

Grand Rapids Business Journal

The Business Newspaper
of Metro Grand Rapids,
Holland, Muskegon
& West Michigan

DECEMBER 29, 2008 VOL. 26, NO. 53

Eagle Alloy to mark 30 years this spring

Avoidance of the Big Three may have helped.

Pete Daly
Grand Rapids Business Journal

MUSKEGON — There is complete confidence in John Workman's voice when he says the employees at Eagle Alloy in Eggleston Township "shouldn't worry about our long-term longevity. We'll be here."

In the spring, Eagle Alloy will celebrate 30 years in business, and even if one or more of the Big Three U.S. auto companies are no longer functioning by then, that scenario will not leave Eagle Alloy in dire straits.

"By design, we've never solicited or entertained quotes" from GM, Ford or Chrysler, said John Workman. Eagle Alloy is owned and managed by both Workman and his partner, Mark Fazakerley.



MARK FAZARKY and John Workman of Eagle Alloy.
Photo by Johnny Quirin

"From day one," Fazakerley added to Workman's comment about not relying on the Big Three for business.

"Day one" was in 1979, when Fazakerley and a former partner started Eagle Alloy. Fazakerley said that year was "probably the last really great year" for steel casting foundries in the U.S. Business was so good that there was a huge backlog of orders placed with foundries. Lead times for delivery of orders was up to 52 weeks, he said.

"We saw an opportunity to start a small shop," said Fazakerley. Companies needing

castings "didn't want to wait that long."

At the time, Fazakerley had been working at Westran Foundry on Muskegon Lake — today known as Michigan Steel. Eagle Alloy started out small — very small, with just three employees.

"Those were the fun days," said Fazakerley — not that these days aren't, he added. It was just that things are far less complicated at a very small company, and there was a lot of variety through the day. Fazakerley recalls that some days he would make molds all morning, and then after lunch, get cleaned up and go out on sales calls in the afternoon.

Workman, who had been running a machine shop in Lansing, joined Eagle Alloy a year later. Today, the company and its three smaller subsidiaries are primarily owned and managed by Fazakerley, 59, and Workman, 60 (although a third partner owns part of one of the subsidiaries).

There are 300 employees now at Eagle Alloy, plus another 130 at the subsidiaries. Eagle Alloy employees have an ESOP, and about 20 percent of that company is now owned by them, according to Workman.

Eagle Alloy sales are now up to about \$50 million, plus about another \$25 million from the subsidiaries: Eagle Precision Cast Parts, Eagle Aluminum Cast Products and Eagle CNC Technologies. Eagle Alloy ships about 1.9 million pounds of castings per month.

Fazakerley said that today there are about 20 sand foundries in West Michigan, which does not include die cast foundries. In the 1960s, that number was closer to 40.

Although they had lost some business to Chinese foundries in the last several years, 2007 "was a record year for two of our business units, including Eagle Alloy," said Workman.

Fazakerley and Workman had predicted Eagle Alloy sales would be up by about 9 percent this year but the last few weeks of 2008 were so bad that they changed the forecast; now they anticipate finishing 2008 about 4 or 5 percent below last year.

Workman said the key to the company's survival as oth-



WORKERS POUR MOLTEN metal into castings for Harley Davidson Parts at Eagle Alloy.
Photo by Johnny Quirin

er foundries went under is in diversification.

"There is a lot of security in having a presence in so many industries," said Fazakerley. He estimates output goes to about 15 different industries. Those range from food processors to oil and gas rigs and pipelines, and motorcycles to farm implements and heavy equipment for construction, to name a few. Eagle Alloy's customers are all over the United States and Canada, too. One of its largest is an oil field in northern Alberta, Canada.

The size of the manufacturer's castings is one of its limitations, with a 400-pound part for an offshore oil rig being about the largest product it can make.

The decrease in oil prices slows down the oil industries, but lower fuel prices help the trucking industry grow, so companies that make trucks and truck parts need more castings. As one market goes up, another dips. Oil price cycles come and go every few years and are very familiar to Eagle Alloy, according to the two partners.

"Business is very fluid. You have to be flexible and adapt," said Fazakerley.

Although the troubles in the automobile industry are having a ripple effect felt throughout most of American industry, Workman and Fazakerley have a business strategy that has helped them. They call it "20-30-40" — no single customer should ever be more than 20 percent of their business; no single industry should

ever be more than 30 percent; and "don't grow so fast that you can't lose 40 percent of your business and still break even," said Fazakerley.

The two partners strive to keep their break-even as low as it can be, said Workman.

They are innovators, too. A few years ago, Eagle Alloy helped form Resource Recovery Corp. with several other Muskegon area foundries, to recycle the sand they use for making molds. Up to then, it had been going into landfills.

Eagle Alloy also built a seven-mile pipeline to the Muskegon Wastewater Treatment facility to buy the methane gas coming from the decomposing sewage sludge.

While business slowed down at the end of 2008, the main challenge facing the company is the same basic issue facing all industry during the current economic turmoil: "the unknown about what business levels are going to be for everybody. ... We're all intertwined," said Fazakerley.

Some of the big challenges faced by the metal-working industries in the last several years were the loss of business to China and a major run-up in steel prices worldwide — which was also due to Chinese consumption of steel.

About 60 percent of Eagle Alloy sales are through its own in-house sales team; the other 40 percent is through independent manufacturing reps. About six years ago, according to Fazakerley, the company's independent reps wanted Eagle Alloy to import Chinese

castings for resale here in the U.S.

"We were losing a lot of business to China," he noted.

So the two partners visited China in 2006 to see the foundries there, and the quality issues they saw convinced them not to partner with any Chinese company.

"There is a lot of work that will never come back" from China, said Fazakerley, but that tends to be orders for very large runs of small parts, in which high quality is not a critical issue to the customer.

At the same time, Eagle Alloy has embraced continuous improvement programs, and the company has always tried to be responsive to the demands of its customers. One of the company's strategies is to offer the lowest lead times available in the steel castings industry, and it now claims to be about half of the industry norm.

"Our target customer is a small, privately held business," said Workman. "They tend to have longer-term thinking and strategy, instead of 'what's in this for me today?'" he said.

Some of the larger companies that tend to become a particular foundry's major customer have clout they can wield arbitrarily — such as delaying payment when there is a cash flow problem. Workman said they avoid customers that want to stretch out the payment due dates, because he and Fazakerley aren't going to let some other company's cash flow problem become Eagle Alloy's problem.