FACED WITH A FALTERING ECONOMY, CHANGING PRODUCT DESIGNS, AND NEW CHALLENGES FROM DEVELOPING COUNTRIES, NACHI REGROUPS TO REMAIN A LEADER IN THE GEAR-MAKING GAME.

PRESS START!

CREDIT 1

BY RUSS WILLCUTT
Years ago, as the story is told—and long before Nachi-Fujikoshi purchased the 76 year-old National Broach & Machine Co.—a certain gear worker began setting the company’s machine tools apart from the others by painting a red ring around them. Asked why, he said that they worked the best, and he didn’t want to lose sight of them.

So began the company’s tradition of marking its products with the now-familiar Red Ring, according to FJ. “Butch” Wisner, president and COO of the Nachi Machining Technology Co. “When you see that symbol, you know you’re using a time-tested tool that’s been produced by the company who’s been the primary supplier of broach tools and shaving cutters in North America for more than three quarters of a century,” he says. “That’s just a fact.”

Based in Macomb Township—in a manufacturing facility so immense that locals use it as a landmark in giving directions—about a half-hour’s drive north of Detroit, Wisner says that Nachi Machining Technology’s financial health is as sound as the tools it produces. “That hasn’t been easy to achieve, but it’s been our primary goal since the beginning of the economic downturn that everyone in the industry is still dealing with,” he says.

In addition to this somewhat bleak economic picture, other factors have added to the struggle for machine-tool companies to remain profitable, the most important being the matter of capacity. “Or ‘over-capacity,’” as Wisner says. “This is actually a shrinking industry, because advances in technology have improved the manufacturing process to the point that our production capacity has outgrown the need in the marketplace. Companies are really in survival mode right now, and there will be far fewer left standing once the economic skies clear.”

Nachi will be among them, Wisner says, and for a number of reasons. One is that the company made a conscious decision about three years ago to cease production of most of its machine line at the Macomb facility, aligning itself instead with a number of manufacturers in Japan and Italy who produce state of the art equipment. This allowed Nachi to focus its attention on its line of custom machine tools. “The machines we sell all bear the ‘Red Ring’ trademark, and we still provide all the services that our customers require and expect, but there was just no use in investing capital in manufacturing the equipment ourselves when we can obtain them through partnerships with companies we trust,” he says, adding that the machines are produced by parent company Nachi-Fujikoshi and Sicmat, among others.

One thing that helped ease the decision is the fact that most shaving machines are fairly direct copies of the design originally developed by National Broach, Wisner says. “National Broach was basically the father of the shaving process, so no matter where you go in the world, you’ll find copies of our machines,” he says. “And as things progressed, there became so many suppliers of shaving machines—and at the same time the market was shrinking due to the introduction of other process, such as grinding—that there were soon too many players involved in the game. That’s why we decided to align ourselves with a company in Europe that produces a very good machine—in my opinion, it’s one of the two best machines in the world right now.”

Another factor that worked to Nachi’s advantage is that it had a secondary activity to fall back on: manufacturing custom cutting tools such as broaches, shave cutters, hobs, roll dies, and roll form racks. “When the Big Five automakers basically stopped buying machines a couple of years ago, companies that didn’t manufacture tools didn’t have a back-up income stream, and with no revenue, you’re going to go out of business eventually,” he says. “But if you were making machine tools—which is an ongoing thing—like we were, you’re going to be able to sustain yourself and survive.”

Nachi Machining Technology’s relationship with its parent company also provided added strength, since Nachi-Fujikoshi is a steelmaker and therefore able to supply top-grade base materials for manufacturing Red Ring cutting tools. “We make bearing steel and custom-tool steel,” Wisner says, “which gives us the ability to be involved in the fundamental material research right on up through the design of the product. We also manufacture furnaces and produce tool coatings, so we’re basically involved in 100 percent of the process, and I don’t think too many companies in this industry can say that.”

Still, beyond the matter of economics, Wisner sees major changes in the industry on the horizon, and strategic planning will be required to weather them. “For the North American manufacturer, the challenge is to be globally competitive,” he says, “and that’s getting harder to do because of developing industrial countries like China, Korea, and South Africa, which are investing in high-tech equipment and can keep the prices down on their product because their labor costs are so low. Whereas here, in the United States, labor costs are so much higher that companies aren’t in a position to invest as much in the latest equipment innovations. But with custom tooling, customers prefer to buy locally, so that gives us an edge in terms of our ability to remain competitive and retain our customer base.”
Another method that Nachi utilizes to stay on the leading edge of industry developments involves entering into R&D relationships with its customers. “It’s a simple fact that we don’t know whether the machine and cutting tools we’re producing right now will even be necessary 10 or 20 years down the road, due to all the innovations in transmission and drive-train design,” Wisner says. “Our customer’s product designs are going to change, and we will eventually find ourselves making tools that we haven’t even envisioned yet. So we have to do our best to anticipate those changes, and to make sure that we’re involved in the process that leads up to those changes.”

To achieve this, Nachi Machining Technology has been—and continues to be—heavily involved in research projects with its customers, which include the government, universities, and tier-one automotive and aerospace suppliers, among others. “Our customers will come to us and basically say ‘What if we wanted to do things this way, how would we do it? What would it cost?’ And then we’ll work together to answer those questions—which is mutually beneficial, because they get answers to their questions, and we’re better positioned to see how things may unfold in the future.”

Wisner points out that this “applied” research is complemented by the “fundamental” research being conducted by NACHI-FUJIKOSHI. “We’re involved in the process of making tools to our customer’s specifications, and they are working toward making all of their products the best that they can be, so each of our efforts support the other. And even the companies that have never purchased a single Nachi product tend to benefit from the research that we’re conducting since the new materials, processes, and products we develop are good for the industry as a whole.”

As important as these innovations are—“You can’t ignore technology, because if you’re just a ‘me, too’ company, the rest of the industry’s just going to pass you by,” says Wisner—tried and true tactics such as providing excellent customer service are still a major component of Nachi’s approach. Although its products are promoted through a network of field representatives, just the same as many other manufacturers, the company assigns members of its central staff to each of its customers to ensure that their needs are being anticipated and met. “Sure, having a 76-year history helps, but heritage only opens the door for you,” Wisner says. “If you don’t do all the other things well, then it doesn’t really matter.

“So what we’ve done is to structure our company so that all phases of management are involved at the customer level. And that means that every one of our people visit the customers—I visit, the VPs visit, and the engineers visit, as do the product managers,” he says. “We take a close look at each customer’s profile and determine exactly who they need to know at Nachi. That may be a single person, or it may be a team of people, but we make a point of reaching out to our customers in an effective way, so that they’ll be secure in the knowledge that we’re taking them very seriously—all the way
from the company that buys one tool a year to the ones who purchase and depend on our entire product line.”

Since joining the company as director of engineering in 1994—after spending more than two decades at General Motors, starting off as a rear-axle manufacturing engineer and working his way up into management—and being named president and COO in 2002, Wisner has focused his energies on realigning the company from a more-standard corporate structure to a “product-based” model. In doing so, and by paying close attention to the company’s cost structure, he has helped it move into the realm of profitability; and during the most challenging economic times in recent history.

“When your market shrinks, you have to be aggressive in your pursuit of new customers,” he says. “And while I’m not so naïve as to believe that we haven’t lost a few accounts in recent years, we’ve been able to gain more than we’ve lost.”

The reason? Determination, quality, and a commitment to service. “I think that people are drawn to Nachi for a number of reasons,” Wisner says. “One is that we’ve been around for a while, and since we’ve weathered depressions, and recessions, it’s clear that we’re not going anywhere at this point. Another is that all the things we’re involved in provide lateral support across the spectrum of our product lines: Being a manufacturer of furnaces provides us with an excellent understanding of metalurgy, for instance, which supports our materials research, and our testing capabilities, and our machine-tool development.

“So when a customer decides to purchase a product from Nachi Machining Technology, they’re actually aligning themselves with a massive corporation that’s constantly working to produce the best-possible product, and there’s a lot to be said for that,” Wisner says. “That’s what gives this company its depth, and its incredible breadth.”

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