

Random Thoughts for the New Year....

*a*nother year has passed and, because of the short term ups and downs of the economy, it's still hard to judge whether we are in an appreciably different place than we were a year ago. The economy doesn't seem to be worse than it was, but it also doesn't seem to be a whole lot better.

The gear business seems to share this oddly ambivalent condition. According to my colleagues, a lot of gears are being cut in this country and cutting tool sales are at record levels, but no one is making much money. Competitive pressures are forcing companies to cut gears at little or no profit.

Machine tool manufacturers face a similar struggle: They too are under pressure to lower prices, but they are also faced with the added difficulty of low overall volume. Add to that the closing of nearly a dozen gear plants in 1993, probably some kind of dubious record, and it's hard to be optimistic. The fact is, the end of the Cold War defense boom and the recession have hit the gear industry hard.

Yet business does seem to be getting a bit better, even though the skeptics point out that what we may be seeing here is similar to the blips we experienced in 1991-1992, when companies rushed to replace their low inventories near the end of the year, and once that was done, the little

boomlet petered out. It's hard to know which interpretation of the facts is the right one.

Capitalism has always been a Darwinian affair. Only the strongest and the fittest survive. While not trying to minimize the devastating effect of lost jobs and the breakup of long-established organizations, the fact is that the survivors of this shakeout are emerging stronger and more efficient and are learning new strategies to survive in the new business environment.

For one thing, there is a new appreciation of the fact that our competitors are not just the people next door, but those all over the globe, and that in order to match them, every element of our businesses, from plant maintenance to product packaging, has to be rethought.

Among the positive signs of this rethinking is a growing awareness that every resource in a business, including its people, has to be used to its fullest. In the most progressive companies, the old "us/them" paradigm of labor/management relations is giving way to the understanding that there is no "them," only a "we" who have to work together if all are to survive. As Benjamin Franklin put it in a far different, but no less serious context, "We must all hang together now, or most assuredly we shall all



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hang separately."

"We" in the gear industry also includes our customers, and again, our most progressive companies are working hard at understanding the needs of customers and meeting them in creative ways. One example of this is the aggressive marketing strategy on the part of some of our major machine tool builders. Believing that if you get the price down, the buyers will come, these companies are offering non-option, lower-priced CNC machines. Many features that in the past would have cost extra are now

TITIVILLUS* STRIKES GEAR TECHNOLOGY!



An error appeared in the article, "The European Rack Shift Coefficient 'X' for Americans" (July/August, 1993). Equation 1 on page 35 of that article should read as follows:

$$\Sigma X = \frac{Z_1 + Z_2}{2} \cdot \frac{\text{inv } \alpha_{wt} - \text{inv } \alpha_t}{\tan \alpha_n}$$

Our thanks to Mr. Ed teRaa of the University of Waterloo, Waterloo, Ontario, for being more alert than we were. We regret any inconvenience this error may have caused.

*Titivillus is the patron demon of medieval scribes and modern copy editors. He creates distractions, breaks our concentration and causes embarrassing errors. Apparently neither medieval scribes nor modern copy editors deserve patron saints.

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part of the package, but the price is still within the range of the smaller job shops.

This marketing strategy addresses the peculiar paradox that developed under the old price structure. Previously, the only companies that could afford the newest CNC machines were the volume users, such as automotive manufacturers, who used the machines to make thousands and thousands of identical gears, thus bypassing one of the big advantages of CNC machines: their

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quick-change flexibility. The companies that could make the most of this feature couldn't afford them. This aggressive pricing strategy should put the machines into the price range of the companies — those that cut small batches of many different gears — that can use the machines to their greatest advantage. This is a benefit, not only for the machine manufacturers, but for the job shops, who can now begin to sell themselves in niche markets and to customers who before were simply out of their reach.

No change comes without pain, and where the economy is going to be in a year, given the volatile global economic environment, is anybody's guess. The one thing I do know is that we cannot stop our struggle to change and adapt to the new environment. As one pundit put it, "Business is like riding a bicycle; you have to keep moving or you fall down."

Michael Goldstein,
Editor-in-Chief