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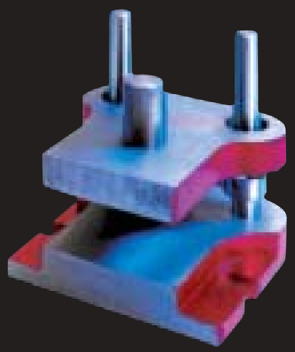
The Entrepreneurs

There is one rule for industrialists and that is: make the best quality goods possible at the lowest cost possible, paying the highest wages possible.

Henry Ford



The Entrepreneurs

"I brought one of our guys through the plant and he almost had tears in his eyes – the place was such a mess! 'Hang in there,' I said. 'We'll get it cleaned up and everything will be all right.'"

Clare E. Winterbottom

Clare Winterbottom huddled in a room with 14 unhappy Wheatley employees to discuss their options. To launch a die set company from the ground up – the business these men knew best – would take at least a year, and be a costly undertaking. The die set industry, then as now, had expensive barriers to entry, due to the high cost of machinery.

Wouldn't it be easier to buy an existing die set manufacturer, lease new equipment, and rebuild its reputation and product line?

"We purposely avoided starting a company from scratch," said Winterbottom. "It's too difficult, and it takes too long."

"Buying a company, you're in business from day one; there's inventory on the floor, there's a list of customers to service, and all the government requirements – provincial & federal rules and regulations – are all in place within the corporation, as opposed to starting up and making application for all kinds of permits. The process would have easily taken a year."

Anchor Machine & Manufacturing Ltd., a sleepy Mississauga company founded by Hank Shepherd and Johnny Tingle, following an off-chance conversation with Clyde Wheatley, was a weak second choice compared to Wheatley Manufacturing. But after much discussion, the group became excited about acquiring Anchor.

"We had a great team in place – sales, accounting, manufacturing. We knew the markets, and had a lot of confidence that we could buy the Anchor plant and turn it into a winner," said Winterbottom. "At that fateful meeting, we discussed our intentions and we all agreed to leave Wheatley and acquire Anchor."

"We were ready," said Ray Szucki, one of the concerned shop leaders. "I worked with Clare for many years at Wheatley and he's a super guy. We left as a group because we could see the ITL boat was sinking. There was never any doubt in our minds that Clare could do a better job."

Gary Arquette, another member of the splinter group, also had faith in Winterbottom's business acumen. "Clare was the driving force, no doubt about it. Without his leadership, none of us would have quit Wheatley to start up Anchor," he said.

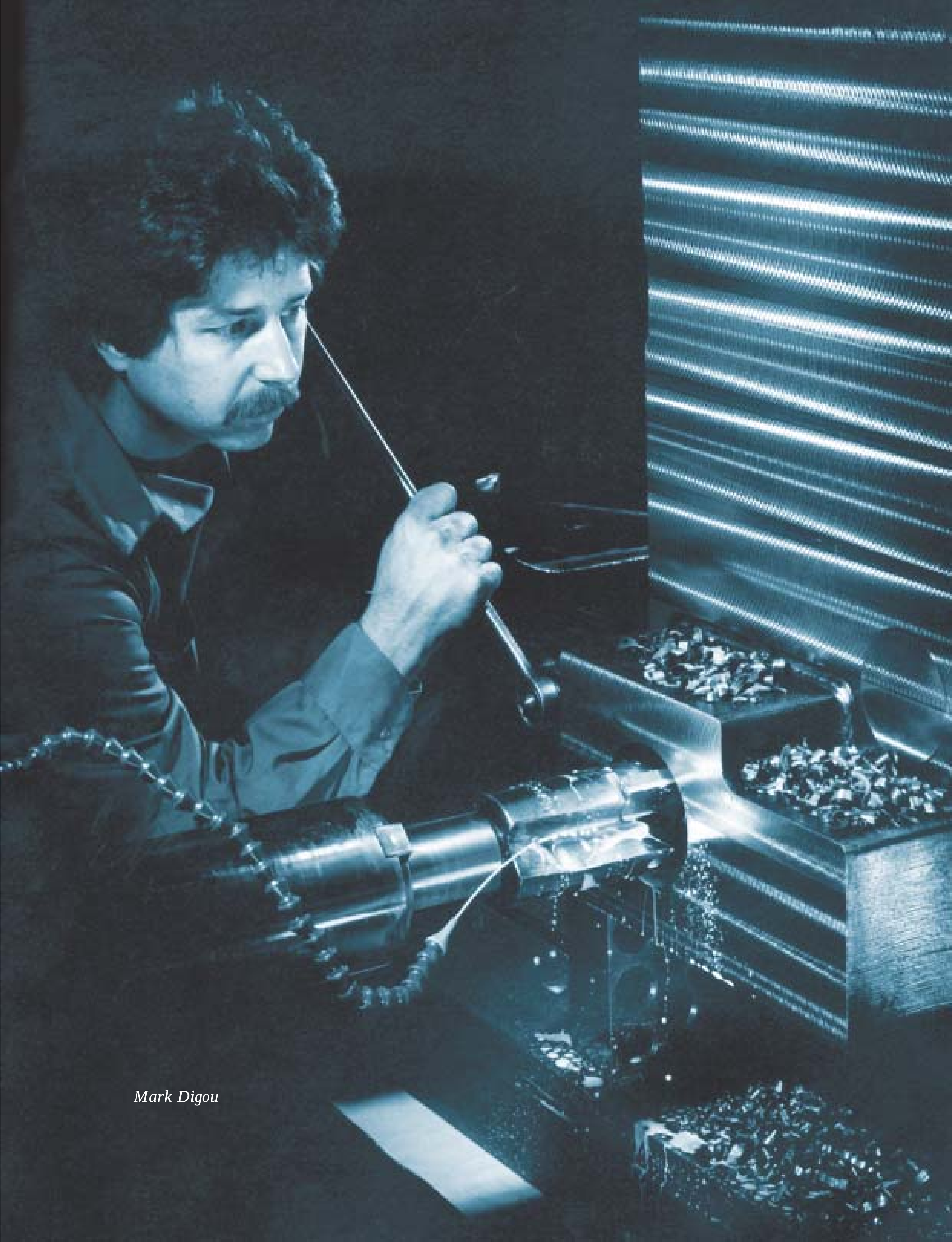
The first order of business was to arrange financing to purchase Anchor Machine & Manufacturing Ltd. A business plan was drafted and Winterbottom organized a meeting with the bankers to secure financing for the deal.

The three principals in the company, Clare Winterbottom, Ennio Rigo and Roger Brisebois put up some capital for the deal – but they needed to organize private and bank financing, as well.

Reinhart Weber, who eventually became a company director, invested $100,000, a considerable amount of money in those days. Weber, a good friend of Brisebois, drove to Windsor from his headquarters in Midland, Ontario and met Winterbottom to discuss the impending Anchor deal.

Like many European immigrants, Weber received his tool and die training in Germany and emigrated to Canada in the late 1950s. Weber had worked for Peter Hedgewick's ITL Industries, and eventually formed his own company, Weber Manufacturing, and eventually relocated to Midland.

After listening to a two-hour presentation by Winterbottom, Weber wrote a cheque for $100,000 that served as a down payment – a great vote of confidence for the ambitious team. (Weber's faith in the group paid great dividends. His return on the



Mark Digou

A Million-Dollar Suit

Clare Winterbottom's group required bank financing to purchase Anchor. After failing to purchase Wheatley Manufacturing in 1973, Winterbottom contacted the vice-chairman of Canadian Imperial Bank of Commerce, who then introduced him to Ted Doyle, CIBC's Windsor branch manager.

Winterbottom submitted a business plan and the offer to purchase Anchor to Ted Doyle, who then forwarded it to the regional manager in Toronto. Winterbottom was advised to attend a meeting in Toronto to discuss the loan.

Winterbottom knew it was crucial he make a good impression on the bankers, and told his tailor, Ennio D'Agnillo: "I need a million-dollar suit because I am going to be borrowing a lot of money to buy a business."

Look sharp: Tailor Ennio D'Agnillo with Clare Winterbottom

"We picked a good fabric and he cut me a fine suit that would impress the bankers – a business suit in good taste. I traveled to Toronto, and must have made a strong impression, because by Friday I had the loan approved."

"The area credit manager stated that it was the fastest approval of a loan of that size that he had ever seen. Thereafter D'Agnillo became known as the guy who made me the million-dollar suit!"

$100,000 investment, 22 years later (1997), was $7.5 million). "Probably the best investment he ever made," says Winterbottom. Weber served as a long-time Anchor board member, and made many contributions to the company's long-term success.

Winterbottom's business plan was aggressive: he forecast sales of $1.6 million in the first year.

"When I presented my plan to the local banker, he must have thought I was over-ambitious," he said. "But in the end, they gave us the money."

With the support of the banks and private funding, a formal offer was submitted to Shepherd and Tingle and the deal closed in August 1975.

But steering the Mississauga, Ontario, based plant into profitable waters presented major challenges. Anchor Manufacturing and Machine Ltd. was debt-ridden, a minor supplier to the industry and considered a second-tier player.

"Anchor's existing management team was not terribly motivated, and our sales people wanted to know if we were going to keep the Anchor name; they didn't like it at all," said Winterbottom. "I told them it was a good name, and their job was to go into the marketplace and prove to the customers that this was a strong company with a good name."

Image wasn't the only issue on the table. The group took stock of the facility they had acquired. The plant was disorganized and the concrete floor at the plant was ghastly, covered in oil and dirt. The floor was so bad, Winterbottom's team initially thought it was made of dirt, until they peeled away layers of grime!

"I brought one of our guys through the plant and he almost had tears in his eyes; the place was such a mess! Hang in there, I said. We'll get it cleaned up and everything will be all right."

This would not be the last time Winterbottom would convey his eternally optimistic outlook to his team.

Building a Team of Champions

"I told the men that we had an excellent opportunity to become a major factor in the die set industry in Canada," said Winterbottom. "We can do it, we know what we're doing and it's just a question of working together as a team. With a team approach, when tackling problems in the business, you work on the strengths of individual members and make sure their weaknesses don't interfere with big decisions and the momentum required to maintain growth. I guess our confidence level in all our employees was very high. If they were willing to work

"I told the men that we had an excellent opportunity to become a major factor in the die set industry in Canada."

together, I knew we could achieve anything we set out sights on."

The first order of business in Mississauga was to clean up the plant and rearrange every piece of equipment to improve workflow. Next, the group produced catalogues and brochures, mailed them out to prospects and Anchor salesmen started knocking on doors. The world was put on notice that Anchor Machine & Manufacturing Ltd. was open for business.

"The Anchor plant had been neglected," said Winterbottom. "We knew that companies wanted reliable suppliers who had good housekeeping, employed a youthful workforce with the latest technologies available in the industry, and who could produce the best quality product for the lowest possible price. Once our customers could be assured that we'd deliver on all those points, we'd become their supplier.

"*Superior quality at lower costs,*" became the company mantra. And the group was ready to back it up; the key was a motivated workforce.

But how?

Winterbottom had learned many lessons regarding management-labour relations in his years at Wheatley. As well, he grew up hearing stories of life in North America during one of its most difficult periods.

"The lessons learned during the Depression and World War II lingered for years," he said. "It was tough, but fortunately, my father was always employed, first in the booming lumber industry at Ludlum Lumber Company in Leamington, and later at Ford Canada as a machinist."

"As a youth, I heard tales from my father and his contemporaries of workers being mistreated by management; they were in constant fear of being fired from their jobs."

The obvious conclusion was that there had to be a better way for everyone to work together, to avoid tensions between management and labour. These experiences reinforced his belief that management and workers could achieve each other's goals. As vice-president of Wheatley, he had always treated everyone

Winterbottom was appointed general manager of Wheatley at age 32. Left to Right: Ken Palardg, Clare Winterbottom, Alan Dennison, Roger Brisebois, Ennio Rigo

fairly and had wanted to implement profit sharing and employee stock ownership programs. At Anchor Machine and Manufacturing, he would have an opportunity to put his accumulated wisdom into action.

"To hire the skilled employees we needed to be competitive, we had to pay 'Big Three' wages. Whatever the automotive giants – Ford, Chrysler and G.M. – were paying, we had to match. We also had to provide a company-paid pension plan, good working conditions, and a complete benefits package. These provided the starting point for the program I wanted to initiate.

So we committed to paying the wages and benefits required to attract and keep great employees. Then we introduced employee stock ownership and profit sharing. Our profit sharing plan was simple in the extreme: we announced our intention to pay 10% of our *pre-tax* earnings to our employees as a cash bonus each year – half at Christmas, and half in July.

In the mid-1970s, the majority of companies that had instituted so-called profit sharing programs

Ennio Rigo, Reinhart Weber, Clare E. Winterbottom, Roger Brisebois

Original Shareholders

3 principal shareholders

Clare E. Winterbottom
Roger Brisebois
Ennio Rigo

17 employee shareholders

Ray Szucki Sr.
Alan Dennison
Ron Meloche
John Pudelek
Ewald Pedrazzi
Jose Carvalho
Bill Nickart
Alex Biffis
Carmel Piscopo
Fortunato Buttigieg
Richard Marchand
Wm. F. Ryan
Greg Shepherd
Gary Arquette
Gerry Degier Sr.
Paul Buhagiar
Lou Piscopo

2 outside investors

Reinhart Weber
Ted and Donna Haykus
(personal friends who were early and enthusiastic supporters)

usually produced an accompanying 100-page document. It was not really profit sharing; it was a system wherein profits were put into a pension plan.

"I said to myself – we don't want that. We're going to have a real employee-owned company, plus actual cash profit sharing and a separate pension plan.

We introduced profit sharing and employee stock ownership. These two innovative programs were the keys that allowed Anchor to be competitive, both in Canada and the U.S. Not only did we survive, but we began to experience dramatic growth. We could sell our products and services at competitive rates and still make a good profit.

All I asked everyone in return was to come together as a team, to work hard, and to continuously improve how we did business."

Winterbottom encouraged everyone within Anchor to buy shares in the company.

"I felt the only way we could survive or even prosper was for everyone to row the boat in the same direction, so we set up an employee-owned company. If they didn't have the money, we sold them the stock at $1 a share and took it off through payroll deductions."

Why did this system work?

"I structured the company so that my two partners and I owned 70% of the business. We dedicated the other 30% to an employee stock ownership plan. And I guaranteed to the men that they couldn't lose. If they purchased stock, I told them if they ever wanted their money back, we would find a buyer. And if a buyer could not be found, I would personally buy it back. No one would ever lose money by owning Anchor stock."

The special shares sold to employees paid 8% interest and was redeemable or convertible by the employees after five years. The original employee stock program was issued at $1 per share, and split 8 for 1 when the company later went public. The eventual sale of the company at $8 per share amounted to a price of $64 per share, a substantial profit from the original $1 per share price.

Eventually, as the company expanded through acquisitions, all new employees received 100 shares as a welcome gift, were able to acquire stock through payroll deductions, so that everyone participated in the profit sharing scheme.

"We bought a company that was doing $400,000 a year in sales, was losing money and required a great deal of effort to move it forward. To stand in the shop as I did and promise them all these things, good

"Think what it would mean if we paid out a $1,000,000 in profit shares in one year... a profit of $10,000,000!"

wages, good working conditions, paid benefits, and profit sharing, it was very ambitious. Although it was optimistic, and it was also realistic; I knew we could do it. If everyone cooperated and worked together as a team, there was no limit to what we could achieve."

"These two programs were very ambitious considering what we had in hand at Anchor Manufacturing and Machine Ltd. – a rusty factory and a poor reputation within the industry."

And what did his partners think? At best, they were ambivalent about the scheme.

Winterbottom countered: "Think what it would mean if we paid out a $1,000,000 in profit shares in one year – that would represent a profit of $10,000,000." (Years later, as Winterbottom predicted, Anchor did in fact achieve this target, and in 1995, paid out $1,000,000 in profits to employees).

A huge benefit of these two leading-edge employee programs has been a loyal staff consisting of long-term, well-trained workers, including many workers who are second-generation.

"Most people in business want to maintain control," said Winterbottom. "They are reluctant to have their employees share in the equity of the company because they feel employees are not familiar enough with business practice to add to the momentum and value. In our case, I made it a point to keep the lines of communication open between management and workers."

Even when Anchor was a private company, they conducted annual general meetings for employee shareholders. "From a business perspective, I'd explain where we'd been, our current situation, where we are headed, and how we are going to get there- as a team.

We did the same thing when we introduced stock ownership, so everyone was comfortable, to the point where the question became, 'How much should I buy?' I would tell them to find their comfort level. Don't buy too much and don't buy too little. Try to determine how you can buy it and be comfortable without straining your budget. It was important to maintain open communication with the men."

Original staff and shareholders, Mississauga, 1975: standing, Bill Ryan, Ray Szucki, Gary Arquette, Bill Nickart, Al Dennison, Clare Winterbottom; kneeling, Gerry Degier, Ennio Rigo, Ron Meloche

In most cases, when hiring, they looked for the right attitude. Anchor management wanted workers with as much experience, training and education as possible (in-house training programs were also available); but the key ingredient was attitude.

Angels on the Factory Floor

After three months of cleaning and reorganizing the Mississauga plant, the eight-man crew headed back to Windsor. The next step was to establish a home base for Anchor in Windsor, Ontario, the heart of North America's automotive manufacturing centre.

Despite all the hard work in Mississauga, they returned to Windsor in December, 1975 with little more than a small plant in Mississauga- and lots of determination. The main goal was to establish a presence in Windsor, the automotive capital of Canada. According to Winterbottom, the opportunities were boundless, and there were plenty of prospective companies to call on.

"Windsor was ideal – a great place to raise our young family. There was a strong pool of skilled workers, including the original Wheatley staff who had joined us at Anchor Machine & Manufacturing Ltd," he said.

The first order of business was to locate a suitable site for the nascent die set company.

New Windsor plant, January 1976: Bill Nickart, Ron Meloche, Ray Szucki

Windsor was a tool and die and manufacturing hub and there were plenty of options. Companies continuously started up and then faltered; manufacturing space was not at a premium.

They found a suitable location on a Monday, a better one on Wednesday, then uncovered the perfect building on Friday, owned by local scrap yard dealers, the Zalev Brothers. The building was mainly used to store scrap and machinery.

The site featured a very important attribute – a 20-ton crane; this would allow Anchor workers to more easily move the huge slabs of steel that would be ground into die sets. But there was one small snag: Sid Katzman, property manager for the Zalevs, said, "I will have to move all my equipment out – and this will be a major problem for me."

"Anchor didn't have any equipment at this stage, so I didn't need to lease the whole building," said Winterbottom. "I suggested Zalev keep half the building for storage, while we scrambled to find machinery for our startup. I also told Katzman I wanted an option to buy the building in six months."

Anchor Manufacturing and Machine Ltd. needed another $125,000 to finance equipment for the Windsor operation – an absolute barebones startup fund to purchase used machinery and lease some newer pieces. The banks, however, were disinclined to lend the group money without collateral.

"The die set business was very capital intensive; manufacturers were reluctant to invest money in die set equipment to service a market they felt was in decline," said Winterbottom. "Few companies were prepared to enter into the die set industry because no one could see any money in it.

Due to a unique set of circumstances – working at Wheatley for all those years – and our in-depth knowledge of the industry, we were able to predict, with a degree of confidence, that we'd be generating profits in a very short amount of time. And we could use the negative perception of our industry to our advantage to become the dominant player."

Winterbottom paid another visit to his angel

“Gus, how do you want to be repaid – mortgage, promissory note? Or would you be interested in some shares?” “Give me stock,” he said.

investor, Reinhart Weber, who had already put up $100,000. Weber agreed to co-sign the bank application. His signature provided the backing required by the bank and Anchor purchased and leased equipment to launch the Windsor operation.

For the first three months of Anchor Manufacturing and Machine Ltd.’s rebirth, management operated without office space; Winterbottom kept files in the trunk of his car, and meetings were held around the Winterbottoms’ dining room table. One of the first orders of business at the newly leased Zalev building was to build some offices. This also provided the group with something to do until the new equipment arrived.

And just like that, the new world headquarters of Anchor Machine and Manufacturing Ltd. of Windsor, Ontario opened for business in January, 1976. Not surprisingly, this milestone did not garner many news headlines. But in time, the industry would stand up and take notice.

Six months after commencing operations in Windsor, Winterbottom came to another fork in the road: he needed $20,000 to exercise the option to buy the Zalev building. His preference was to extend the lease for another six months, but Katzman countered with a new lease price (the building, now humming with activity, appeared to be a better investment).

Here was Winterbottom’s dilemma: the banks certainly were not interested in financing the building, as Anchor Machine and Manufacturing Ltd. was a high-risk enterprise. But Anchor could not afford to move, and the timing was right to buy the building.

Fortune continued to smile on the risk takers.

Detroit, Michigan was located directly across the river. Anchor managers met and conducted business with captains of Detroit’s manufacturing sector, many of whom were German immigrants. Winterbottom knew these men were always looking for business opportunities, and were quick to finance companies with growth potential.

Ron Smith, general manager of operations at Lamina Inc., a supplier of components to Anchor,

Clare Winterbottom, Bill Nickart, Ray Szucki & Ron Meloche, Windsor, 1976

organized a lunch with Gus Dabringhaus, an exuberant tool and die maker from Sterling Heights Michigan, which proved auspicious.

Dabringhaus loved the art of the deal, and embraced the Anchor story with enthusiasm.

“Let me see the site,” Dabringhaus said when Winterbottom explained his dilemma; they toured the factory after lunch.

“Clare, you must have that building; come over to my office tomorrow at nine.” The next day, Dabringhaus wrote a cheque for $20,000.

“Gus how do you want to be repaid – mortgage, promissory note? Or would you be interested in some shares?” “Give me stock,” said Dabringhaus.

“He took 20,000 shares at $1 each in exchange for the loan, which turned out to be a great investment. When the stock eventually split in 1997, Dabringhaus had 160,000 shares. Then, when we eventually sold Anchor to Harrowston Inc. at $8 a share he ended up with $1.25 million! It turned out to be a terrific investment. Good stuff for Gus – good stuff for us.”

With Dabringhaus’s cheque in hand, Winterbottom was able to exercise Anchor’s option to purchase the Zalev building.

The Zalev Brothers kept the scrap equipment on the site for another year and continued to pay rent for storage, but soon Anchor expanded, purchased more equipment and Zalev eventually moved out.

Getting Into Gear

"The initial mission is to survive. You have to be pretty quick on your feet to do that in the early days of a business. But we were ready. We knew what we were doing, knew the market and had confidence in our employees," said Winterbottom.

But when Anchor's sales force began making calls in Windsor accounts seeking work, the salesmen received a rather cool reception.

"For some reason, there was some hesitancy," he said. "I believe it was partly because we did such a good job servicing the market and customers when we were managing the Wheatley company. They felt certain loyalties to the Wheatley company, and we respected that.

I said to our salespeople: 'Leave Windsor alone, go to Detroit. The Americans are interested in price, quality and delivery; we'll give them that and we'll be fine.' Some Windsor customers said: 'If you're still in business in one year, come back.' We didn't take things personally; it was just business. They had to do what they thought was right. But we did go back and see them a year later."

There were further issues. In 1975-76, the North American manufacturing sector was facing challenges on numerous fronts. In short, business was brutal: labour unrest, skyrocketing inflation, government meddling in the market place and a huge sense of uncertainty.

As usual, Winterbottom saw things in a different light. "We felt this was a great time to start a business. Customers had time to sit down and listen because they weren't busy. Everyone was looking for ways to save money by lowering costs, and they were open to new ideas. This was an opportunity: when business is good, no one seems to have time to listen to you!"

It was the worst of times, but in a sense, it was the best of times for the nascent company. As Winterbottom predicted, business owners were readily available for meetings and listened to their presentation; business quickly improved.

"We lived in the region, had made valuable connections at Wheatley, so it just made good business sense to chase business in Windsor and Detroit."

While the market for die sets was substantial in Canada, there was a limit due to Canada's population base. In order to become a major player in Canada, it made sense for Anchor to exploit its location and grow business in the U.S.

"Our approach was to drum up as much business as fast as possible," said Winterbottom. "The real growth was with the 'Big Three' automotive companies as they farmed out more and more work. The main thrust of our business was automotive, but we were also pitching appliance accounts in Toronto and the Sea-Doo business in Quebec. We accepted any challenge presented by our customers and over time this diversification became our main strength. We would not be enslaved by the ups and downs of the automotive industry."

Hopeful beginnings: standing, Clare Winterbottom, Ray Szucki, Ron Meloche, Bill Nickart; kneeling: Ennio Rigo, G. Standbridge

To the surprise of many (except perhaps the Anchor team) the company exceeded its first-year sales projection of $1.6 million, despite very challenging times. That first year, they confronted every obstacle placed in their way.

"We may have shocked the bank manager with a business plan that stated we were going to achieve sales of $1.6 million in year one. But when we met that target and then projected $3 million for year two, and exceeded that, it built up a confidence level, momentum and belief that helped move the company forward each year."

The key to Anchor's long-term success in the die set industry was to balance capacity with the marketplace. If there was too much capacity and low volume, overhead costs were high. If there was too little equipment and if production could not keep up, business was lost.

"But we made our sales projections for 22 years in a row, and each year we hit the bulls-eye!"

In 1976, the young company was generating strong cash flows and Anchor was becoming a serious player in die set manufacturing.

It had all taken less than a year.