

THE LORD OF DISCIPLINE

No one will ever accuse Don Oberg of being soft. His employees work 50 hours a week and get all of 15 minutes for lunch. Yet last year, some 1,600 job applicants were clamoring to sign up. When it comes to building an industry leader, here's a man with a style all his own.

BY DONNA FENN

Word has it that the company president will fire you if he finds fingerprints on your machinery. Once, the story goes, he saw a stray match on his spotless shop floor and, like Sherlock Holmes, relentlessly followed every clue until he found the matchbook it had come from. He will follow wet footprints, too, and confront the employee who forgets to wipe his feet at the door. Pennsylvania's Allegheny-Kiski Valley is dotted with tool-and-die shops started by employees who just plain got fed up with the "prison camp" atmosphere and who left to start their own companies. In the midst of union country, it is the largest nonunion company in Western Pennsylvania.

Still, every year applicants show up by the hundreds, hoping for a chance to work at Oberg Industries Inc. Last year, 1,600 applied; 30 were hired. And those 30 had a taste of what was to come not only by the rumors, but by the very selection process.

"We had to draw circles with both hands," recalls Keith Schultz. "And you had two circles, one inside the other, and you had to draw a line in between them without touching both lines—at seven o'clock in the morning!" Schultz is describing the beginning of a long, stressful day of psychological testing at Oberg's Freeport, Pa., headquarters, a day patterned after Oberg's own workday: Start at seven a.m., quit at five, 15 minutes for lunch. No chitchat. Twenty years ago, there was even a dress code—no T-shirts, no blue jeans, no beards or mustaches, no long hair. Veteran journeymen say the company is less strict today, but the legend of Don Oberg the authoritarian lives on.

Oberg, the 69-year-old president and founder of Oberg Industries, believes pas-

sionately that precision products require a disciplined work environment. And that the ideal tool-and-die worker is one with unflagging patience for meticulous, often monotonous, detail who, at the same time, is creative enough to be always on the lookout for better, more efficient ways of getting the job done. A special breed. Carried to the nth degree, the description fits Don Oberg to a tee. He is a man with boundless curiosity and an almost manic obsession with finding ways to improve his company, which is how he came to adopt psychological testing as a standard hiring and promotion aid as early as 1949.

When he started his company in 1948, Oberg was among the first in the tool-and-die industry to see the potential of tungsten-carbide, a material more costly than steel, but one that lasts 15 times as long. Thirty-seven years later, Oberg Industries still makes tungsten-carbide dies. But in an industry immediately hit by any downturns in manufacturing and one that is increasingly vulnerable to foreign competition and overseas manufacturing, Oberg Industries has diversified both its products and its markets. A typical tool-and-die company has about \$2 million in annual sales; last year, Oberg racked up \$27 million. On the average, employees in tool-and-die shops number 30; Oberg has 320 workers in its main plant and four wholly owned subsidiaries. The company also shines in sales per employee: \$84,000 in 1984 compared with the industry average of \$67,000.

While Oberg, along with the rest of the tool-and-die industry, is wary of Japanese competition, the company manages to compete successfully with the Japanese in the Hong Kong market. "Oberg is one of

the few companies that has out-Japanesed the Japanese," says Myron Tribus, director of the Center for Advanced Engineering Study, at Massachusetts Institute of Technology. "The Japanese know that quality is the way you solve problems. When you strive for quality, all the other things fall in line. Oberg instinctively understood this from the beginning and made it his practice." The company gets away with charging premium prices, 5% to 10% above the industry average. But to people looking for quality, the price is right because the product is right.

American Robot Corp., a \$10-million, Pittsburgh-based robotics manufacturer, decided on Oberg when it was looking for a shop to make and assemble some robot arms to thread a needle 40 inches away. Says Bob Gorman, American Robot's vice-president of engineering, "Because of the degree of precision in this product, we had to find a shop that had the latest computer equipment as well as quality inherent in everything they did. We inspected their shop and they had exactly what we wanted. . . . I saw a complete system that went right down to the people and the way they think. I saw that this was no ordinary company."

Which is just what Don Oberg always intended.

The Oberg philosophy is apparent to visitors even before they enter the main plant. The white brick building sits on a

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DONALD WINSLOW/BLACK STAR

manicured lawn, landscaped with shrubs and rhododendron bushes, which are tended by children of employees who are on vacation from college. To the left of the entrance is an iron bucket, filled with sand—a subtle suggestion to douse cigarettes and a reminder to all of Oberg's personal antismoking crusade. (He even went so far as to offer his 35-year-old son Eric "Rick," \$250,000 to quit. The offer was declined.) Before entering the main plant, a sign requests: "Please clean your feet, dirt is our biggest enemy."

That is just the beginning. Inside, Don Oberg's strategically placed small green signs are ubiquitous—"If it's almost right, it's wrong," "We should strive for progressive improvement rather than postponed perfection," "Let's do the job right the first

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time," and the one closest to his heart, "The biggest room in our company is the room for improvement." The signs are everywhere—in the offices of managers, on secretaries' desks, in the waiting room, on the plant walls. Never missing an opportunity to convert a visitor, Oberg has extras stored in a cabinet in his office.

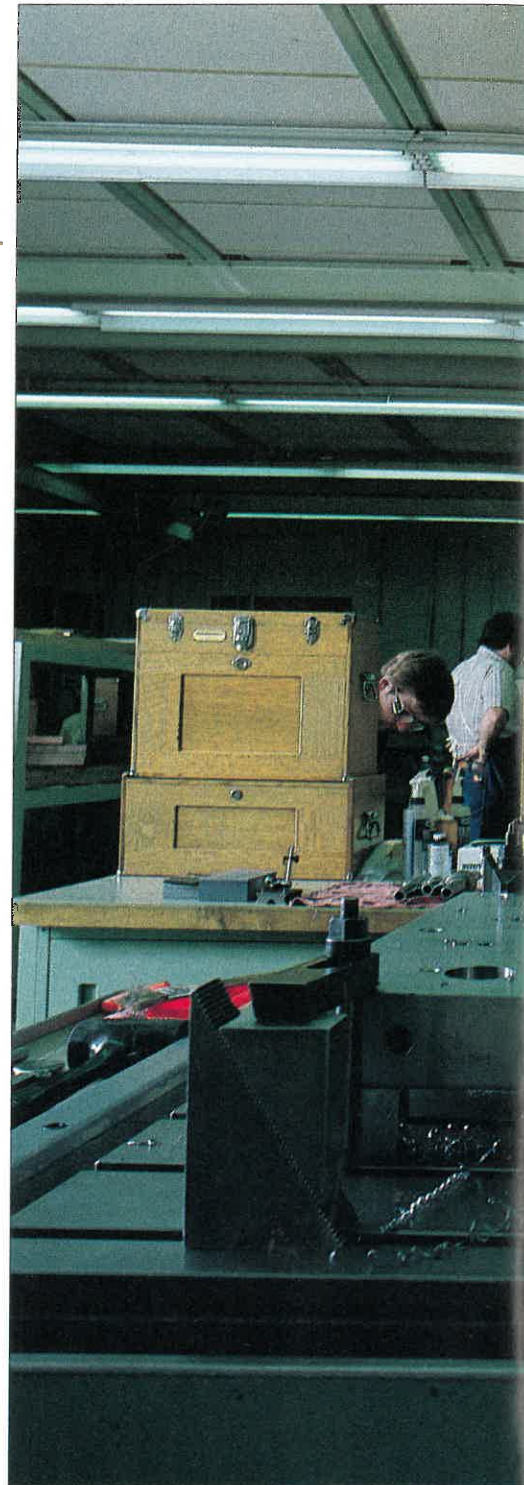
If Oberg's reputation hadn't preceded him, it would seem, upon touring the plant, that some hard-of-hearing maintenance man had mistaken the instructions "keep it clean" for "keep it green." All machinery is special-ordered with what one paint company now refers to as "Oberg green." Somehow, gray machinery always seems to look dirty, even when it isn't, muses Oberg, green is a clean color. And his favorite. The floor is green, even the toilet seats are green. A visitor is hard-pressed, however, to find a green shirt at Oberg. Says one employee, "I tell my wife to buy any color—except green!"

Truth is, whatever color he chose, the plant would still be immaculate. Bad housekeeping is one of Oberg's chief pet peeves, and he makes sure his employees know it. All new hires spend one to two months on the skeleton maintenance staff, a stint that not only gives them a lesson in cleanliness, but also familiarizes them with the entire plant before they are assigned to specific sections. Every day at 4:55, the machines stop, and the housekeeping starts—each person is responsible for cleaning his or her own work area.

What seems like an obsession with cleanliness to an outsider is just plain smart in the precision tool-and-die business. Oberg makes parts that are cut and ground to tolerances of up to .00005 of an inch—1/150 the width of a human hair—and a speck of dirt can create havoc by skewing a measurement. It makes good marketing sense, too: "Our plant is our biggest selling point," says vice-president of marketing and sales Phil Dolan. When the company flies customers in to see the plant, "they assume that because it's so meticulously clean, attention to detail of the product must be the same."

In the tool-and-die business, it can take 2,000 to 3,000 hours to build just one precision die. Oberg's 76 surface grinders, among the most skilled employees in the plant, work in small, glass-enclosed, fully equipped, carpeted rooms, complete with piped-in music. Oberg was one of the first in the industry to build such rooms, at a cost of \$40,000 each. They cut down noise, increase productivity, and have the added benefit of inhibiting conversation among employees. With 15 minutes for lunch in the course of their 10-hour workday (plus 5 hours on Saturday), there is little time for socializing anyway. Several apprentices jokingly confess that they have adopted the same compulsive habits at home, often wolfing down dinner in 15 minutes and going out of their way to pick up litter on the street. It is all part of the discipline that Oberg feels is necessary to make his company the best.

From the time they are hired, Oberg employees are given the subtle message that they are, indeed, the best. Only a fraction of those who apply for the apprentice program in the course of a year have good enough high school math and science grades to be called in for the day of testing. Of those who take the test, only 10% are hired. The rigorous selection process gives employees a feeling of camaraderie, and they often speak of it with the fervor of someone who has just completed an Outward Bound weekend. But they are definitely among the survivors. "The first question your friends ask when you're hired here is, 'Who did you know?'" says Dan Felack, who applied to the Oberg apprenticeship program after he was laid off by a local steel mill. But the question is irrelevant. "That's one thing about this company that I really like," Greg Chambers adds. "It doesn't help to have any pull, it really doesn't." Don Oberg would be pleased to hear that. When asked how he thought employees view him, he answered, "That I'm tough, stubborn. I hope more than anything else that they realize I'm fair. I lean over backward to be fair." Chambers, a college graduate, recalls that many prospective employers refused to hire him, because he was overqualified. "Oberg didn't take that into consideration," he says. "They don't care what



your background is—they're really taking you from scratch. They accept you as you walk through that door, and they're going to mold and make you into what they want you to be."

The molding begins with the four-year apprentice training, standard in the industry. Oberg's program has "a certain elitism" about it, according to Bill Di Pietro, of the Pittsburgh-area office of the Labor Department's Bureau of Apprenticeship & Training. The classroom portion, about 10% of the overall training, is taught by



Oberg's engineering department. "Most companies," Di Pietro says, "send their apprentices to vocational-technical schools or to community colleges; the fact that Oberg does in-house training is rather unique." It may be unique, but it is hardly surprising. Don Oberg wants to instill a respect for quality in his apprentices from the very beginning, and he wants it done his way.

Oberg Industries is a meritocracy from day one. Everyone's work, from the new hires to the veterans, is evaluated every six

months by a supervisor, but the spirit isn't punitive. "I feel I'm learning, I'm being watched," says apprentice Felack. "Not like Big Brother looking over my shoulder—it's a helpful type of watch." Most apprentices receive merit pay increases every six months until they earn their journeyman papers. Journeymen, whose pay averages \$36,000 to \$42,000, also get raises on a merit basis—their seniority gives them no added clout even when it comes to layoffs, infrequent though they may be.

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In a county where unemployment is 10.3%—nearly 3% higher than the national average—Oberg stands out. "Other companies want concessions [from employees] or threaten to move down South, but you don't hear that here," says Felack. He was called back to his old job, but he wouldn't leave Oberg. "Right now, I'm

probably losing over \$3 an hour being here. But the job security in the future means more to me than that. I feel I have that here; I didn't feel I had it in the steel mill." In a cyclical industry, Oberg not only keeps its people working, it has kept them working overtime during most years. "Since I've been here," says journeyman John Arthur, "I've only had a few months in 20 years when I didn't work 50 hours a week."

When times are hard, many tool-and-die companies drop their apprenticeship programs, a practice Oberg Industries finds shortsighted. In recessionary 1982 and '83, especially tough years, Oberg hired eight new apprentices. "We continued to hire, to train people," explains David Shondeck, 41, executive vice-president. "We knew we were going to come out of the recession, and we wanted to be in a position to take advantage of that." Still, the company had to cut back somewhere. "We asked for voluntary layoffs among the journeymen," says Shondeck. The company assured its employees, nonunion as is 95% of the industry, that all the volunteers would eventually be recalled. Over a five-month period, more than 20 journeymen stood in unemployment lines, confident that the company would keep its word. It did. As apprentice Chambers says, "You can afford to put your trust in a company if you know everyone is giving 100%."

Everyone knows the man at the top is giving 100%—and then some. Apprentices boast that Don Oberg's car is in the parking lot when they arrive in the morning and after they leave at night. By his own reckoning, Oberg has visited thousands of companies all over the world to see what ideas he can bring back to Freeport. His endless quest for better ways of doing things is how he discovered psychological testing so early in the game. Within six months of founding his company, Oberg had to fire one of his cousins, a painful family affair, and decided then and there to find a way to avoid hiring the wrong people in the first place. As chance would have it, he struck up a conversation with his seatmate on an airplane a couple of months later—the man worked for a psychological testing company. Skeptical, but eager to try something new, Oberg arranged to have himself and a group of employees tested. "After I'd taken that test, I could have sworn he was my next-door neighbor for 20 years," Oberg says, lowering his voice to almost a whisper, pointing his finger, and squinting his blue eyes. "He told me my strong points and, most importantly, my weak points. So from then on, we did psychological testing."

Also early in his career, Oberg did business with a company that was the victim of an unfriendly takeover by its major customer. Like many tool-and-die shops, the company had been dependent on a hand-

ful of accounts for its livelihood. Oberg listened sympathetically, went back to Freeport, and laid down the law: No one customer would ever account for more than 15% of sales. He turns away business that threatens to go over the limit.

What Don Oberg has been most caught up in, however, are new technologies, direct ways to improve production at his company. He thrives on change. In 1975, he says, Oberg Industries was the first tool-and-die maker to bring in a computer-aided design and manufacturing system, now a \$4-million investment. Oberg is certain

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that the system has improved productivity, but ask him for hard numbers and he will stare incredulously, as if you have missed the point entirely—to him, it represents the best in new technology, and if it is new and the best, then there is no question that his company will benefit.

Over the past few years, changes of all sorts have occurred at Oberg Industries at an even faster clip than usual. In 1979, Oberg hired back as assistant plant manager Dave Shondeck, a mechanical engineer who, a few years earlier, had left the company, deciding there was not enough room at the top. This time around, Oberg assured him, he could go as high as he wanted, except for the presidency, which was reserved for his son Rick. It was an uncharacteristic gesture, breaking with a firm Oberg tenet: "Once you leave here, you're through!"

The company was on a roll at the time, Shondeck recalls, faced with a "myriad of opportunities—constantly being contacted by people for joint ventures and partnerships, a lot of them offshore." To make any decisions at all, some long-range plans had to be made. As usual, it so happened that Don Oberg had talked to someone who had had a good experience at the American Management Associations' Center for Planning & Implementation, in Hamilton, N.Y. So, in 1980, Shondeck, Oberg, and members of the board signed up. Over the next six months, they developed a plan to diversify products and markets and to create a new management team. Phil Dolan, their AMA planning di-

rector, left to join Oberg as marketing and sales vice-president.

"Take any one aspect of Oberg Industries today," says Dolan, "and you can't accurately call it unique; what's unique is that Oberg is now a multimarket, multi-product company." Five years ago, 80% to 85% of Oberg's business was in precision carbide-stamping dies for customers that were particularly vulnerable to competition from the Japanese. Since then, with a reputation as a quality-conscious shop and the engineering skills its size allows, the company has been developing and entering new product areas, so, in the words of Dolan but in the spirit of Don Oberg, "We can learn some things." One lesson that has been painful, at least in the short run, is Oberg-Arizona Inc., a subsidiary opened in 1980. The Chandler, Ariz., facility, headed by Rick Oberg, stamps out lead frames primarily for semiconductors but recently, as Rick laments, "the whole industry really took a nosedive." Otherwise, the company's diversification plans are on schedule, and today, it manufactures products as diverse as dies for flip-top cans and lead frames to parts for nuclear-reactor fuel cells. Oberg's customers include Gillette, IBM, Eastman Kodak, and the U.S. government.

His company may have changed, but Don Oberg has remained pretty much the same. In his office, he surrounds himself with memorabilia of the old West, including a collection of flintlocks and at least five powder horns. "I'm an old cowboy at heart," he confesses, and whether it is his uncanny resemblance to Ronald Reagan or the restless way he sits, you see it immediately—Don Oberg is a cowboy and, like his heroes, he has done most of his pioneering alone.

That has been a mixed blessing. If Don Oberg's biggest strength has been his consistent ability to keep ahead by putting new ideas into practice, his biggest weakness over the years has been a failure to communicate with key employees, primarily supervisors, during that process. "About 10 years after starting the company, I just announced to our department managers that as of next Monday, we were going to start making form dies," Oberg recalls. At the time, the company's major business was in laminations for electric motors. "My chief engineer said, 'Form dies! We don't know enough about form dies to do it.' I said, 'I know you don't know much about it, but I do.'" His decision appeared so precipitous to the engineer that the man left the company. Ten years ago, Oberg made the same type of announcement, only this time it was that the company was going to start making its own diamond wheels. "It creates problems," says Rick Oberg. "He doesn't say it, but you almost hear the unspoken words, 'You're doing it that way because I told

you so.' Your first reaction is a little anxiety."

Don Oberg sees it differently, of course. Next to bad housekeeping, his major complaint has been with supervisors who are resistant to change. The only way to get anything done, he concludes, is to do it himself. "If he sees someone doing something wrong, and there are four layers of management between him and that person, he'll just complete the loop himself and zip right down to the shop floor to rectify the situation," says Rick. That may give shop-floor workers instant access to the president, but it does little to build the confidence of managers.

Oberg doesn't deny the practice. "We had a guy in charge of one of our departments here, and in my opinion, he wasn't doing a good job," he recalls. "One day I called in the three bosses—the plant manager, the master mechanic, and his immediate supervisor—and I said, 'How long are you going to put up with that so-and-so? He is so negative, he cannot do anything new or different.' And the plant manager said, 'Well, he's had 20 years' experience.' I said, 'He does not have 20 years' experience. He's got one year of experience for 20 years. It's the same thing over and over again. Every time I get out to another company and see what they're doing, they're ahead of us. So what do you fellas have to say?' They just sat there. I said, 'You guys make me sick. You are the fellas who should be unhappy with him. I want you to tell him tonight he's done in that department.'" An Oberg veteran concludes: "Don has always encouraged change, but I also think his domineering style beat the aggressiveness out of the supervisors. Ten years ago, the toughest job here was that of a supervisor."

In the late 1960s and early '70s, increasing dissatisfaction among supervisors, both about the strict work environment and their lack of authority, resulted in several key people leaving. It all started when a golf buddy, described by Oberg now as an "ex-friend," lured away six employees, most of them managers, in an effort to duplicate Oberg's successful business. After about a year, most of the six left their new employer to start their own companies, and over the next few years others from Oberg Industries followed suit. Today, many of the newcomers compete directly with Oberg, and, since they make fewer capital expenditures, they have significant cost advantages. Bob Grafton, 56, president of Ultra Precision Inc. and one of the original six, has applied to his own business what he considers the best of the Oberg philosophy—the emphasis on quality and cleanliness. "I even got the name of my shop from Oberg," he says. "He always said we have to have ultraprecision." Grafton, conspicuously dressed in lavender, jokes that, "I got to the point where I couldn't wear anything green." He found

the Oberg work environment too stifling, he says, and couldn't "see myself working like that when I was 50."

Still, Grafton and his contemporaries are more than willing to acknowledge their debt to their mentor. Last December, after 16 years of not speaking to Grafton, Oberg finally agreed to let his ex-employee organize a testimonial dinner, sponsored by the 22 companies Oberg Industries has spawned. "It wasn't held to toss bouquets and sing 'Auld Lang Syne,'" says Grafton, "but in recognition of the fact that if it weren't for Don Oberg, none of us would be in the business today. . . . Anywhere in the country, wherever people think of carbide dies, they think of Oberg."

It won't be long now, however, before bouquets are tossed and "Auld Lang Syne"

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is sung in earnest in Freeport. Don Oberg will be 70 years old in February. While he insists that he has 20 good years of work left in him, he is thinking seriously of naming Rick president at that time. It is not surprising that the question at Oberg Industries these days is: What will happen to the company then?

By his own admission, Don Oberg won't ever fully retire. Indeed, it is difficult to imagine Oberg Industries without him. Even though he has mellowed a bit over the past few years, his vision, values, and decisive leadership permeate the corridors and cubicles of Oberg Industries just as surely as do the little green signs urging "progressive improvement."

In the past five years, it has become clear to everyone at the company that filling Don Oberg's shoes isn't a job for just one person. "His role is being replaced by half a dozen other people," says Shondeck, who was promoted from assistant plant manager to executive vice-president in August 1980. That may be easier said than done. As Shondeck himself admits, Oberg's physical presence has made a big difference in the plant. "A lot of the supervisors depended on him . . . which meant that if Don was in the plant, we had one degree of motivation, and if he was out of the plant, we had another. We now emphasize to the supervisors that it's up to them. . . . They're expected to recommend new equipment, machines, new techniques."

For his own part, Shondeck claims that Oberg has given him the authority worthy of his new title. "When I came back in 1979, we were putting a piece of equipment in place and I walked into his office and said, 'Don, we think we have a piece of equipment where we want it. How about coming out and taking a look?' He said, 'No, that's quite all right; you guys put it where you want it.' In 1975, he would have walked out in the plant and said, 'I want it here.'"

Perhaps the biggest source of speculation is how Rick Oberg will make out as president. In a company that has succeeded in large part through Don Oberg's deep belief in rewards based on fairness and merit, passing the torch to Rick, when Shondeck is, for all practical purposes, ex officio keeper of the flame, seems to fly in the face of reason. Since the trust that Oberg has in Shondeck is no secret, it is no wonder that many, particularly some of the veterans, feel he is the natural heir to the throne. What's more, they know Shondeck better. Rick has spent most of his time in Arizona and will continue to live there, commuting to Freeport when he takes over.

Don Oberg, with his strong sense of family loyalty, sees it differently, however. To him, it is only fair that a son should have the chance to follow in his father's footsteps—if, that is, he can pass muster. Oberg says, "When Rick becomes president, I'm going to stay on as CEO and chairman, and if he doesn't do his job, he won't stay on as president. We have 275 employees here [in Freeport]. It's not fair for somebody to get that job just because he's related to me. I want this company to continue to grow."

Rick is in many ways the antithesis of his father. His cigarettes and constant companion—a standard poodle named Willi—belie his strict upbringing. Even a casual observer can detect tension between the two. But curiously, Rick is less concerned about how his father will view his performance than about the employees' expectations. "It bothers me from the standpoint of their anticipation, the perception of my filling my father's shoes," he says quietly. "I can't do that. I'm not built the same way. He's zooming here and there; I'm more of a plodder." And, as he says, he will rely heavily on the management team headed by Shondeck.

In the final analysis, the future of Oberg Industries may depend less on Rick Oberg or Dave Shondeck than on Don Oberg's ability to let them run the business, whatever their titles. And, single-minded about his company as he is, the man who fervently believes that "resistance to change is what's killing our country" shouldn't be underestimated. In his seventieth year, he may well be ready to endorse the biggest change yet in the history of Oberg Industries. □