

gear manufacturing, inc.

A classic entrepreneurial success story, GMI has experienced substantial growth nearly every year it's been in business, and it's just broken another record in 2004...

By Russ Willcutt



It's a fairly common story among entrepreneurs: after spending a certain number of years learning the trade, a time comes when you're ready to leave the nest and test your own wings.

What sets such stories apart is the outcome—whether you're able to take flight, or end up plunging to the ground in a classic crash and burn scenario. Gary Smith's story is definitely among the former.

"I'd been working for a gear manufacturer based in Southern California, and I'd made my way up through the ranks," says Smith, who is president and founder of Gear Manufacturing, Inc. "I'd started with the company in 1975, and within a couple of years I was named manager of quality control. A few years later I was promoted to general manager, and then I became vice president and partial owner of the company, so I really had the chance to learn all the different aspects of running a gear manufacturing operation while I was there."

Fourteen years into his time with that company he'd seen many changes, as it had been bought out twice, and he sensed that his days of upward mobility had drawn to a close. "My hands were basically tied during those last few years, which really went against my nature," he says. "I'm a progressive thinker, and I was ready to move on into something new."

That's when he found out that another local gear manufacturer was up for sale, and after a great deal of personal introspection, he decided that the time was right to make a move. "I sat down with the owners of the company, worked out a deal to purchase its assets, and then I turned in my letter of resignation," says Smith. "I didn't have deep pockets by any means, but I knew there was a demand for quality, high-precision gearing

in this country, and with what I'd already learned about the industry I thought I could make a go of it."

First he leased manufacturing space to move his equipment into—"these were small units, and we'd basically rent the next one and knock a hole in the wall as we grew"—and then he began contacting the people he'd come to know over the years. "What was amazing is that they would just give me orders over the phone," he says, "and vendors, like the steel companies, would say 'don't even worry about filling anything out, you've got credit with us.'"

Smith found himself quite comfortable in his new role as business owner, partly because the company whose assets he'd purchased was about the same size as the one he'd worked for when he'd joined it, so he had already worked his way through a similar growth trajectory. But he was finally free to do things as he saw fit, and to implement the lessons that he'd learned along the way.

"One of those has to do with diversification," he says. "My former company was heavily involved in the oil and gas industry, for instance, and when problems arose in the early eighties, we really suffered because of it. That's when I realized the importance of spreading your work across a variety of markets, so that if one of them takes a hit you won't be left hurting because of that lost business. Plus we have a duty to our customers to be there for them in the long run."

As a result, GMI seeks to round out its market base—which includes aerospace, automotive, biomedical, commercial, and defense, among many others—as well as its customer base not to exceed 20 percent each of the company's total income. Still, it's hard to sort out the actual end uses at times. "We build a worm gear box for one of our aircraft customers, for instance, and some of them are used for military applications while others go into the commercial helicopter side, so it's hard to determine what they're actually used for since there's a lot that we don't see after we've shipped the product. But we definitely take a rifle rather than a shotgun approach in terms of the industries and customers we serve in order to diversify our interests."

In 1998 Smith was driving home one evening and passed a building that had been available for about seven months. On this day, however, it finally hit him that it was time for the company to grow. He was interested in purchasing new machines, and he needed somewhere to put them. He had managed to accumulate some 6,000 square feet of manufacturing space by cobbling together rental units, but the new building was more than 12,000 square feet and climate controlled, which is necessary for his high-precision gear work. So the decision was made, and GMI moved to its current address in Anaheim.

As is often the case, what seemed like a limitless amount of space at the time is already filled, and Smith has recently leased a nearby facility which brings his total square footage to more than 15,000 feet. But he is maximizing the space he has by purchasing ultra-efficient equipment that makes the most of a relatively small footprint.

"We've really invested quite a bit of money in new equipment lately," Smith says. "The major purchases are a new Gleason Tag 400 eight-axis gear grinder, to go with the one we already have on the floor, and another Studer, but this one has an added 'c' axis programming capability. It's a CNC OD grinder, and we can now grind cams and non-circular forms

like flats, hexes, polygons, and things like that. And the third machine is an M&M Sigma 5 gear inspection system to complement the process control of our gears, but it will also inspect rotors and cams in a non-circular geometry. It's just a loaded machine."

Even with the added efficiency and capabilities that these machines bring, Smith says there will still be a need to hire new employees over the next few months. "We started off with three guys—and I was one of them—and now we're up to more than two-dozen employees," he says. "And we'll be adding to those ranks pretty soon, because we've grown an average of 17 percent for 14 of the 15 years we've been in business, and we've just celebrated another record-breaking year in 2004, so we'll be needing more good people to keep that growth trend on the rise."

Smith says these workers will be chosen carefully, because "you can have the best equipment in the world, but if you don't have good employees then you're not going to have a very stable company. So I try to look back at my own experiences and use them to help develop a solid team based on what I've been through myself. We expect skill and dedication, and in return we give our employees the opportunity to grow. I remember what it's like to hit that ceiling, and I don't want to be responsible for putting somebody else in that situation. But I sleep nights, so I think we're handling things pretty well."

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