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The McNeeley View



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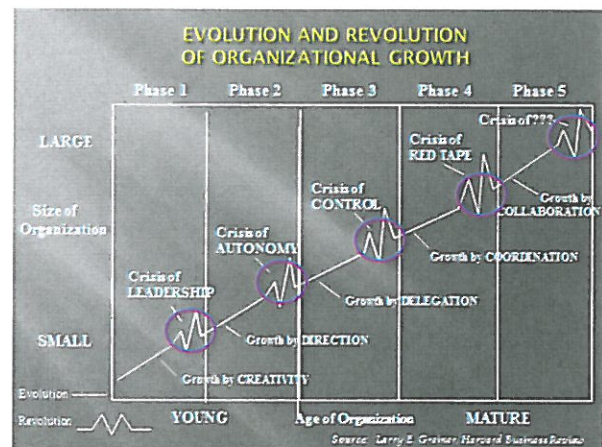
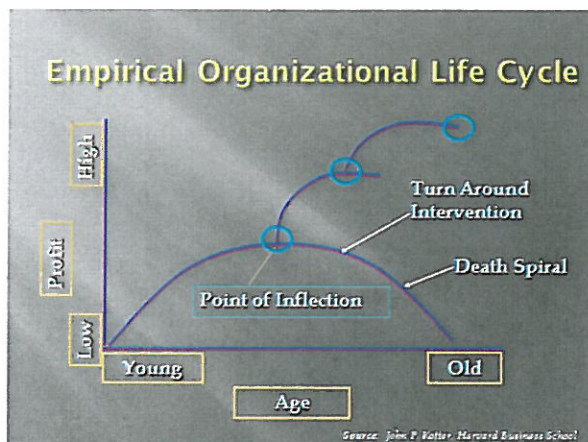
100 and Counting "Reflections of a Journey"

Often, when I write it is from personal experience. During that process, I usually experience the epiphany that I'm not only expressing my own industry's journey, but that of many of you as well. When discussing how we got where we are, the old adage "Came here by chance but stayed by choice" is apropos. Many in our industry were born into the family business. I've always admired those generational successes, which are more difficult to navigate than most realize. However, this particular adage aptly describes how the rest of us got here. My academic background could have taken me to Wall Street, to investment banking, to consulting, or dare I even say politics (*Forgive me Almighty Father for I know not what I say* ☺). However, relevance was important to me. Not to suggest that the aforementioned are not worthy, but I wanted a noble pursuit. I wanted to make something, build something, fabricate something. My validation is the smell of cutting oil in a shop or exhaust fumes in the dock, the loud noise of an overhead crane, or the clanging of steel being processed. These were the sounds validating that something productive was going on. As I've written previously, the only route to legitimate, sustainable wealth in a nation is to grow something, mine something, or build something. In other words, all the markets that the pipe, valve and fitting industry serve. As I write this column, we at Chicago Tube and Iron have just concluded our Centennial, an achievement that 99 out of every 100 business launches find elusive. Yes, that is correct, only 1 of every 100 business launches makes it to its Centennial. In the case of CTI, that also includes 100 years of consecutive profitability. Quite a feat when one considers that our 100 year history includes 17 recessions, 2 depressions, WWI, WWII, Korea, Vietnam, and numerous other wars, or what are euphemistically referred to in the press as police actions.

While not lauded in the headlines, sound financial capitalistic principles are still alive and well. The embracement of such still works better than the alternative of a subsidized life. We still post business success in this great country notwithstanding the increasing government involvement through empowered, or should I say "over empowered" agencies with a vested interest in expanding regulations. Today 14 percent of our nation's GDP is exhausted in regulatory compliance. From the IRS, Sarbanes Oxley, Dodd-Frank, and OSHA, and, and, and . . .the

burden continues to increase. Just think 14 percent of our GDP to comply, and that's 14 percent of a 16 trillion dollar GDP!! The cost of regulatory compliance in America could be an economy unto itself!

Some say the key to sustainable success is to remain true to your principles – I agree. Maintain an unwavering commitment and adherence to your philosophy, your ethics, your integrity, and continue to embrace the golden rule of doing unto others as you would have them do unto you. However, and it is important to make this distinction to last a century you must recognize that in any successful evolutionary organizational journey, you will encounter periodic points of inflection, typically only 3 or 4 throughout a 40-year career. These are those critical defining moments when your organization is most vulnerable. It is at these critical junctures when the wheat gets separated from the chaff or, in effect, leadership must emerge as distinct and different from management.



Think of General Electric. Had they said Thomas Edison loved light bulbs, and we loved Thomas Edison, therefore, we are a light bulb maker and nothing more. Enter Jack Welch who understood the responsibility and had the vision to navigate these points of inflection. While in 1914, the year of our founding, value-added may have been simply breaking bundles. Today such a narrow definition is a prescription for death. In a Darwinian sense, only the strong survive and those that are the strongest are not necessary the largest, but those that can most readily adapt to a changing environment. This is why, notwithstanding all the consolidation, there will always be a place at the table for the independents, the family owned, the closely held smaller firms. These are the niche players who serve a vital role in our industry and are every bit as important as the Big Boys. Yes, for my company it has indeed been a journey, exhausting at times, capital intensive, but throughout the process successful.

From JIT (Just In Time) to TQM (Total Quality Management) to Six Sigma, to the ISO 9000s, to E&T (Earns And Turns) inventory management, to ROSI (Return On Stock Investment), to supply chain perfection, and more specifically, to valve actuation, to cutting, to threading, to grooving to today's sophisticated SixAxis laser fabrication utilizing quantum physics. Throw in

robotic welding, and it is indeed a transformational journey, a metamorphosis, if you will. Those in the pipe, valve and fitting business that are in business today understand this journey. They not only understood what needed to be done but actually did what needed to be done. They may not have pre-mediated their transitional moves through a Harvard Business School model but, even better, their leadership came through intuition. Think of the pinnacle of 2008 followed by the free fall of 2009. The people entering our industry in January '08, in just 24 months experienced the highest of the highs and the lowest of lows of what we industry veterans have experienced in our lifetime. It is good to celebrate the survivors. It is better to celebrate those that not only survived but prospered. I am honored to sit at the helm of a 100 year old institution. I am proud of the jobs that we created and the dormant industrial facilities we have reconstituted. I am proud of the taxes we paid which funded the nation's defense and infrastructure and, in turn, created jobs. I am proud of the pensions and profit sharing and 401Ks we have provided. I am proud of the healthcare we have made available to employees and beneficiaries. I am certainly proud of the academic scholarships we have provided to those in need. These are pleasant reflections as we embark upon our second century, however, perhaps best of all is the industry in which we plied our trade. I am comforted by the fact we were not alone. For many in our industry navigate this very same track record. Atlas struggled with the weight of the world. However, the opportunities and obligations for job creation have been shouldered by our entire industry. Yes, indeed it is good to be proud of your own company, but it is equally comforting to know you didn't need to "go it alone" as you had an entire industry shouldering the weight of that world. Some of you have already passed your own centennials while many, many more in our industry certainly will. For what do we exist if not to make a difference in this world? I suggest we, as in my company, your company, and our collective industry certainly have made a difference in this great nation. Thus, if you want to build a century old business, just remember the words of Sir Terence Pratchett concerning the Pyramids of Egypt: "Seven thousand years is just one day at a time....."