

## PREMINENCE GONE SOUR

When Philip O. Geier, Jr. died and was followed by younger brother, “Pete” Geier, I became aware of my being the last male member of the second generation of Milacron’s founding family. Further, as a relative and former employee, I had a view of the enterprise covering more than half the life span of the company. Commencing in the mid nineteen thirties till the present I had seen the growth of this institution and its later decline. My exposure included all my relatives including Frederick A. Geier and much of the senior staff. My own perspective began to differ from the company view in recent years and led me to speculate on its possible demise. What factors helped the company to reach excellence in so many areas? Were there many factors leading to its decline?

### THE EARLY HISTORY OF THE COMPANY

In 1876, The Cincinnati Screw and Tap Company spurred by a growing need for fasteners, manufactured machines to make screws and the taps and dies that cut threads for them. Fred Holz and George Mueller were the principals in this firm. In 1878, needing a milling machine but lacking capital to buy one, they built their own machine. They soon found other businesses in the area wanted milling machines as well. Holz and Mueller incorporated on March 19, 1884, with Jacob Bloom supplying venture capital for a share of the company and its presidency. In the fall of 1884 the company won a silver award for its milling machine at the Cincinnati Industrial Exposition. By 1887 there was a modest profit. Frederick A. Geier, then working in a bank in Newton Kansas, was home briefly before his father, Philip died unexpectedly at age 49 on May 7, 1887 leaving a widow and nine other children. Through his father Uncle Fred had known Holz and Mueller. Subsequently, he met with them and on August 16 purchased Jacob Bloom’s share of the company. He became secretary and treasurer leaving technology in the hands of president Holz. Frederick, the workaholic, not only ran the office, did the purchasing, and promoted and sold the product. At the same time, he helped manage the affairs of his family on Ohio Avenue.

From the inception of the company, there was a close bond between the technical people (their contributions were highly valued) and family members. They called each other by their first names and considered themselves part of an extended family. The Geier brothers were part of a close knit family of ten siblings. When their father died prematurely they learned to support one another and this nurtured their ability to understand the importance of building relationships with others. Fred traveled extensively always on the lookout for new developments.

In 1889, the future seemed to be with machine tools so the Screw and Tap business was sold to a group of insiders who preferred the old business. The remaining company’s name was changed to *Cincinnati Milling Machine Company*. By 1891 business had developed so much that the old facilities were outgrown. A new plant was constructed on Spring Grove Ave. in a facility that was expanded several times.

From the earliest days of the machine tool business, Frederick A Geier had a keen interest in the safety and welfare of his employees. He tried valiantly to minimize layoffs in what was essentially a very cyclical business. In 1893, there was a financial panic and credit was tight. 500 banks and 15000 businesses failed. Uncle Fred found that in those hard times the bicycle industry was enjoying a boom. An Indianapolis company was willing to buy 12 milling machines on nine month's credit. Fred met with the employees to ask if they were willing to accept 25% cash and the balance in scrip in lieu of layoffs. The strategy was successful and allowed the company to survive until business conditions improved. For the next few years, sales to bicycle manufacturers were a significant portion of the Mill's output.

In 1897 the company's milling machine won its first gold medal at the International Exposition in Brussels, Belgium. In 1900 at the World's Fair in Paris a second gold medal was awarded. Clearly, the Mill was becoming widely regarded for the quality of its products overseas as well as at home. 10000 copies of an export catalog were issued in the following years. Electric motors were introduced in the milling machines of 1902 replacing the external mechanisms of pulleys, drive belts and remote power devices.

As sales kept increasing, Fred A. Geier felt the need for new quarters and looked beyond the city limits to find a large level site in Oakley, adjacent to a railroad, which could accommodate a number of manufacturers, not just the Mill. In 1911, the company moved to new quarters in Oakley on grounds comprising about 100 acres. A power plant, The Factory Power Co. was constructed to provide the high voltage to run heavy machinery. Additionally, a foundry, The Modern Foundry Co. was built to provide high quality castings for many of the products being made. My Uncle Walter (Walter H. Geier) ran this operation. Although my Uncle Fred's concept was initially considered foolhardy, it finally overcame objections from detractors and lured them to the site--among them Cincinnati Bickford Machine Co., Alvey-Ferguson, and Cincinnati Lathe and Tool. Uncle Philip Geier (hereafter known as P. O. Geier) negotiated a deal with the B. & O. Railroad to provide trackage to the complex. This truly was a predecessor of industrial parks built later in the 20<sup>th</sup> century.

By 1911 the company was growing rapidly and was beginning serve a growing demand from the automobile industry. In 1913 half of the Mill's sales were exports. In 1914 when war broke out, business was slow. By the end of the year Britain, France and Russia had placed orders as well as the neutral countries of Spain, Norway, Sweden, Holland and Switzerland. When Germany began sinking neutral ships in 1916, we began a war preparedness program. Larger and more powerful machines were required to produce the trucks, planes and tanks needed. But at the end of the war, the U.S. government cancelled most equipment orders so that employment shrank about 25% during the next year.

In April 1914, Frederick A. Geier asked his bother Otto to join the company and start an industrial medical department. This involved preventive health screening and measures to provide a safe and healthy work environment. Otto instituted cafeteria services to provide low cost, wholesome food to the workers. A Mutual Aid society was formed to give employees a means to provide for themselves in times of illness, accidents or death and

was beneficial later in the Great Depression. The highest standards of cleanliness were maintained in the locker rooms and washrooms. Communications mattered as well. Publications such as “*This Week at the Mill*” and the monthly issue of *The Milling Review*” were important. The sum total of these efforts helped create an intense sense of loyalty to the Mill and all it represented. Absenteeism was very low even during the flu epidemic of 1919.

Beginning in 1920 there was inflation followed by a sharp recession. Ford and General Motors were close to bankruptcy. Sales fell 78% and employment dropped from about 1000 to 250 at the Mill. Profits were minimal. There was an excess of unsold machines which the company warehoused. Credit was tight. The company reduced wages by 15% and spread the work around for the remaining employees. In 1921 Frederick V. Geier was able to persuade his father to buy the Cincinnati Grinder Co. a maker of center type machines that use wheels to grind metal into round or cylindrical precision parts. It was moved to Oakley the following year. The Mill was also able to add a line of centerless grinders to its product mix. By 1926 the Mill had become the largest U.S. manufacturer of machine tools. Its products were a standard for excellence throughout the world. After 1921 the economy recovered but the Mill grew slowly and didn't match World War I employment totals until 1926. Demand and employment peaked in 1929. After the stock market crash of 1929, in early 1930 that demand was relatively strong then it fell off sharply. As the depression worsened Frederick A. Geier cut his salary by 80% and reduced dividends. Many members of management dug into their own pockets to help those laid off. Through the Mutual Aid Society medical help and food supplies were distributed to those unemployed. Although the depression was especially severe in America, some foreign companies weren't as badly hit. Europe provided a source of orders. The Soviet Union, through its Amtorg trading arm, made substantial purchases of machine tools to help its farm equipment production and other industrial products. All these orders kept the Mill going. Frederick V. Geier visited Germany in 1931 and was frightened by what he saw--feeling future war was possible.

Frederick A. Geier died in March 1934. Frederick V. Geier succeeded him as president, with Philip O. Geier becoming chairman. In 1934 following his father's wishes and in view of protective tariffs encouraging investments overseas, he established a plant in Great Britain to make machines for European and world markets. By 1937 orders had recovered to the 1929 level but the next year a new recession was underway. Sensing a new World War II was approaching, Frederick V. used the idle portion of the work force to help build a new plant addition, rebuild machine tools, and create new recreation fields and lodges for the employees. Rearmament for the impending war brought new prosperity to the Mill. New plants and facilities were ready to handle the requests of the Allies before the outbreak of war for the U.S. The long established training programs enabled the Mill to rapidly enlarge its work force in this period of emergency. Midway through the war, America got the tools necessary for war production. Then, the Mill used its manufacturing skills to produce many of the products, rather than just tools, needed for the war effort. A planning committee was set up to explore how best to diversify for the inevitable postwar boom and bust cycle of the machine tool industry. In February 1946, to provide for expansion, the Mill sold \$3.8 million of new common and preferred

stock and was listed on the New York Stock Exchange. By late 1946 both my father and Uncle Philip had retired. My uncle Walter retired in 1938.

## THE MIDDLE YEARS

The company started making an industrial coolant, Cimcool, to replace the cutting oils used in machining. It also bought The Cincinnati Lathe and Tool Co., a neighbor, in 1950 later moving it to a new plant in Wilmington, Ohio. About the same time the company decided to enter the grinding wheel business. It also bought the Carlisle Chemical Co.-- disposed later. Then in 1954, a new machine tool plant was opened in Vlaardingen, in the Netherlands. On August 26, 1955 the 2000 employee Heald Machine Co. was purchased by the Mill. There had been a long standing relationship including patent sharing between the two companies. Products and processes began to be rapidly added to the Mill. Numerical Control systems were developed the late 50'S. NC systems grew rapidly requiring the building of a separate plant in South Lebanon in 1969. The Cimtrol division which had been developing special ways to mold reinforced plastics began producing plastic circuit boards used in computers, telecommunications hardware, video games, and electronic controls for cars. By 1968 the Mill entered the plastics industry by making injection molding machines. Shortly, thereafter the firm began making extruded plastic products. The Mill took on a new name, *Cincinnati Milacron*, in May of 1970. About 1974 the company entered the robot business with computer controls. In 1984 the Mill also became the world's largest supplier of silicon epitaxial wafers on which semiconductors were built. This plant was later sold to the Japanese. Many other acquisitions and disposals followed.

There were several management changes during this period. F.V. Geier retired as president in 1958 becoming chairman until 1963 then becoming chairman of the executive committee until 1973. Phil Geier, Jr. became president in 1963 and chairman in 1970, retiring in 1973. Jim Geier became president/CEO in 1970, chairman in 1981, and retired in 1990. Daniel J. Meyer succeeded Jim Geier as chief executive in 1990 until 2001 when he was replaced by Ron Roberts.

In the early 1950s Jim Geier, Pete Geier and I were enrolled in company training programs. At the end of my training, I left for Harvard Business School as some of my career choices in the company didn't appear open but my cousin Frederick appeared to be disappointed about my going away. In any event, I had many friends in the company who kept in close contact and conveyed their thoughts about company prospects. Some of my friends left to run other companies.

## THE UNRAVELING

From the mid sixties until recently I went to the annual meetings to hear management praise the progress of the company and offer hopeful prospects for the future. It was useful to share my feelings in individual meetings with some of the outside directors. Beginning in 1990, I became increasingly uncomfortable as the company seemed to be growing on a haphazard path adding divisions and shedding others. Managers changed

often in the new operations. Leadership at the top was now on the hands of those who felt financial engineering took precedence over operating management. The Mill increased the number of shares from 24 million to 39 million retaining 10 to 1 voting rights for earlier owners.

In 1991 the Mill bought Valenite, one of the leading producers of carbide metalcutting inserts. In 1998, the Mill's machine tool business was sold to Unova for \$200 million about half the level of sales. This business was later sold to MAG Industrial Automation without the legacy costs. At the same time Unova bought the machine tool operation, the Mill purchased the blow molding business of Uniloy, a maker of plastic milk and orange juice jugs, for roughly \$400 million. With machine tools gone, the Mill changed its name to *Milacron*. In 2000 just as the company's prospects seem to improve, the Mill bought back 4.5 million shares of common stock. The good times didn't last. By 2004 the company was forced to recapitalize taking on high cost debt provided by Glencore Finance A.G. and Mizuho International PLC. Business did not improve and by 2009 the Mill was forced into Bankruptcy. Successor lenders Avenue Capital Group and DDJ Capital Management LLC converted their high cost debt stake into ownership through a new entity called Milacron LLC. Much of the legacy costs were gone and pension and retirement responsibilities placed in hands of the federal pension guarantee fund.

In my opinion, a number of factors led to the decline. There was a shortage of good operating management as the firm tried to diversify too fast after the seventies. Not enough due diligence was exercised in acquisitions including the capabilities of outsiders brought in. From 1980 on there was no understanding of how much debt and capital were required to run a business of this size. In machine tools at least, German and Swiss companies seemed to do better while we complained about recessions. There was also a suspicion that MBAs lacked the skills to run the Mill when a good mix of technical, engineering and general management was always a prerequisite.

These are my thoughts. They also reflect my continuing exposure to the Mill through my Dad and many trips there during childhood. I also relied heavily on my earlier paper, *A Special Place*, about my father's role in the early development of the Mill. I am also deeply indebted to James A. Schwartz, PhD for his biographies of Frederick A. Geier in 1991 and Frederick V. Geier in 1995. He also wrote "1884-1984 Cincinnati Milacron: Finding Better Ways" published in 1984. From time to time, I used these as reference material.

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