

COMPANY PROFILE
SCHATZ BEARING CORP.

Reinvention through Innovation



SCHATZ BEARING CORPORATION has been a part of the Hudson Valley Manufacturing landscape since 1910. Throughout its long history the company has experienced growth and contraction, years when business was booming as well as years when it was a bust. Reviewing this history, which includes a bankruptcy and major layoffs as well as a rebirth and restructuring under new owners, it is possible to glimpse the challenges involved for a manufacturer to survive in the Hudson Valley.



The company has changed dramatically from its heyday in the 40s and 50s and from the tumultuous years of labor strikes and layoffs in the 70s. The Schatz Bearing Corp. of 2014 is enjoying success and expecting to increase business by at least 50 percent over the next five years. The company still manufactures ball bearings though its customer base has evolved from the automotive industry to more highly regulated industries like aerospace and defense, where the quality and traceability of components is critical.

“Innovation, teamwork and customer service have become important parts of the current company philosophy at Schatz,” said company President, Stephen Pomeroy, Ph.D. “One of the best things about the company today is the work atmosphere we have. Customers come in and tell us they can feel the enthusiasm and employees are excited to come in to work each day. It is this work culture at Schatz that makes the difference. Giving employees a degree of autonomy and the freedom to make decisions hasn’t always been the case here, but it has made us a more successful company over the last few years.”

The company was founded in 1895 as Schatz Hardware Manufacturing in New Haven, Connecticut, where Adolph Schatz and his son Herrman manufactured metal specialties. In 1910 the business was renamed the Schatz Manufacturing Company and relocated to Fairview Avenue in Poughkeepsie, NY. By 1915, having realized that there was great potential in the automotive industry, Adolph Schatz started a separate company, the Federal Bearings Company, which manufactured high-grade ball bearings for automobiles.

Expansion in facilities and workforce continued through the 20s and

30s and by 1940 the company employed 700 people. In 1944, Schatz Manufacturing bought out Federal Bearings and the company became known as Schatz-Federal. The facilities had grown large enough to house a fully equipped hospital and employment topped 1400. During this time the company manufactured ball bearings primarily for the automotive industry, with accounts like NAPA and Ford, but a small percentage of their product was designed for the emerging aerospace industry. Business was booming and, along with IBM, Schatz was one of the largest employers in the Hudson Valley. Unfortunately this growth was not sustainable. “A lot of organizations have to fight complacency when they become big and are doing well like Schatz was in the 40s and 50s,” Pomeroy explains. “One thing we know today is that to be successful in our industry you have to always be improving. Complacent companies fail.”

By 1967–68 that complacency had begun to take its toll and there was a 15-month labor strike, not the first strike for the company but the longest. During this time Schatz-Federal lost some of its key customers because they were unable to fulfil orders. The 1970s saw a drastic downturn for the American automotive industry and Schatz-Federal suffered along with it. Parts were being imported from overseas and many of the more skilled workers had found other employment during the ’67 strike. After losing the NAPA account, the company was forced to file for bankruptcy

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like China. Schatz is the company to look to when quality and traceability are important. Many of our customers are in aerospace, defense, and safety critical industries,” explains Pomeroy. “We manufacture bearings with a minimum bore diameter of 1/8” up to 14” outside diameter. We use standard bearing quality steel as well as several different kinds of stainless steels.”

“There’s a difference between a watch and a ball bearing,” says Chuck Kitchen, Vice President of Sales and Marketing. “Drop both and which do you worry more about damaging? The fact is that you will do more damage to the precision of a ball bearing than you will to the watch.”

Schatz products are found in several industries including aerospace

in 1980 and there were major layoffs. In 1981, the company was closed and liquidated. The Schatz name and many pieces of equipment were purchased from the liquidator, enabling the birth of a new Schatz Bearings Corp., with 10 employees, in December 1981.

In 1985 the Pomeroy family purchased the company. Current President Stephen Pomeroy began working there in 1989 and now leads a workforce of 100 people. Schatz still manufactures precision ball bearings but the focus is now on quality rather than quantity. “Bearings are a commodity and in certain sectors we just can’t compete on price with those produced in low-cost countries

(the customer list includes Boeing, Airbus, Bombardier and Embraer) defense, medical, and semiconductor. Not only does the company have to be an approved supplier, nearly all of the products manufactured must also pass a stringent testing and customer approval process and, in some cases, receive government approval as well.

Schatz now manufactures smaller volume and specialty orders in close consultation with its customers. New products generate the need for new innovative bearing designs, so the company provides customers with engineering design services as well as manufacturing. In applications where safety is critical and product life spans are long, such as aerospace, some bearing designs have been in production for decades. The challenge in these applications is to keep up with the significant improvements in manufacturing technology.

Over the last few years, Schatz has been able to cut down production time. “Schatz is a lean company and has streamlined its manufacturing process to enable quick changeovers on machines and shorter set up times,” explains plant manager, Bob Lanser. “Our employees are like a pit crew in racing. Since embracing the lean methodology, set ups that once took eight hours can now be accomplished in 30 minutes. This makes us different from our competitors because we can produce the product nimbly and with the required certifications and specifications our customers need.”

To accomplish that, it is important to hire the right people. Schatz offers competitive wages and provides training opportunities for employees, recognizing that turnover can be more costly than investing in a positive work culture. Employees are encouraged to contribute innovative ideas

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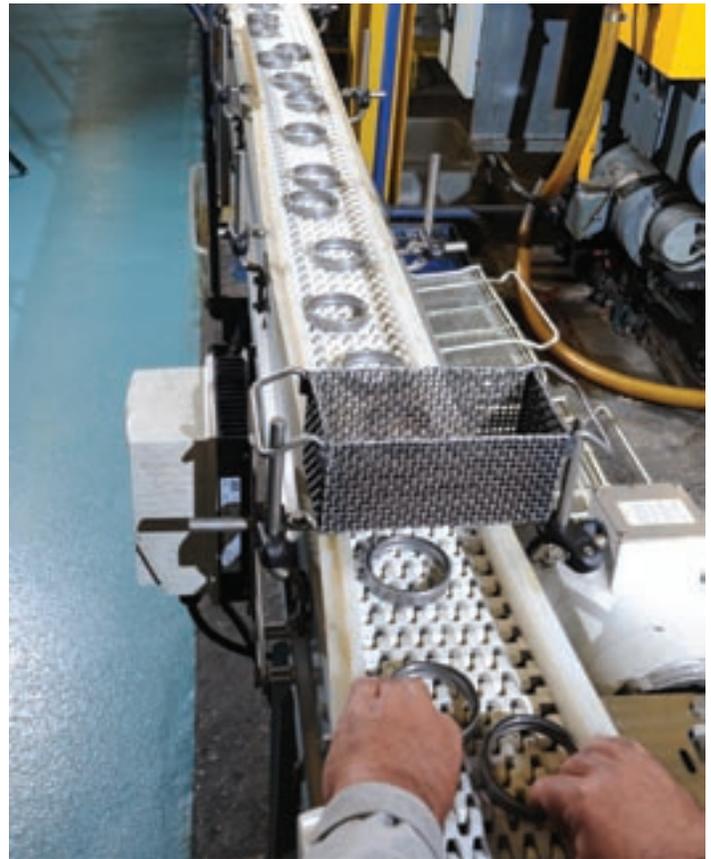
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about the process and given autonomy and authority to encourage their contribution. “We have excellent engineering capabilities that allow us to solve problems with existing applications as well as create innovative solutions for new products,” explains Pomeroy. “But innovation isn’t just new products, it’s also ideas that reduce our set up time or improve quality. Those ideas can, and have come from anyone that works here.”

The company has also been reducing its carbon footprint through a variety of projects. “When the Council of Industry first got involved with the electricity purchase consortium, it got me to thinking about ways that we could modernize our facility from an energy consumption standpoint. As I looked into it, I realized that there was a lot of great technology out there that would save us a lot of money in the long run. When you combine that with substantial government incentives and the fact that it is good for the environment, I think that it’s one of the best investments that you can make,” says Pomeroy. So far Schatz has upgraded the entire facility with state of the art high-efficiency lighting, upgraded the compressed air system, insulated steam supply piping, installed float switches on pumps and instituted material recycling.

In addition to participating in the Council of Industry’s energy consortium, Schatz has also drawn on the Council of Industry as a resource for employee training. “We have sent many of our supervisors through the Certificate in Manufacturing Leadership Program and even some people that aren’t supervisors, just because of the basic overview of business the program provides,” Pomeroy says. “It helps when employees understand terms like ROI (Return on Investment) and the cost of waste

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and scrap. The program provides an overview that adds value to the big picture. The Council has also been able to help us secure training grants and other funding for lean training. What I really like about the Council is that they help us to solve the problems we actually have, by steering us to the right resource. They don't force-fit us into programs that aren't needed."

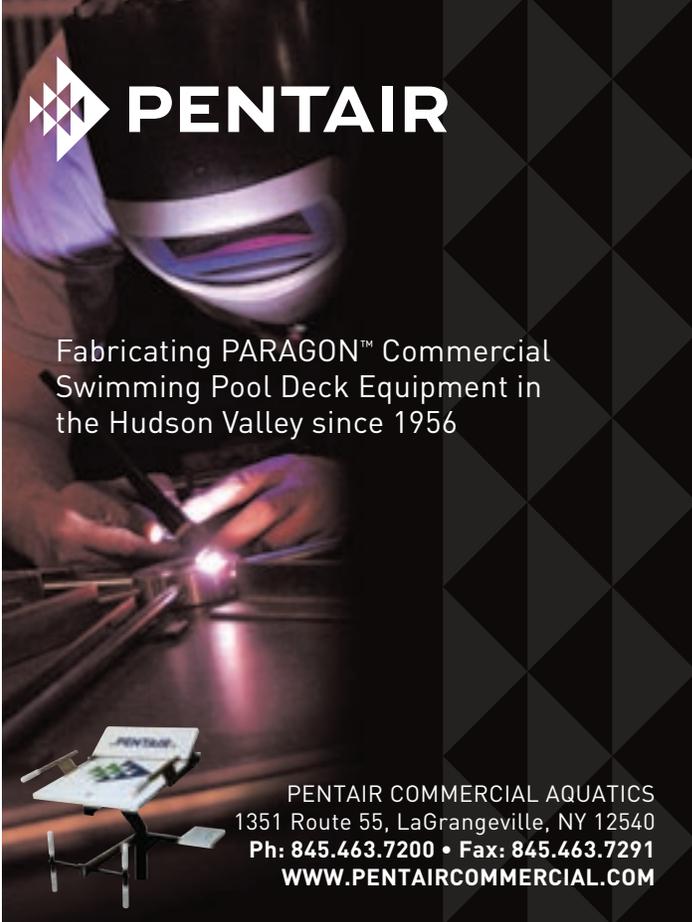
It is this investment in their workforce that helps distinguish the Schatz of the 21st century from its predecessors, but the workforce itself is probably very similar to that during the early days of the company. Approximately 20 percent of current employees are immigrants, with a strong work ethic and drive toward making a better life. That sort of dedication and ethic, in addition to an aptitude for mathematics and mechanical abilities, are attributes that the company looks for in its employees. Potential workers are interviewed by a team and to be hired must be considered a good fit by all members.

While the company, by design, will likely never reach the epic proportions of the post-WWII era Schatz-Federal, it plans to grow considerably over the next five years. Ironically, it is the lean processes making Schatz such a nimble company that also present its greatest challenge. Schatz has difficulties finding quality suppliers able to provide the materials they need on a just-in-time basis, part of the lean process of keeping just the amount of materials needed on hand. Yet, despite this obstacle, the company is thriving. With the positive workplace attitudes of its employees and the innovative approach of its leaders, Schatz Bearing Corp. could see another hundred years of Hudson Valley manufacturing.



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