.

**Spencer Hastert (President, NorthTech Workholding Inc.):** We started out selling commodity chucks, and we were tied closely to machine tool builders. (NorthTech is the exclusive U.S. representative for Kitagawa chucks and other workholding products.) To survive during the last downturn, we looked for customers who were looking for process improvements. They weren't buying equipment, but they were improving their processes.

**CTE:** Are small companies amenable to having you come in and help them streamline their processes?

**Weber:** We used to design most of our products for larger factories. Our cutoff point used to be factories with 250 or more employees. We've dropped that number to 50. The reason is because automakers are having smaller and smaller companies make their parts. That's been good for us, because most of these smaller companies don't have the expertise to design workholding systems.

**CTE:** Is there more coordination among machine tool builders, workholding and cutting tool companies, and other suppliers to ensure that when a user takes delivery of a machine, it's ready to begin producing parts almost immediately?



D. Nelson

Members of the Workholding Product Group who participated in the round-table. Front row (left to right): Scott Looney, Tech. Sales Mgr., SMW Systems Inc.; Richard C. Spooner; Spencer Hastert; Jonathan Weber. Middle row (left to right): C.W. "Wes" Allen III; Tim Winard, V.P. Eng. & Oper., NorthTech Workholding Inc.; Gordon "Bud" Duerr Jr.; Jon A. Johnson, Mktg. Mgr., Midaco Corp. Back row (left to right): Malcolm S. Mason, Dir. Business Development, AMT—The Association for Manufacturing Technology; A. James Storms; Rod Nelson.

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**Hastert:** That's one of the trends I've seen. Some machine tool builders are filling a niche by providing turnkey packages. They're developing relationships with a handful of trusted workholding people. From what I can see, that's a winning formula.

**CTE:** Do U.S. companies need to do more of this type of thing in order to compete today?

**Spooner:** Yes. We had someone visit us at the last IMTS show who was going around and interviewing workholding, machine and cutting tool suppliers. He was looking to put together a team that could help him retain a job—a job that his company had had for 40 years. He needed to cut 50 percent out of his costs in order to prevent the work from going to China. He was looking to put together a team that could save 70 jobs in this country.

**CTE:** Do you think the government should establish programs that would promote such partnerships among industrial suppliers?

**Storms:** We have to be real careful. ITW is a big supplier of workholding systems for making [automotive] rotors. When we call on TRW, we can't take their technology over to Bosch.

**Hastert:** The best thing the government could do is to give tax credits to companies that purchase capital equipment. The government should encourage people to buy equipment that improves their productivity and efficiencies.

**Weber:** The other thing the government could do [is initiate] tort reform.

**Hastert:** Product liability needs reforming. We're all basically one lawsuit away from closing our doors, because we're all small, niche companies.

**Spooner:** A machine tool company that I'm a director of is being sued. Attorneys for [the plaintiff] have put together a list of hundreds of companies that supplied the factory, in California, where he worked. The attorneys in California say their client will settle with us for \$10,000. Our attorneys say it will

cost us more than \$10,000 to defend ourselves—even though we're innocent. This is legalized extortion, and it's being done on the backs of American manufacturers. And yet we sit here and wonder why Wal-Mart buys everything from China. It's because U.S. attorneys won't sue an overseas company. There's no profit in it.

**CTE:** The amount of product your group exports is up. (For the third quarter of 2004, WPG members exported 30.9 percent more product than during the same period in 2003.) To what do you attribute the growth?

**Gordon "Bud" Duerr Jr. (President, LMC Workholding):** We find that a lot of parts manufacturing is being outsourced to Canada and Mexico. Manufacturers in those places need workholding products. And, because of the Internet, it's easier for customers in other countries to find us. It's unbelievable the amount of leads we get over the Internet from South America and Mexico.

**CTE:** The Internet makes it easier for users of industrial products to order directly from suppliers. Will this drive industrial distributors out of business?

**Hastert:** If a distributor brings something to the table, some kind of value-added service, he'll survive. There are a handful of distributors in the country, in our niche, who do provide added value. They are doing well.

**CTE:** How important are distributors to workholding manufacturers?

**Storms:** They're not as important as they are to a lot of other businesses. It's hard to find distributors who have the engineering ability to solve customers' problems. [A workholding system] is a highly engineered product. We like to have our own people at the customer's plant, because they know the product.

**CTE:** These days, few young people choose manufacturing as a career. Would you encourage young people—your own children, specifically—to work in manufacturing?

**Spooner:** I have three boys who all

work for Powerhold.

**Duerr:** Both my sons are in the business. It makes me mad when people say we shouldn't be in manufacturing. They say we should send the work over to China. "Why do you want to have employees?" people ask me. "They're just a problem. You can't manage them. They want to join unions. They get sick." But, you know, I take pride in what I do. And I take pride in the fact that people who work for me are able to send their kids to college because they have a good-paying job.

**Allen:** I've already got my 11-year-old son in here building valves. He loves it. He can't wait to [take my position] in the company.

**Weber:** I'm very proud that the fifth generation of my family is allied to the machine tool industry. And the grandson of my brother, who is 6 years old, is already designing chucks.

**CTE:** What should the American public know about manufacturing?

**Hastert:** That it is an honorable business. I've seen the inside of some other industries, and you can't believe how dirty they are. If you sell restaurant equipment, for example, there's a 30 percent chance you're not going to get paid. In our business, we only write off an account or two every year.

**Nelson:** People need to know that you can't create wealth by working at Wal-Mart. Wealth is created by taking something that's worth nothing—or worth very little—and turning it into something of high value.

**Hastert:** One other thing is that manufacturing fits well with American culture. We like to innovate. We like to invent. We like to make stuff. It's who we are.

*The Workholding Product Group is affiliated with AMT—The Association for Manufacturing Technology. Information about the group can be found at [www.amtonline.org](http://www.amtonline.org) or by contacting Malcolm Mason. Telephone: (703) 827-5216; e-mail: [msmason@amtonline.org](mailto:msmason@amtonline.org).*