



Responding to Market and Customer Needs

John J. Perrotti, president and CEO, Gleason Corporation



Gleason built a factory in Harbin, China to be closer to its customers.

For many of those in the gear and gear products business, these may seem like the best of times. The global economy is very robust, led to a large extent by emerging economies like China, India and Eastern Europe, and growth in many industry sectors. In addition to demand from mature end-markets like automotive, truck and aerospace, developing countries and geopolitical issues have spurred extraordinary demand for energy, construction, mining and various other elements of infrastructure. Consequently, worldwide demand for metalworking equipment is running at record levels, and the markets for gears and gear products are beneficiaries of this global boom.

However, living in times like these and capitalizing on them may be two entirely different matters. The first step is recognition and acceptance of the fact that it's not business as usual out there; it hasn't been for some time,

and it never will be again. Our markets and customers are continually changing and evolving, driven by conditions and factors far greater than our relatively small industry. Consider some of the trends that drive our customers and markets today, and reflect on how you are changing to accommodate them. I am looking from the perspective of a tooling and equipment provider, but most of these trends cut across most manufacturers, including gear producers.

Globalization of the Customer Base. Gone are the days when a customer could be clearly identified as a U.S. customer, a European customer, a Japanese customer and so forth. Mergers, acquisitions and alliances among our customers have proliferated. Many have expanded their production into emerging markets, forming a truly global customer base, with significant implications for all of us. Global purchasing practices have

become commonplace. Communications technology has overcome the distance factor. Markets are more transparent, as customers worldwide have a greater and timelier access to information on available technologies, suppliers and support capabilities. Manufacturing technology in one successful installation on one continent is often replicated in another.

Lean Enterprise. To one degree or another, many of our customers have implemented lean practices and expect suppliers to support them with the same. Lead time reductions, reduced inventory levels, elimination of "waste" and higher equipment reliability and uptime are expected. Manufacturers continually assess and focus on core competencies, resulting in the shedding of non-core processes and activities. Design, parts-making and whole assemblies may be candidates for outsourcing—often to low-labor-cost countries.

Loss of Gear Expertise. Many

OEMs have lost much of the technical gear knowledge they once had. They are looking for more automated solutions both in terms of design as well as manufacturing processes. "Intelligent" systems are evolving to meet the increased expectations for higher precision, productivity and repeatability. This trend creates incremental demand for gear-related services and training, as well as opportunities for such things as improved machine and process capabilities, including on-board inspection, adaptive controls, networking, closed loop inspection and corrective systems, part marking and tracking systems, and a whole host of other technologies.

Global Competition. Competition within the markets in which our customers compete as well as within the gear and gear equipment industries has never been greater. One might think that with global market conditions being relatively strong, the competitive pressures would not be as great. Not the case. Gear quality standards have never been higher, and tolerances have never been tighter. Gear accuracy, strength and noise quality characteristics are higher than ever. As a result, grinding and other hard finishing processes are seeing tremendous growth for many applications. The capabilities of equipment are being extended, tool life and performance are constantly being challenged, and more manufacturing processes are required to be "dry" and environmentally friendly. Because of globalization and advances in technology, competition is escalating like never before.

Sounds pretty daunting? What is a gear producer or a tooling and equipment supplier to do? Market and customer change is the environment we are in; accept that environment and embrace the opportunities it presents.

Provide Customers with Complete Solutions. Today's market demands not just discrete products and services, but "system" solutions to customer needs. Gleason has responded by providing a broad array of gear-related products and services, including solutions for virtually all types and sizes of both cylindrical

and bevel gears. We produce equipment supporting all the major gear processing methods including hobbing, shaping, shaving, lapping, finish hobbing, grinding and honing, along with a full range of test and inspection equipment. Importantly, we can complement this with a full line of cutting tools, dressing tools and workholding solutions. All of these capabilities are necessary to be a total solutions provider for gear processing. In what way can you

provide more complete solutions to your customers?

Be Near your Customer. In spite of the trend toward globalization, today's customer base demands even greater service and support at the local level. Gleason has 10 manufacturing operations on three continents, in addition to six technical support centers located in key markets, augmenting customers' gear expertise and bringing local support in the form of application engineering,

continued

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In emerging markets, rapid growth and development is providing significant opportunities that will only be realized by those suppliers who can demonstrate support at the local level. Demand is

strong and will be filled by someone—either by established suppliers or by a new breed of domestic competitors for gears and gear equipment. Gleason has been in China since the early 1970s and now has two manufacturing plants, one for cutting tools and one for machine

assembly, in that fast growing market. We also have cutting tool manufacturing and machine rebuild capabilities in India, which in recent years has been growing at a similar pace to China. Being in markets like China and India is not as much about low cost as it is about being near your customers.

A passion for improvement. As with many of our customers, Gleason has embraced lean principles that have helped us to streamline operations, reduce lead times and reduce costs. We visit many factories to learn best practices and have had hundreds of customers visit our operations around the world to understand how we are building a lean culture. We hold many kaizen events with our customers aimed at eliminating waste in the system and reducing process times. It is rewarding to be part of the improvement process with your customers. After all, our success is tied to making them more successful.

For our company, I wish it was so easy to say that Gleason is the largest producer of gear equipment and tools in the world. What else is there to do? Well, bigger is not necessarily better. "Better" starts with listening to your customers and being passionate about serving them—creating a culture in your company that encourages change and is then committed to implementing those ideas.

The economy will cycle up and down; demands for lower costs, faster production times and higher quality will increase. I can make these statements with total certainty. I can also say with certainty that those companies that are customer-centric and have a culture of continual improvement will not just say these are the "best of times" now, but that the best is yet to come.

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president and CEO, Gleason Corp.

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