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Gearing up for business

HIGHWAY MACHINE CO. KEEPS FOCUS ON PEOPLE



Brad Keenan, setup team leader, back, and Brandon Ellis, machinist lower a 33,000 pound General Electric inner turbine shell into place at HMC in Princeton, Ind. The shell will be placed over turbines in power plants. MOLLY BARTELS / EBJ

If you judged the company by its name — Highway Machine Co. — or its outward appearance — a cluster of nondescript buildings fronting U.S. 41 — you might think HMC was a pretty run-of-the-mill business.

You'd be wrong.

The family-owned company is noteworthy for what it does — HMC is one of only a handful of companies in the world that can create large high-precision gears.

But HMC also stands out for what it hasn't done. In its 81-year history, the company has never laid off a single employee.

The key to keeping people, said the company's president and chief executive officer Robert J. Smith III, is being willing to cut other expenses to the bone.

"People are the most important asset in every company," said Smith, the fourth-generation owner of HMC. Smith's great-grandfather, Robert J. Smith Sr., and his grandfather, Henry P. Smith Sr., started HMC in 1921.

The company began as a machine shop for the Princeton Mining Co.'s Kings Mine, another of the Smith family's businesses. The mine, which operated from 1919 to 1976, stood just across U.S. 41 from HMC. HMC was incorporated as a separate business in the 1930s.

Today, HMC serves the mining industry worldwide, as well as other industries that include automobile manufacturers, steel mills, power plants and aerospace.

In addition to the large gears it produces, HMC handles other jobs, including large custom fabrications, refurbishment of used parts and rebuilding gearboxes. HMC's products end up in machinery that's as near as Toyota Motor Manufacturing Indiana's Princeton plant, which sits just south of HMC on U.S. 41; and as far away as Peru, Africa and China.

Among the toughest times for HMC in recent memory, Smith said, were the years 1999-2004 — a period when many U.S. manufacturers struggled or closed



Melton Stilwell polishes the roots of a gear in the preparation and handling area at HMC in Princeton, Ind. HMC manufactures large gears and does custom machining.

► COMPANY PROFILE

■ **Street address:** 3010 S. Old U.S. 41, Princeton, Ind.

■ **Web address:** www.hmcgears.com

■ **Year founded:** Henry and Robert Smith started the company in 1921

■ **Number of employees:** 75

■ **What they do:** HMC manufactures and refurbishes large precision gears and other machinery components. Its parts are used in numerous industries including mining, power plants, automobile manufacturing and aerospace.

their doors altogether.

"It was like someone turned out the lights," Smith recalled.

But Smith said he was determined to keep HMC going without reducing his staff. "I know every one of those people, and I know the hard work they put into the company," Smith said.

The company currently has 75 employees.

The company's no-layoffs stance meant making some hard financial decisions, including:

- Eliminating the purchase of all non-essentials. No purchase was too small to escape notice, Smith said. HMC's shop floor workers usually wear out two or three pairs of work gloves a week. When

times were tight, they made do with one pair a week.

- Giving no raises and no overtime pay. Some employees also accepted salary reductions.

- Eliminating sales calls for a while. HMC has customers all over the world. When times were tough, it didn't make sense to pay for expensive trips when customers weren't spending much money.

"It was useless sending salesmen out," Smith said.

Instead, the sales staff contacted customers by phone and e-mail.

- Dipping into the company's reserves to keep things going.

"We spent all of our reserves in do-

ing so, but we made it and it paid off," Smith said.

After those lean years, things started looking up for HMC, though it has noticed effects of the most recent recession.

The parts HMC produces are expensive to make — the cost for just one part can run over a million dollars. Especially last year, the company noticed some of its customers were not spending as much.

"Most of heavy industry has cut back," said HMC's sales manager, John Schnarr.

But on the plus side, he said, sales rose about 80 percent between 2007 and 2008, and 2010 is shaping up to be a decent year.

In 2008, the company invested about \$20 million in new equipment, and later this year it expects to receive more new equipment.

"We're in pretty doggone good shape," Schnarr said, though he declined to reveal the company's annual sales. Because HMC is privately owned, it is not obligated to disclose its financial information.

Diversification has helped, Schnarr said — even if one industry that HMC serves is suffering, chances are that another industry is performing better.

HMC's small size has also been an asset, Schnarr said. The company is nimble enough to respond quickly to customer demand, especially in emergency situations.

"It's not uncommon for us to get a call any time, day or night," Schnarr said.

For instance, a coal-fired power plant recently needed to have a gear drive rebuilt. HMC was able to do the work in 16 weeks — less than half the time it would have taken the original manufacturer or other rebuilders, Schnarr said.

"Those are the things that win us customers."

On the lighter side, HMC has a fun historical quirk. Orville Redenbacher (yes, the popcorn guy) plays a part in the Smith family's business history.

One of the family's businesses was

IN PERSON ► MAIN STREET

Princeton Farms. In the early 1940s, Redenbacher was a county extension agent working in Terre Haute when the Smiths offered him a job as Princeton Farms' manager.

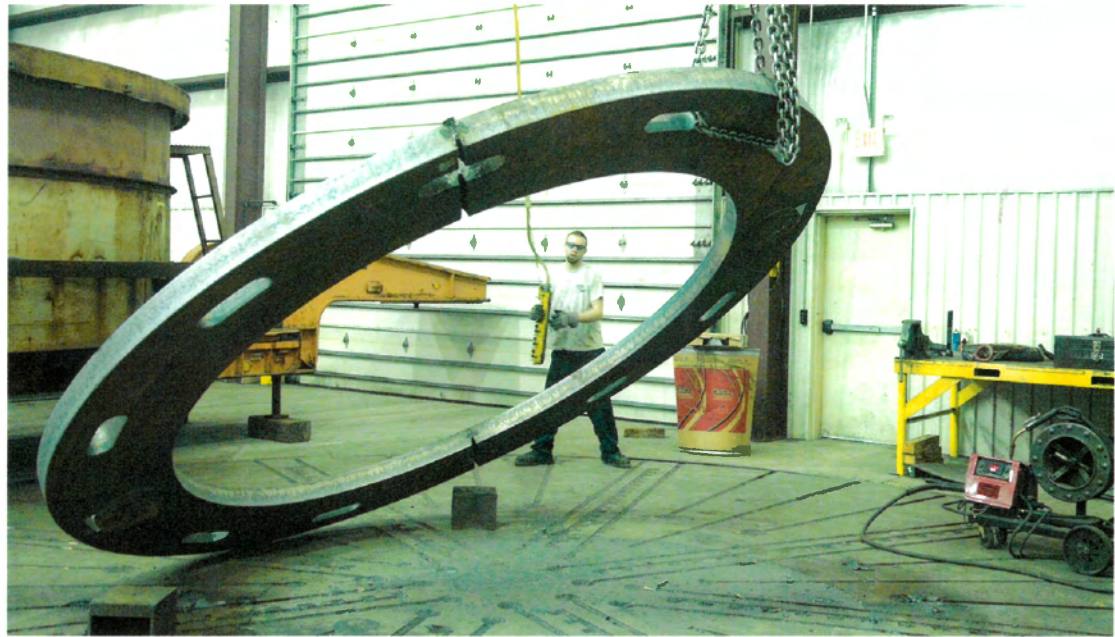
"My grandfather hired Orville, and they moved him down to Princeton," Smith said.

Over the 10 years or so that Redenbacher worked at Princeton Farms, he consulted with Purdue University to develop the Purdue 32 hybrid, a type of corn developed for optimal popping.

In a nod to its history, HMC has a popcorn popping cart in its office, and it gives away popcorn as a marketing tool.

"Every one of our employees, some time during the day, they come up and get a bag of popcorn," Smith said. **EBJ**

— **Susan Orr**, EBJ staff writer



Jason Broshears, a welder at HMC, positions the web section of a gear so that it can be worked on later.