

HOUSTON BUSINESS JOURNAL

Strictly Houston. Strictly Business.

Week of August 20-26, 2010



Gerald Chandler of Acculloy Manufacturing Solutions: 'Now we can take a purchase order and do the whole job ourselves, while each company can also work individually.'

BY TANYA RUTLEDGE

SPECIAL TO HOUSTON BUSINESS JOURNAL

When Gerald Chandler quit his job as a welder to start his own company 18 years ago using \$6,000 of his own savings, he didn't set out to change the industry. But in his own way, he has done just that.

Chandler, founder and president of AccuWeld Inc., has transformed his one-man welding shop into a full-service provider of welding, machining, cladding,

NDT (nondestructive testing), quality assurance and commercial coatings for oilfield and industrial component parts.

He says most companies specialize in one of these areas and then outsource the other functions, which creates large time lags in the overall manufacturing process. It's something Chandler experienced firsthand.

During AccuWeld's first eight years in business, the company performed welding but outsourced related work, accepting any

delays in completing projects as part of the course of doing business.

Frustrated by unnecessary hold-ups, Chandler bought a Houston machining shop in 2000 and renamed it AccuTurn Machining, enabling him to bring that function in-house.

Chandler says the purchase of an NDT company — which provides testing services as well as third-party vendor surveillance and structural inspections — three years later was another major stride

WELDING: Owner takes conservative strategy to bankroll expansion with own funding

toward eliminating contract delays. The company was renamed Material Inspection Technology.

“Inspection of the final parts tends to be the biggest hold-up,” Chandler says. “So that purchase was an important step.”

The last piece of the turnkey puzzle was commercial coatings, so Chandler started a new business unit, PerformaCoat, earlier this year.

And with all four of these functions in place, he launched a new umbrella company, Acculloy Manufacturing Solutions Inc., late last month.

While the 70-employee company offers all four functions related to the component manufacturing process, customers can also pick and choose from services a la carte.

“So now we can take a purchase order and do the whole job ourselves, while each company can also work individually,” Chandler says.

UNCHARTED TERRITORY

Chandler says he got the idea to combine all steps of the manufacturing process under one parent company about seven or eight years ago, but concedes that a key reason he chose that strategy is that he understood his limitations.

“I knew all about welding, but I didn’t know the first thing about machining, so it made sense for me to acquire a company and keep the owner on board for a time,” he says. “I worked to develop people into positions as part of integrating the companies I bought.”

When Chandler first started AccuWeld, he worked 100 hours a week, doing all the welding, truck driving and administrative work.

Chandler’s wife quit her job at the Harris County Sheriff’s Department at the same time he founded the company, which he says meant that “failure was not an option.” She now works on the financial side of the business, making it a family affair.

Until about two years ago, Chandler still performed welding work just to keep his skills sharp. But the company has grown so large that he now spends his time managing operations at each of the four physical buildings — located in close proximity — that house the various companies.

Although they are all now under one umbrella, Chandler says it’s important to him to keep their identities separate.

“We have separate meetings at each

company, but I do bring all the managers of each company together once a week so we are all on the same page,” he says.

Because all of his entrepreneurial principles are self-taught, launching Acculloy Manufacturing Solutions has been a new experience for Chandler and has taken him into uncharted territory, especially in terms of marketing. A consultant was hired to help publicize the turnkey manufacturing option to the industry through trade shows, press releases and the company’s Web site.

While annual revenue has held steady at \$12 million in 2008 and 2009, Chandler believes the new venture will enable him to double revenue over the next three years and increase payroll to about 85 employees.

He says he has invested about \$2.5 million in new equipment and facilities over the last year and a half leading up to the formation of Acculloy Manufacturing Solutions.

The company’s organic growth and acquisitions so far have primarily been self-funded, with Chandler rolling most of the profits back into the company rather than taking on debt. Chandler prefers to purchase his own machinery and real estate, rather than leasing.

“We have never had a lot of debt,” he says. “For us, it made sense to lower our taxes by putting the money back into the company.”

Chandler’s banker, John Meinke of Prosperity Bank, says it is refreshing to see an entrepreneur run a company using such a conservative strategy.

“The more equity he has in his own business, the easier it is to loan to them,” he says. “We’ve done a lot of financing for the construction of the premises, but he has handled most of the other types of financing himself.”

HIT A PLATEAU

Still, after years of slow and steady growth, Chandler says AccuWeld had hit a plateau, which led him to start planning the expansion and creation of Acculloy Manufacturing Solutions.

So far, several energy industry companies are using the new one-stop-shop approach, including Oceaneering International Inc. and Cameron International Corp. Other customers for specific services include Schlumberger Ltd. and National Oilwell Varco Inc.



ACCULLOY MANUFACTURING SOLUTIONS INC.

FOUNDED: The original company, AccuWeld Inc., was founded in 1992. AccuTurn Machining was created in 2000 and Material Inspection Technology was created in 2003 through acquisitions. PerformaCoat started earlier this year.
BUSINESS: Turnkey provider of welding, machining, cladding, NDT (nondestructive testing), quality assurance and commercial coatings for oilfield and industrial component parts.
OWNER: Gerald Chandler
EMPLOYEES: 70
2008 REVENUE: \$12 million
2009 REVENUE: \$12 million
WEB SITE: www.acculloy.com

While most of Acculloy’s work is centered in the Houston area, the company has customers that span the globe from Mexico to China, where its NDT company has a contract to conduct third-party vendor surveillance.

Customer Cody Burden, operations manager at Houston-based Cornerstone Valve, which has been a customer of AccuWeld for 15 years, says it is difficult to find one provider for welding, machining and NDT, and he plans to combine those needs into one purchase order under the new Acculloy Manufacturing Solutions umbrella.

“He saw the problem with writing separate purchase orders for these jobs, and instead of letting it go and saying ‘It’s not my problem,’ he did something about it,” Burden says.

Chandler expects the formation of Acculloy Manufacturing Solutions to take his company to the next level, with a focus on much larger contracts. But he doesn’t expect many competitors to follow suit.

“It’s very difficult to operate in all of these areas,” he says. “It’s something that made sense for us, but I don’t think a lot of other companies will try it. It’s a huge step in manufacturing.” ■

TANYA RUTLEDGE is a Houston-based freelance writer.