



Tale of Two Gear Industries

"It was the best of times, it was the worst of times..."

Over the last couple of issues, we've happily presented you with tales of quite a few gear manufacturing companies that are thriving in these difficult times. Even though most industries are taking their lumps, these manufacturers have positioned themselves to be in the right place, with the right products, at the right time.

Many gear manufacturers we've spoken to have told us that 2008 was a very good year. "Great" was how Michael McKernin of Circle Gear described 2008 just a few months ago. "2008 is a good year," said Bipin Doshi of Schafer Gear. "My prediction is that 2008 will be our best year since 2001," said Joe Arvin of Arrow Gear in the November/December issue. Many gear manufacturers even predicted significant growth in 2009.

In our "Big Gears" issue from January/February 2009, we focused on a number of gear manufacturers who were extremely well positioned in 2008 and whose fortunes don't seem significantly diminished, even with all the bad economic news we've heard lately. Those manufacturing gears for wind turbines, oilfield operations and the mining industries seem to be not just holding their own, but thriving. "We've seen nothing but increased growth and increased demand for more and more gears for the wind industry," said Lou Ertel of Overton Chicago Gear. "I think it's about as strong as I've ever seen it," said John Schnarr of HMC. Meanwhile Nick Sudzum of B&R Gear described his company as having an 18-month backlog, and Jim Mantei of Vancouver Gear Works said, "We've never been as good as we are right now."

I have no doubt that much of the information we've presented over the past few months still holds true. There are many gear manufacturers whose business is strong and who expect it to continue to be strong throughout the economic crisis.

Now for the bad news.

On the one hand, we have companies making highly specialized gears, especially large gears, whose markets and demand seem to be growing. On the other hand, we have companies making gears for automobiles, construction equipment and other products whose demand is greatly diminished by the current economic climate. In February, Magna Powertrain announced it would be closing the New Process Gear plant in Syracuse, NY. Although there's still a chance that plant will stay open, that's 1,400 gear industry employees potentially out of work. American Axle CEO Richard Dauch called 2008 "brutally difficult." American Axle lost \$1.2 billion last year. We've heard rumors of temporary closings, layoffs and even shutdowns at companies both large and small. Virtually every big company that mass-produces gears has had some kind of negative announcement over the past couple of months: GM, Caterpillar, John Deere, Eaton and the list goes on. We've also heard about layoffs, bankruptcies and plant closures at a number of much smaller companies—gear job shops and machine shops like the ones where many of you work.

In the early part of this decade, the gear industry went through a similar downturn. Many manufacturers used that slow time to look

at ways to improve their operations. For example, instead of waiting for things to get better, Gear Motions turned to lean manufacturing principles to find ways of making things better on their own. One team at Gear Motions reduced customer lead time by 33 percent and setup times by as much as 30 minutes, according to the Gear Motions website. Another Gear Motions team was able to cut inventory in half.

Similarly, Micron Manufacturing of Grand Rapids, MI, won a 2008 Shingo Silver Medallion for Operational Excellence, based largely on its efforts begun during the last manufacturing slump. By implementing lean practices, Micron reduced lead time from 49 days to 12. It reduced setup times by as much as 37 percent. According to a recent article in *Cutting Tool Engineering*, Micron's Acme-Gridley department went from doing 96 setups in 3,100 hours to 285 setups in just over 1,000 hours.

Whether your company is thriving or preparing for the worst (or both), now is the right time to implement the ideas that can make you faster, more productive and more efficient. You're probably looking for ways to cut costs, save money and get more out of what you've got. That's lean manufacturing. You can't just do less of everything to effectively downsize; you need to do things differently: better and more efficiently. If you haven't begun lean initiatives, now is the time to start. If you have begun, now might be the time to reevaluate your goals and set the bar higher. Include lean thinking in your maintenance operations, your engineering department and the front office, not just your manufacturing. If you are experiencing down time, don't lay off workers. Teach them how to be more productive.

You can start by reading our article on the theory of constraints (p. 33), a tool that can help companies focus their efforts with lean manufacturing, six sigma and other continuous improvement methods.

Most companies found after the last downturn (2000-2001) that the people they let go had the skills and knowledge they needed most—and were unable to replace—when business came back. Redirect your people now so they can learn these methods. Gear Motions and Micron Manufacturing have shown that enormous improvements can be made if the bar you set is high enough, no matter if your company is prospering or struggling. Machine time is machine time, no matter where you are in the world. Being better, faster and more productive, while still retaining your quality, will make you a world-class competitor.

Now is the best time to think and act lean. When the economy improves, you'll grow faster than your competitors, you'll enjoy better profit margins, and you'll never look back.

Michael Goldstein,
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