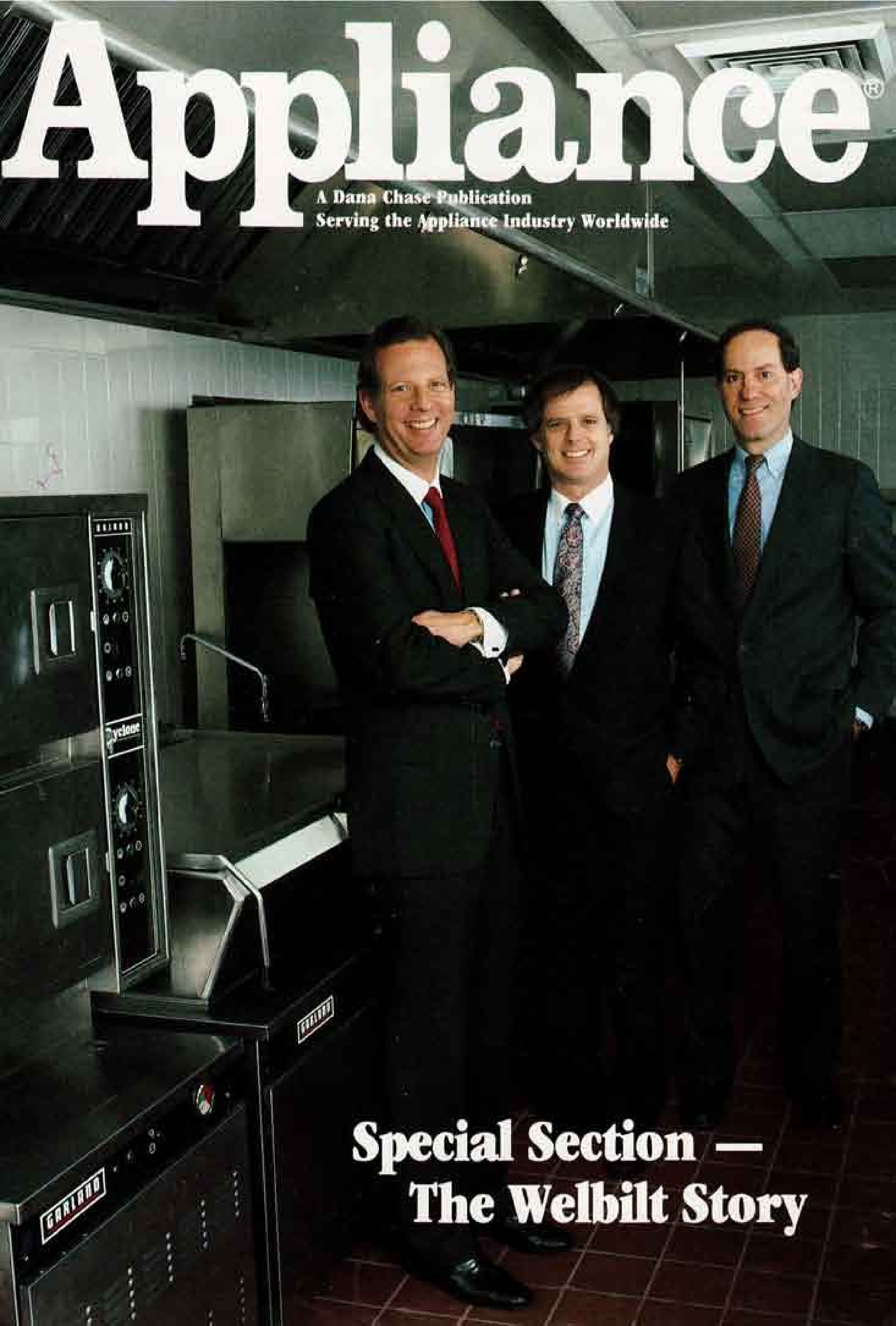
Appliance®

A Dana Chase Publication
Serving the Appliance Industry Worldwide



Special Section — The Welbilt Story

The Welbilt Story

On a fast track to the top!

By James Stevens/Vice President/Editor

Semper Avanti — (forward under a strategic, disciplined plan) — is the motto of Welbilt Corporation. It is a credo corporate management scrupulously endeavors to follow, establishing plans and strategies for developing and marketing its products throughout the world, and following those plans to fruition.

Founded in 1929 by Henry and Alexander Hirsch, primarily as a producer of gas ranges, Welbilt Corporation is today a very successful producer of commercial foodservice equipment for world markets. In 1955, when the firm acquired its Garland division, a producer of commercial ranges, its principal business was kitchen ranges and ovens. Then the business — and much of the industry — began to slide. It labored along, managing to survive in a very difficult market environment.

In 1971, Richard Hirsch succeeded his father, Henry, as president. His task: To develop a strategic plan to restructure the company. He named his college roommate, Larry Gross, executive assistant, and the pair virtually liquidated the company. By 1976, all that remained were Garland and a small vestige of its shrunken appliance producing division with combined sales of $19 million.

Now, after dramatic restructuring and the acquiring of businesses consistent with its long-range business plan, the firm is again on a power course. In fact, it was recently classified among the 200 best managed companies in the United States by *Forbes* magazine. Proof of its success: the firm experienced compound annual sales growth of 32.6 percent between 1982 and 1988. Even more impressive, Welbilt's compound annual earnings growth rate for the 5 full years before going private was 54 percent!

"The really dynamic growth of the company began in the late '70s when the restructuring was completed and a decision made to expand our commitment to food service equipment," Richard Hirsch told APPLIANCE. "We reviewed our goals and set new directions for the future. We had closed 12 divisions, retained Garland, and shrunk the company to a critical mass — reducing our sales volume by about $40 million. Our Garland companies in the U.S. and Canada moved into new manufacturing facilities and we were poised to grow Welbilt's position in the commercial marketplace.

"In 1982, we made our first major acquisition of four food service equipment companies from Allegheny International, acquiring Frymaster, Belshaw Brothers, Ice-O-Matic, and a fourth company that was liquidated. My brother, David, joined Welbilt as its chief financial officer and we began to consolidate our considerably

Richard Hirsch (left), president, and Moses Shapiro, director, Welbilt Corporation. APPLIANCE photo.

On the Cover . . .

The top management of Welbilt Corporation stand in the kitchen of North Shore University Hospital—Cornell University Medical College's new Center for Extended Care and Rehabilitation, located in Long Island, NY. This state-of-the-art kitchen features equipment manufactured by Welbilt Corporation's Garland Commercial Industries subsidiary, including ranges, convection ovens, steam cooking equipment, and stationary and tilting kettles. On the left is Richard L. Hirsch, president and CEO. On the right is Lawrence R. Gross, executive vice president. David A. Hirsch is treasurer and chief financial officer.

Richard Hirsch became president of the company in 1971 upon the retirement of his father. He directed the restructuring process that resulted in the company's turnaround. "In a nutshell, people and planning are our competitive edge," he said. "I think our personnel, our planning and educational process, and our divisional management incentives are key strengths responsible for our competitive advantage." APPLIANCE Photos.

strengthened position in the food service equipment marketplace."

In 1988, Richard and David Hirsch, and other principals, in coordination with Kohlberg & Company, moved to acquire the company, taking it full circle to be, once again, a privately held company. Today, the firm concentrates on the commercial food service equipment business, producing a fairly complete line of products for its international customers.

The Frymaster Fryer leads the over-35-lb-fryer market and is used in restaurants, fast food establishments, and institutional kitchens. The Garland Range has been a fixture in commercial kitchens for more than 100 years. Then there is counter equipment (broilers, griddles) and ovens, both half-size and full-size, and a host of other products. Ice-O-Matic ice machines and drink dispensers are seen in hotels, motels, and restaurants throughout the world. Approximately 65 percent of all the donuts in the world are made by Belshaw systems. Bakery equipment is the next area for the company's expansion.

"Our involvement with Belshaw, which serves both the food service equipment and bakery industries, provided the impetus for our recent expansion in the bakery equipment industry," Mr. Hirsch explained.

"Belshaw was a relatively small company, but quite profitable," Moses Shapiro, corporate director and chairman of the executive committee, elaborated. "That brought us into contact with the whole area of bakery equipment. After 2 to 3 years of experience with Belshaw, we began to look at the bakery field as a means of expanding in a parallel direction. So, in 1986, we acquired Fedco, a small company in Odessa, FL, a producer of high speed equipment for large bakeries. In January and April 1987, we acquired FME and L&M, both Canadian firms. FME (Food Machinery Engineering Company) and L&M are in different segments of the bakery business, and gave us substantial position in that area. Consequently, today, these three bakery equipment companies make up 7 to 8 percent of our total business. In 1988, we bought FHS (Food Handling Systems) and merged its operations into Fedco and FME. As a result of these acquisitions, we became one of the leading players in the bakery equipment business virtually overnight."

"From a philosophical standpoint," said Mr. Hirsch, "we aim to be the leading supplier in the sectors we serve, but more than that, we strive to be the most technologically advanced producer in our industry. We've derived a lot of our customer relations and service know-how from the consumer appliance businesses we grew up in and have applied some of that knowledge to the commercial business. For some time now, our sustained growth has exceeded that of others in the product sectors in which we compete — a result, we believe, of our advanced technology programs and emphasis on customer satisfaction. We spend a higher percentage of our total sales dollars on research and development than is customary in the industry. We've made major commitments to product technology, establishing our own product development center to produce leading edge specialty products. In addition, we use outside expertise to explore and develop new technologies and to accelerate development in order to ensure timely completion of our new products.

"Recently," he elaborated, "we introduced a new gas-fired pizza oven at the National Pizza Show. The oven reduces cooking time 25 to 40 percent. It features improved recovery time and rigidly controlled cooking patterns that produce uniformly consistent pizzas. The next phase will be to apply the same concept to bakery ovens."

Operating Structure

Each division within the company is autonomous with its own management structure — president, financial officer, and top personnel to head up R&D, engineering, purchasing, manufacturing, marketing and sales, and service. "This is a strategy we follow on a plant-by-plant, division-by-division basis," said Mr. Hirsch, "staffed by what we believe to be some of the very best people in the industry.

"The divisions are structured in depth," he continued. "The knowledge, experience, ability, and depth of management on the divisional level is one of our principal strengths. Most of the operating decisions are made on a divisional level and there is an extensive exchange of ideas between divisions. Corporate meetings are instructional as well as directional, dealing with all the factors that impact on a division's business and its operating results.

"We have a very talented and relatively small corporate group, comprising general management as well as functional types. In addition to Mr. Shapiro, David Hirsch, Larry Gross, and me, we have corporate vice presidents of marketing, engineering, manufacturing, administration, and the corporate controller. The profit and loss centers are the responsibilities of the various divisional presidents with full authority to achieve their goals."

Mr. Shapiro added, "We are, to a

certain extent, an interventionist management and to a certain extent, a hands-off management. We're interventionist in terms of general surveillance. We're interventionist in terms of assistance and aid. We're hands off in terms of day-to-day activities. We have a planning process in which the divisions play an extremely important role. We discuss strategies, tactics, people, and budgeting. Formal documentation is significant, as it forms the basis for a dialogue between corporate and division. That dialogue results in an agreed-upon strategic thrust and the tactical means, set forth in a formal way, of effectuating that thrust. With that done, the day-to-day operations are contained in a budget that then becomes the agreed-upon bible, which determines how the divisions work and are measured.

"Financial incentives are a major component of our operating process. A lot of attention is spent on devising incentive goals that can be achieved with a reasonable amount of effort and dedication. Objectives go beyond the achievement of profits. Product development, quality, strategic planning, and other non-dollar-denominated goals are established as well. Everybody knows the objectives. Everybody knows the strategy to follow to achieve the objectives as well as the general thrust of the tactics to use.

"One of the things I think makes this company unique," he emphasized, "is that instead of spending time bawling people out for failing to meet objectives, we teach them how to create objectives and meet them. We do this on a daily basis, from the top personnel to those in the field."

The Competitive Edge

"In a nutshell, people and planning make up our competitive edge," says Mr. Hirsch. "We have been able to attract, develop, and retain some of the best people in the industry — and some outside the industry, as well. I think our personnel, our planning and educational process, and our divisional management incentives are key strengths responsible for our competitive advantage."

"Among what we believe are our competitive advantages," Mr. Shapiro explained, "are these: we never set an objective without allocating appropriate resources to accomplish it. We recognize that a company doesn't become a technological leader or a major innovative factor in this business unless it is prepared to allocate the funds and personnel necessary to accomplish that goal. We have done so in a major way. For example, one of our divisions will be making seven major product introductions in 1989. That hasn't just happened within a few months; some of these projects have been in process for 2 years. If we find that we need additional resources, we don't say 'Do these projects sequentially'; we say 'Do them concurrently and here's the additional money and people you need.'

"Another competitive advantage: we know how to manage technology," he continued. "One needs more than an engineering degree. That's part of it, but technological management encompasses a whole host of other and broader requirements."

"Including time compression," interjected Mr. Hirsch, "— getting the job done and out a lot faster than our competition, and getting it done right with not only an innovative product, but with a product that is reliable and serviceable."

New Introduction

Among the new products the company has recently introduced is a bagel production system for mid-sized operations. "It fills a need in this industry," said Mr. Shapiro. "It is neither for mass-production bakeries, nor for a small retail bakery. When this project was undertaken, it first had to be proposed and justified. We had to understand the costs, the payback, what market need it satisfied, what resources were required, etc.

"This year our Ice-O-Matic division will be announcing four major new products. On the consumer appliance business side, our Consolidated Industries division is working on a totally new approach in horizontal gas furnaces."

Mr. Hirsch said, "We were the last entry into the commercial mixer business in the U.S., but we were the first to come out with a fully electronic system for controlling speed and torque. This concept of creativity permeates our entire company, from the smallest to the largest division."

"I want to emphasize," Mr. Shapiro clarified, "this is directed innovation; it is not serendipitous. A great deal of our innovation is a result of our close relationship with the large chain store operators who have special needs. If you were to ask, 'What is the major thrust of your developmental activity?,' I would say:

1) The incorporation of more electronic control systems.

2) The elimination of the requirement for skilled labor to operate our equipment. (This is very important to our customers who must use relatively unskilled employees to handle what used to be delicate operations, but which are now totally electronically controlled — not so much to reduce labor, but to reduce the skills required to operate it.)

3) To incorporate greater reliability into our appliances."

Not unlike other segments of the appliance industry, the commercial foodservice equipment business is also concerned with service problems. Said Mr. Shapiro, "When two companies claim to have an appliance that is reliable, there is one solid measurement for determining which is more reliable. That is MTBF — Mean Time Between Failures. But a

Moses Shapiro, chairman of the executive committee and director of Welbilt, is one of the owners of the company. He also serves as director emeritus, General Instrument Corporation, and on the boards of Toys R Us and Century Communications Corporation. On the side, he has taught at New York University as distinguished adjunct professor of management. "It is important to plan a coherent strategy and stick with it. It's hard to exercise the self-discipline necessary in not moving before you planned, and then moving along the line you planned without letting expedient or minor, serendipitous opportunities distract you from the planned path."

lot of statistical data has to be collected before this can be developed. We are in the process of doing that. Most important, we are in the process of developing innovative approaches to the extension of the reliability of our appliances to extend Mean Time Between Failures."

Mr. Hirsch added, "Obviously, we don't do this in a vacuum all by ourselves. There is a very delicate balance between our engineering groups and leading outside consulting firms with whom we work. We have ongoing projects with such organizations as the Gas Research Institute as well as others. We respect their basic approach to understanding and solving some of the major cooking problems facing the industry. A delicate balance between our in-house staff and outside consultants has increased our capability to respond swiftly to the design needs of our customers and the industry."

Automation and Productivity

The company is spending a great deal of money modernizing and automating its manufacturing facilities, installing computerized, flexible manufacturing systems.

"Strategically," said Mr. Hirsch, "we recognize that for us to be competitive we have to be *the* low-cost manufacturer. You control your own destiny when you are the low-cost manufacturer."

Reinforced Mr. Shapiro, "It's a question of developing a Total Manufacturing System, of which equipment is only one part, to become a truly low-cost operator — and low cost doesn't just mean less material or better use of material, or less labor or less use of labor. It means designing the product so that it becomes inherently less expensive to produce — designing it so it can be made by modern technologies of manufacturing and made so that it lasts."

"Unlike the consumer appliance industry where products are produced in large runs, there are requirements for many short runs in this business," Mr. Hirsch reminded. "We have a lot of product lines within each plant with short product runs, so flexible manufacturing is more than just a buzzword for us.

"We cross-pollenize automation and manufacturing knowledge among divisions. Consolidated Industries, our furnace division, was one of the first companies to automate spot welding of heat exchangers. Although our other divisional welding needs are somewhat different, we were able to apply their experience to them."

What trends will we see in commercial appliances in the future?

"Shortage of labor in the kitchen — skilled or unskilled — is a phenomenon we are seeing throughout the industrialized world now," Mr. Hirsch replied. "The fast food industry in many instances is already paying wages substantially above the minimum wage. Automation in food preparation means a reduction in labor. That is going to be very, very important in the design and development of future commercial equipment.

"Also, the servicing of equipment is becoming increasingly expensive. Serviceability; accessibility to components; designing the appliance so users can readily diagnose a problem and repair it — all are becoming more important."

"Menu enlargement is a very important trend among our customers now," added Mr. Shapiro. "At one point, our customer may have been solely a hamburger shop, which also served french fries. But some of today's fast food customers are preparing full meals: there's a salad bar and hot plates of one kind or another. Food tastes change due to the expansion of health awareness and emphasis. Menu changes will continue to take place and the equipment will move to be more versatile and, therefore, useable for more than one product or purpose. In addition, the equipment will be down-sized to save space."

"Everybody is talking about 1992 and its implication for the European Community and the world," continued Mr. Hirsch. "The single most important advantage I see coming to the industry through the EC in 1992 is standardization of approvals.

"We recognize the significance of the U.S. fast food chains' expansion. They bring with them a new direction in food preparation, carrying the wave of American food trends throughout the world. They have also helped to expand the market for the equipment used to prepare the fast foods they market. This new demand has been the single most important factor in drawing us into world markets.

"But there are unique cooking habits in specific markets that are not going to change fast and the 1992 trade initiatives by themselves will not change local European tastes and markets. A sustained marketing thrust will help to overcome existing barriers.

"We have set up offices with technical and sales people to serve those markets we feel will experience the greatest growth. We are a leading commercial cooking supplier in England today. We have our own factory in Germany where we have the ability to produce a wide range of appliances. We have the flexibility, for example, of producing fryers in the U.S. and in Europe, depending on the vagaries of the currency. We recently set up an operation in France. We are looking at other areas, including possible strategic acquisitions offshore.

"Ownership of manufacturing facilities will be important," he continued. "It can't all be done in the U.S. We must have the flexibility of doing both. But it's not only Europe; the

(Continued on Page W-25)

Growing through Acquisition

On April 3, 1989, Welbilt Corporation acquired Cleveland Range, Dean Industries, Merco Equipment, Savory Equipment, U.S. Range, and Alco World Trade divisions of Alco Standard Corporation's Foodservice Equipment Group.

"The transition of the former Alco companies into independent entities under the Welbilt banner will begin immediately," said Richard Hirsch, president, Welbilt. "Changes will be minimal and will be made only where necessary to enhance the product lines, features, reliability, and service. We aim to provide users with at least as many choices as they had prior to this acquisition — and hopefully more."

Cleveland Range, with manufacturing plants in Cleveland, OH, and Toronto, ON, Canada, produces the Cleveland line of steam cooking equipment.

Dean Industries, Culver City, CA, manufactures gas and electric fryers and related equipment.

Merco Products, Eugene, OR, manufactures food warming equipment and broilers.

Savory Equipment, of Lakewood, NJ, produces countertop cooking equipment, including toasters, warmers, pizza bakers, and hot dog grilling systems.

U.S. Range, Gardena, CA, manufactures a full line of commercial ranges, ovens, and broilers.

Alco World Trade (which is now called Welbilt World Trade) based in Miami, FL, markets foodservice equipment.

(Continued from Page W-8)

Pacific Rim offers lots of opportunity. We think that current Pacific Rim manufacturers don't hold any unique advantages over American commercial appliance producers. As a matter of fact, I think the sophistication of food service equipment being produced in North America is more than competitive with that being produced in the Pacific Rim."

"It would be wrong to say our international strategy is solely to develop a major export business," said Mr. Shapiro, "but it is a part of a strategy that involves the utilization of any indigenous design and fabrication activities in various parts of the world to supply those parts, as well as, perhaps, to export to ourselves in this country."

On April 3rd, Welbilt acquired six divisions of Alco Standard's Food Equipment Group: Cleveland Range (with operations in both Cleveland, OH, and Toronto, ON, Canada; U.S. Range; Dean; Savory; Merco; and Alco World Trade (which has been renamed Welbilt World Trade). The company feels the transition of these companies into independent entities under the Welbilt banner represents a significant step forward in its industry leadership position.

"This is illustrative of our thrust for the future," said Mr. Shapiro, "which is to own and manage the leading brand names of each segment of this business. We will add these companies to our existing structure, revamping their systems, both from a management systems and product development standpoint, along the lines that guide our present divisions. We will gain broader-based manufacturing capacities and a better representation in the marketplace, since our intention is not to merge the divisions of the two companies, but to run each of them as separate entities with their own field sales and service forces."

Are future acquisitions planned?

"There are a number of fragmented commercial appliance producers with entrepreneurial ownerships," Mr. Hirsch responded, "serving specific needs of the market, which, combined with our operations, could enhance the overall prospects of both companies. They could become part of a bigger company without getting lost."

"We intend to be larger than we are, but larger isn't the name of the game," Mr. Shapiro explained. "We intend to be better than we are; larger is only part of it. Better is the key. Better in terms of serving our customers. Better in terms of the equipment we make. Better in terms of the life expectancy and reliability of our products. Better in terms of the value we offer and the service we render.

"We are not going to buy a company because it happens to be available, but — assuming it is available — we will buy it if it does the following:

1) Makes us a leading contender in a market segment in which we do not now have an important presence.

2) Adds to our product line something that we need to serve the industry better.

3) Gives us a unique technological advantage that we do not now have.

4) Fits our distribution system or opens up a new distribution system not only for itself, but for other facets of our business.

"Acquisitions must have a purpose," he continued. "The Alco acquisition strengthens us in many areas. We intend to acquire judiciously, carefully, and selectively. We are not conglomerateurs; we are businessmen who have a vision of what a good company in this field should look and act like."

"We want to be a full line manufacturer," Mr. Hirsch added, "but you can function quite well in this business without having an absolutely full line. I don't think it would hinder our future growth. We'd love to have it and it is part of our strategy to have it if it is profitable and fits within the framework of our philosophy."

"It is important to plan a coherent strategy and stick with it," Mr. Shapiro philosophized. "It's hard to exercise the self-discipline necessary in not moving before you plan, and then moving along the line that you planned without letting expedient or minor serendipitous opportunities distract you from the planned path. Self-discipline is the difference between a major, profitable company, and a company struggling to survive."

Semper Avanti! ■

(Continued from Page W-14)

opportunities it now has. Part of accepting that challenge comes from focused attention on the manufacturing process.

Mr. Radice stated, "We are currently developing manufacturing cells that will allow us to produce equipment straight through from fabrication to assembly to shipping. This will enable us to respond to the needs of the fast food operators better, as well as to our dealers."

In anticipation of this, additional CAD/CAM equipment was recently purchased and is now being installed to program the operation's numerically controlled presses.

The company's goal is to serve the food service industry the best way possible, and Mr. Radice and Mr. Kent agree their suppliers play key roles in accomplishing this goal.

"We search worldwide for suppliers that will provide the most consistent quality at the lowest possible cost, so we can market a product that meets our customers' requirements for cost and quality," Mr. Kent explained.

Mr. Radice offers, "We try in every way to keep an open line of communication with all of our suppliers, whether it involves our purchasing or engineering departments. In this way, we expect to stay on top of everything. If there's a new technology, we want to know about it. We want the suppliers to come to us and tell us about it 6 months or a year before it hits the marketplace."

Staying on Top

In terms of continuing to be the prime supplier to the U.S. food service industry and remaining successful in the process, the company is ever trying to answer the questions: What will ranges look like in the year 2000?; and What functions will be expected of the commercial kitchen? For example, the advent of the use of more sophisticated computerized controls, Mr. Radice believes, is just around the corner.

"The marketplace is always changing," the chairman adds. "Our customers want more labor saving cooking devices. They want energy-efficient, time-saving products. Today, it is very, very important for us to be looking at products that have the capability to produce multiple dishes rather than units dedicated to one product, since the efficient use of space is of such importance in the food service industry."

Over the past 5 years, the company has dedicated a great amount of money to R&D, a practice that has filtered down from the corporate mind set. Yet, that devotion to product development would be worthless but for the intense concern for the end user.

Mr. Kent concludes, "The whole process of understanding the need, developing the product, getting it into production, and having it ready for the customer when he needs it is a formidable challenge. However, it's the kind of challenge we like." ■

The Top Management Team

Richard L. Hirsch, President (seated)
Lawrence R. Gross, Executive Vice President (center)
and David A. Hirsch, Treasurer
Welbilt Corporation

Louis J. Agathos, President
Belshaw Brothers, Inc.
(Donut making equipment)

Hans J. Grunert, Managing Director
Welbilt GmbH
(Food service equipment)

Richard Weber, III, President
Consolidated Industries Corporation
(Horizontal gas furnaces)

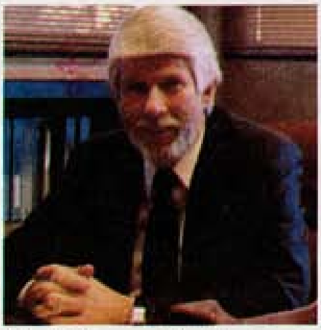
William E. Lanham, Jr., President
Food Machinery Engineering Limited
(Bakery equipment)

Robert B. Kirkpatrick
Fedco Industries, Inc.
(Bakery equipment)

David E. Mosteller, President
The Frymaster Corporation
(Frying equipment)

James D. Kent, President
Garland Commercial Industries, Inc.
(Gas, electric, and steam cooking equipment)

George N. Attridge, President
Garland Commercial Ranges Limited
(Gas, electric, and steam cooking equipment and ventilation systems)



Frank Thomas, President
Mile High Equipment Company (Ice-O-Matic)
(Ice makers and dispensers)

Francois Houpert, President
Welbilt France SA
(Foodservice equipment)

Earl Ritchie, President
Welbilt Bakery Group
(Composed of: L & M Machinery, FME, Fedco, and Food Handling Systems)

Stephen A. Loughton, Managing Director
Garland Catering Equipment Limited
(Catering equipment)