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## Precision Industrial Bellows Production



**Michael Canty**  
President & CEO

For more than 75 years, Alloy Bellows & Precision Welding has been supplying the world with metal bellows, bellows assemblies, thin-wall seam-welded tubing, and welding, soldering, brazing and nondestructive testing services. Our dedication to providing high quality products and services on time and on budget has allowed us to become a leading supplier to companies, both large and small. Our unique capabilities, flexible manufacturing environment and, most importantly, our staff have allowed us to meet our customers' most critical demands.

**Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine**

**CEOCFO: Mr. Canty, what is Alloy Bellows?**

**Mr. Canty:** Alloy Bellows is a manufacturing company that produces precision industrial bellows, which are custom-engineered components that look like accordions, but are made out of metal. They are used in power generation, oil and gas, semiconductor and aerospace markets.

**CEOCFO: Would you tell us a bit about the industrial bellows industry?**

**Mr. Canty:** Industrial bellows are niche, but critically important products that are used in a wide array of markets and applications. There are a variety of companies that make different types of industrial bellows. Some are focused on one specific type only, and some competitors have two or three different styles. We have the three basic styles of precision industrial bellows, precision being four or five inches in diameter and smaller. The expansion joints in a different market are much bigger

and can range to as much as 20, 30 or 40 feet in diameter. We are not in that market space. Our products are more precision bellows assemblies. Most of the competitors that we deal with in the United States are small companies. They are not public companies. A couple larger ones are owned by a foreign entity and have plants in other parts of the world, but also manufacture here in the United States.

**CEOCFO: Why do your customers want an Alloy Bellows product?**

**Mr. Canty:** Alloy Bellows is not the biggest producer of industrial bellows, but we go to great lengths to produce some of the best that are out there. We invest heavily in state of the art equipment that we test, design, engineer and build to produce precision bellows of exact standards. We produce our products under quality certifications such as AS9100 Rev C, NADCAP, and ISO 9100; the first two are required for aerospace applications. We are an integrated supplier, which means that we do almost everything from beginning to end. We do not outsource many of our component parts and then just assemble. We do the machining for the adapters and bellows extensions. We do the tube making and we do the stamping for the edge-welded bellows. We do our own welding, brazing and soldering. We test our welds with x-ray and fluorescent penetrant inspection techniques. When a company receives one of our custom designed bellows assemblies, they can be sure that it is exactly as they need it. Because our products and processes are all repeatable, they are something like a BIC pen, but much higher quality. It is the same way – first time, every time in a frozen process, and they do not have to worry about quality and standards.

**CEOCFO: Would you provide a concrete example of where all those various quality controls, technologies and features come in to play?**

**Mr. Canty:** It starts with the design of the product. Some of our customers may come to us and say they need a bellows of this size and this performance characteristic, and we will design it. We will work with their engineering team so that we can design the standards, characteristics and quality into the product. At the same time, we can work with them on the manufacturing side from our design standpoint to ensure a reasonable manufacturing cost. We can discuss with them tolerances, sizes, and manufacturing techniques where they might improve the value, improve the performance, and maybe even cut down on the cost. They can get the best of both worlds in a balanced, cost / quality basis. Another example might also be how we manufacture our products. Every single run of products – small or large – is built upon very quick response, high-mix, low-volume runs, but we can also do high-volume, lower-mix runs. Every single run gets a

first part review and ongoing inspection throughout the process so that we make sure every part throughout any particular production run matches everything within the standard, and from run to run, everything can match within the standard too. Every one of our production team members is certified on every function they perform during the manufacturing process.

**CEOCFO: *How important is it to your customers that it is made in America?***

**Mr. Canty:** It has gained huge value. The bellows assembly that we provide is generally the critical functioning component of what it goes into. Our customers cannot afford to have bellows assemblies come in from overseas, and find that without them knowing it, the design has changed or the material content has changed. There might be delays from overseas instead of getting products “just in time”, or be delayed two or three months down the road. Design, material, & delivery are critical functions to our customers. If our bellows goes into a gas turbine engine that goes into a power plant, and that turbine engine needs to be refurbished, every day that the engine is down will cost that company millions. They cannot afford to wait, and they cannot afford to have a product that does not meet muster the first time and every time that they install it.

**CEOCFO: *Are there industries where you would like a greater presence?***

**Mr. Canty:** As I mentioned, our four primary markets right now are oil and gas, semiconductor, aerospace and power generation. We continue to work on greater penetration in all of them. We are now looking at governmental markets, which often serve defense and aerospace needs. That is a fifth market that we are beginning to enter.

**“Alloy Bellows is not the biggest producer of industrial bellows, but we go to great lengths to produce some of the best that are out there.” - Michael Canty**

**CEOCO: *Why is this the time to look at entering the government market?***

**Mr. Canty:** There are a couple reasons. One, the government is constantly looking for good vendors that will produce quality product at reasonable prices. Often, they have purchased products that were good products but not delivered on time, or the price point was exceedingly high relative to value. For example, we have all heard of \$200 toilet seats. The same thing happens in industrial products. The government is hungry for good vendors who are quality certified and can provide good products on time with reasonable prices. Second, we are always looking for diversification. We just went through a recession over the last few years, and we were able to grow every single year during that recession. We were able to grow because we are adding new accounts and we are diversified across a spectrum of markets that allow us to balance the ups and downs of one market versus another. Third, every market has its own unique cycles – its own unique ups and downs – even in good times. Adding markets help us balance out production and growth even in good economic times. Finally, as we produce various products for different markets, our production Team becomes more knowledgeable and skilled in a wider array of production functions, allowing our company to become a much stronger, much more knowledgeable manufacturer for everyone involved. And a balanced, even keel production process allows Alloy Bellows to keep skills in-house. For instance, we cross train everyone in our operation, and have a no lay off policy. With a balanced, stable production environment, we keep skilled workers, and don’t spend a great deal of money training people, then laying them off due to business downturns. If workers also know different functions, both up stream and downstream from their primary function, they know what to expect before parts get to their station, and understand how the parts must look after they leave their station. They can then make better judgments at their production station. The same “cross training” and “knowledge judgments” take place when you design and sell into different markets.

**CEOCFO: *Are people beating a path to your door for jobs?***

**Mr. Canty:** We are growing and have added 50 percent to our employee base the last two and a half years. And yes, we generally have a wide and large pool of resumes to pick from.

**CEOCFO: *I would imagine that engaging with your employees and letting them know they are going to be there would make a difference in how they perform.***

**Mr. Canty:** Engaging them is key, and the no lay off policy provides most with a sense of security. Another important aspect for employees is our very strong benefits program that includes medical, dental and eyes. We have short and long-term disability programs, so if someone gets sick and is out for a while, we pay them short-term disability. They have 401k programs, and we have a fully air-conditioned and very clean plant. The creature comforts are very nice. There are many employee appreciation events to engage people. As important as the benefits are, communicating about the status or the company is also key. We are pretty open with our financial numbers, projects, and our departmental performances. If a customer is coming in, our employees know in advance. If we are making investments into equipment, they know why and well in advance, and they are often lining up to train on the equipment. We try to keep our employees at all levels engaged in what takes place. Their bonuses at the end of the year are based upon the sales and gross profits of the company so that they have a vested interest in what we do. This communication helps them make good judgments and helps them, and everyone they work with, promote good quality and on time delivery.

**CEOCFO:** *For people who say you cannot manufacture in the United States, how do you continue to be so successful? What do you understand about manufacturing, the country and the world that others do not quite get?*

**Mr. Canty:** Sometimes they “get it”, however far too many companies are not willing to do what you need to do to manufacture here. I think the idea of America not being able to manufacture and be very competitive is wrong. Companies big and small just need continual reinvestment in their people, their processes and in their equipment. Far too many companies that I know are good companies with good owners and workers, but fail to invest and improve every year. In good times when profits are good, they say why reinvest? Good times will continue. Companies often do not reinvest, or to the level they need to. Nor are enough looking for constant innovation for productivity growth. When the markets turn south, their customers turn south, or innovation removes customers from their customer list, profits from less efficient operations are not what they used to be, so they delay reinvestment again. This becomes a vicious cycle. They seek parts overseas instead thinking short term, and lose the innovation and skills, so when things change overseas, as we are seeing now in China, they are in a much tougher situation to get that turned around. And they then can’t compete with those who do reinvest in America. We constantly reinvest, we constantly look for innovations, and we have a big sign on our wall that says if you do what you have always done, you will get what you have always got. Continually think of new improvements big and small. That is what manufacturers have to do in my view. There are more and more US manufacturers that are looking toward that kind of approach. They are going to find that they are the ones that are very successful.

**CEOCFO:** *When you took over as CEO, was this the way the business had been run or has the philosophy developed over time?*

**Mr. Canty:** It has developed. I have been in business for almost 35 years in manufacturing, and my background the last 20 to 25 years has been turnarounds, startups and taking companies to the next level. Certainly, my philosophies developed over time, but the basics have been with me a long time. For years, I dealt with companies that had not reinvested, had not innovated, and were not continually looking for better ways of doing things and shortening their processes. When you perform turn around and start up functions, which is what I did prior to buying Alloy Bellows, the experience infuses in your mind what you need to do to become successful, though you are always tweaking, and the market is always changing. The world is always changing. You are always tweaking your ideas and testing things. This 78 year-old company always had “good bones”, but it was a much different company eight years ago. It was having significant production, profitability, and morale problems – one of the key reasons why in March 2006 I was brought in. We gathered the troops and said where we wanted to go and that we wanted them as part of the team. This is what we are going to have to do to get there, now who is on board? You kind of set the stage, philosophy, and expectations. Even if your inherited employees have been demoralized due to diminishing sales and past layoffs, once you prove out with small successors and new philosophies and processes that they can win, they see that the sun will shine again. It is amazing at that point, how they band together and get excited again. That is what you need – an excited and motivated workforce where they feel engaged and a part of it. That is the basic process and my view of running successful companies.

**CEOCFO:** *What do you focus on as CEO?*

**Mr. Canty:** Did you ever hear the phrase “chief, cook and bottle washer”? I start almost every day walking around from department to department seeing my Senior Team, and in the plant, just to say hello and make sure they are doing well and checking on current issues. We check on things they need, trying to eliminate roadblocks and problems they have so they can become successful. Then, I get out of their way. I am a big believer in delegating, and then verifying that things get dialed through. I certainly look at the numbers, and I look at how things are moving through the operation – both in the plant, and in the office. I focus in on operationally streamlining systems so that people are not spending half the day collecting information. They are spending that half of the day analyzing information that is provided through a computer or some systemized way that is much quicker, easier, and likely more accurate. I make sure people are working together in a coordinated fashion. It is essential for our type of business, and likely essential for all types of businesses. I try to think strategically. Where do we want to go? How do we broaden the line, and how do we grow our customer base? What do we want to be when we grow up? We have a five-year plan to triple our business, so the goal is how to get there.

**CEOCFO:** *Why is Alloy Bellows a company worthy of attention?*

**Mr. Canty:** I am biased, but we pay attention to the details, and think strategically. Alloy Bellows is a shining, growth oriented star. We try to set the pace within our industry and our region with how to develop and take on evolving “best practices”, and make sure employees and customers are happy and growing and improve.

**BIO:** Michael is the Owner, President & CEO of Alloy Bellows & Precision Welding, a 78 year old manufacturing company in Cleveland that designs and produces custom engineered products for the power generation, aerospace, semiconductor, and oil & gas markets.

Michael has a BA in Political Science and an MBA in Marketing and Finance. He has over 30 years of business experience dealing with a wide variety of industries that include security hardware, construction equipment, plumbing fixtures, heavy duty truck parts, and industrial bellows assemblies. Michael's business background includes business start-ups and turn-around ventures, as well as strategic growth initiatives for several private companies.

Michael has traveled extensively for both business and pleasure throughout Europe, South America, North America, and China, and served on various private company boards over the years. A strong believer in continuous education, Michael taught Marketing and Business Management courses for Ashland College at the penitentiary in Mansfield, Ohio for 3+ years.

Michael also has a strong interest in public service. He has served on various public service Boards and Commissions over the years, and raised monies for various charities. He has held elected office as a precinct Committeeman, a Council member, and eight years as Mayor for his community. As Mayor, he dealt extensively with a wide variety of public issues and organizations at the local, state and federal level. Business development and job creation have been key focuses for Michael.

Michael has been a resident of NE Ohio since the early 1980s. He is married to Michele, a Cleveland native, and has a beautiful daughter named Alexis.

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