



Tools of the trade

Chances are you will have used one of the products made by Chris O’Herlihy’s company ITW. He talks to Amelia Levin about the building of a major player

From a little company comprised of a small group of inventors, Illinois Tool Works (ITW) has grown into one of the largest manufacturers of parts, tools, solutions and equipment in the world, recognised around the globe for its leadership in innovation and entrepreneurial spirit. The company’s food equipment segment provides commercial food equipment and related service and is one of the largest business segments. The man behind ITW’s impressive food equipment business is Chris O’Herlihy, executive vice president.

With his boyish looks, O’Herlihy incarnates the same youthful, innovative approach ITW has sought to present as it continues its global expansion. O’Herlihy joined ITW at the age of 25 and has spent the last 24 years with the company. He has demonstrated a progressive vision for the future, based on continuous innovation, specialisation and advancement.

“ITW’s products and solutions are at work all over the world; oil rigs, aerospace technology, bridges, wind turbines, healthcare facilities and in the spaces where we live and work,” O’Herlihy says. “They are also in our cars and mobile devices.”

Through careful acquisitions and other strategic expansion endeavours, ITW has grown from a small tool business started by a Chicago investor to become a Fortune 200 company with operations in 58 countries, 60,000 employees and nearly 12,000 active patents. Just as Byron Smith brought together a few individually-specialised tool makers more than 100 years ago, ITW’s current power and ubiquity stems from a similar vision – one that brings together many individually successful companies.

A company that once focused on specialised parts and tool production during the Second World War, ITW’s products also have a no nonsense, functional appeal to them. They do the job, reliably. They are durable, dependable and are equipped with sophisticated and technology-driven controls and software.

Starting back in 1923 with the acquisition of Shakeproof Screw and Nut Lock Company, ITW has focused on innovative parts and patents to improve manufacturing problems. One example is the Hi-Cone six-pack ring carrier, a simple invention yet one of ITW’s most successful products that transformed the

beverage and packaging industry in the 1960s. In fact, “you’re never more than a few feet away from an ITW product,” O’Herlihy says, stating one of the company’s main mantras.

Hobart, Traulsen and Baxter are just some of ITW’s top food equipment brands widely recognised in the industry for their innovations in refrigeration, warewashing, multi-cook platforms, baking equipment and more. ITW’s food equipment business generated 11% of the company’s total revenues last year. Other sectors serviced by ITW include the construction, industrial, automotive, electronics, consumer durables and primary metals markets.

“This year, Traulsen, our commercial refrigeration business, introduced four product enhancements for its refrigeration and hot-food holding cabinets. The most recent was a bare-tube coil that helps extend the life of the compressor while reducing the time needed to clean traditional condenser coils,” O’Herlihy says. “This demonstrates how we listen to customers and engineer equipment that can make their operations more efficient.

“Another priority for our customers is food safety,” O’Herlihy continues. “Hobart engineered its new HS-Series Slicer, to be easier to clean with sealed seams and removable parts.”

O’Herlihy’s appointment to executive vice president of the food equipment group in September 2010 was a conscious effort by ITW to continue expansion of its food equipment brands that had garnered years of success. A graduate of the University College Cork in Ireland who came to the US to earn his masters degree from the University of Massachusetts, O’Herlihy joined ITW after a short stint in the pharmaceutical industry.

“I began my career at ITW in the polymers & fluids business,” he says. “I witnessed the power of ITW’s entrepreneurial culture and resulting customer-focused innovation. When I joined the Food Equipment Group in 2010 my experience with polymers & fluids translated directly to these businesses since the core philosophies and differentiated business model we employ at ITW does not change from segment to segment.”

Since being appointed to his new position he’s continued >

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ITW's food equipment expansion into the emerging markets of Brazil, Russia, India and China. "As the leader of a global business, I spend 30-40% of my time travelling to visit our businesses and customers around the world," O'Herlihy says. "The rest of the time I'm working on the strategic plan and evaluating the best growth opportunities."

O'Herlihy presided over his first food equipment acquisition in 2010, when ITW bought Elro Group, a manufacturer of thermal foodservice equipment, further adding to its diversified portfolio and focus on progressive technology and innovation. Founded in 1934, the Switzerland-based Elro Group employs 200 people and will continue to operate separately as part of ITW's Food Equipment Group. "The Elro brand is well-recognised as a technological leader whose products have a high level of acceptance across a wide range of end-markets," O'Herlihy said at the time.

Today, ITW's Food Equipment Group pulls in revenues of over \$2bn with a portfolio that, in addition to the brands already named, includes Avery Berkel, Bonnet, Foster, Gaylord, Kairak, MBM, Thirode, Vulcan and Wolf.

"With a business our size, we have a considerable amount of purchasing leverage and a strong network of manufacturing capability," O'Herlihy says. And is he concerned about ITW becoming too big and losing that fleet-footed ability?

"Not at all," O'Herlihy says. "Part of ITW's differentiated business model is our decentralised operating philosophy that allows our businesses to stay close to customers and work independently to meet shared ITW goals."

O'Herlihy is referring to ITW's famed, proprietary 80/20 approach, a philosophy it has stood by for nearly 30 years. Simply put, ITW remains focused on the top 20% of customers that generate 80% of revenues. To stay nimble, ITW gives control to its individual brands. "Decentralisation fosters our entrepreneurial spirit, giving our people the flexibility to best

serve their customers while maximizing the benefits of the size and scope of the ITW organisation," he says. "ITW businesses are known for deep customer knowledge. We understand their 'pain points' and deliver the right solution to help them stay ahead. Innovation, whether minor tweaks to an existing product or a game-changing innovation, is at the core of everything we do."

While top-down functions generally are few, the company has focused on some leadership consolidation efforts in recent years in the form of fewer, stronger, global divisions with a more unified approach. As a result, ITW looks to grow its average division revenue from \$25m to \$100m or more.

Last July, O'Herlihy oversaw another important acquisition for the Food Equipment Group: the purchase of Gold Pattern Holdings, the operator of Vesta Catering Co, a Chinese manufacturer of cooking and warming equipment, such as griddles, fryers, convection and combi ovens, under the brand name Justa. Vesta's portfolio consists mainly of four and five-star hotel and chain restaurants.

"This acquisition gives us entry to the fast-growing Chinese Western cooking market," O'Herlihy said at the time.

Since 2002, ITW's overall presence in the Asia/Pacific market has grown from 8% to 20% revenue share. A focus on innovation and sustainability – in both the business and environmental sense of the word – has helped retain ITW's competitive advantage.

"Our customers are becoming more discerning, particularly in areas like sustainability and energy performance, so it is critical that our strong customer focus continues to be at the root of all we do," O'Herlihy says. "They want equipment that can save them money and make their operations more sustainable without compromising performance. In 2010 our warewashing group introduced the first ventless door-type warewasher featuring a built-in energy recovery process."

The recovery cycle captures water vapour and condenses it to heat the incoming cold-water for the final rinse cycle. ITW claims the innovation can save operators more than \$5,000 in costs through reduced energy and HVAC use as well as by potentially eliminating the need for a vent-hood fan.

Outside of these innovations, ITW has focused on larger sustainability initiatives and programs in the industry, namely >



100 Years of innovation

1912 - Chicago investor Byron Smith recruits a group of inventors and founds Illinois Tool Works to improve gear-grinding machinery.

1920s - ITW makes its first acquisition, Shakeproof Screw and Nut Lock Company in a move to offer more specialised and patented products; the foundation of ITW's approach to innovation.

1930s - Harold Byron Smith, grandson of Byron L. Smith, succeeds his father, Harold C Smith, as company president. The company begins advertising and shows a profit every year during the Depression.

1940s - ITW develops a cutter that enables heavy artillery barrels to be manufactured faster. Shakeproof and other divisions are split off as autonomous companies, laying the groundwork for ITW's future decentralisation.

1950s - ITW moves into computer and defence markets; the ITW Foundation is created to manage the company's philanthropic efforts.

1960s - ITW's Hi-Cone six-ring carrier becomes one of the company's most successful and well-known inventions for the beverage and packaging industry.

TITANS OF INDUSTRY

through the Hobart Center for Sustainability. The Hobart Center's success and other environmentally-conscious innovations, have earned ITW's Food Equipment Group – North America four consecutive Energy Star Partner of the Year – Sustained Excellence Awards since 2010. In addition, ITW has worked on energy reduction within its own manufacturing processes.

“Each of our businesses is responsible for adopting sustainable, low-impact business practices,” O’Herlihy says. ITW companies collect environmental data each year from every manufacturing site using Greenhouse Gas Protocol guidelines to ensure they are meeting sustainability goals.

Retaining competitive advantage has become a sticking point not just for ITW but all manufacturers in the food equipment industry in recent years. Since the recession hit in 2008 competition in the manufacturing community has grown fierce, marked by spikes in mergers and acquisitions, pitting ITW against other major powerhouses such as Ali Group, Unified Brands, Middleby, Electrolux and Manitowoc. All sharing similar goals of growth and market dominance.

“Emerging market competitors are growing fast, but we are confident that we can also grow in these markets thanks to our long-standing reputation in the industry and our ability to leverage our existing network of businesses,” O’Herlihy says. “Our commitment to operational excellence and customer-focused innovation has kept us on a path of strong financial performance for more than 100 years, and we remain committed to operational excellence and innovation to help our customers create the products and services that make our lives better.”

Encouraging new ideas, whether from engineers, chemists, or other members of the ITW team, and providing a supportive, entrepreneurial framework, has produced ITW's strong culture

Aquisition agenda

ITW first embarked on an active acquisition strategy in the 1980s to sustain growth. Over that decade 32 acquisitions helped double ITW's business to \$1.5bn. The 1990s marked an even bigger turning point for ITW with 100 additional worldwide acquisitions. ITW's first food equipment business came with the 1999 acquisition of Premark, operator of the Traulsen and Hobart lines, adding refrigeration, warewashers, slicers and more to its lines.



of sustainable differentiation. “The ability to create something new is central to ITW's longevity and growth,” O’Herlihy says. “We draw deep insights from our key customer relationships, and then focus our efforts on designing and patenting new products and components that solve their specific challenges.

“I am extremely pleased with the volume of innovation that comes out of our businesses,” O’Herlihy adds. “I continue to be impressed with the ability of our people to constantly seek better ways to do things and help our customers. Without our strong leadership team, this kind of innovation would be impossible. I am honoured to lead such a talented team.”

In 2012 alone, ITW has issued 1,267 new patents. Traulsen is enhancing its blast chiller technologies every year to help customers prepare, store and serve fresher, cleaner food. The company's newest chiller with Epicon touch-screen, visual interface “is so easy to use, that large quantities can be prepared with consistent, repeatable results at the tip of a finger,” O’Herlihy explains.

He views the acquisition of baking and cooking equipment Perfecta in Brazil, as further evidence of this outward expansion. “The acquisition of these businesses will further increase our ability to deliver ITW solutions to these growth markets.”

The big challenge is continuing to meet customers' changing needs. “The world is rapidly changing and we have to stay close to our customers,” O’Herlihy says. “In today's challenging external market, it is more important than ever to innovate and contribute solutions to our customers. I am confident that ITW can deliver value to our customers and shareholders.”

Here's to another 100 years. ■



A selection of ITW's food equipment

1970s - ITW becomes a publicly traded company and begins a series of important acquisitions.

1980s - ITW continues its expansion strategy, doubling the company's size to 1.5 billion with 32 acquisitions.

1990s - 100 worldwide acquisitions expand ITW's global presence and food equipment business.

2000s - ITW pushes forward with continued expansion in emerging markets around the globe, with operations opening up in Brazil, Russia, India and China.

2012 - Emerging from an economic recession, ITW celebrates its 100-year anniversary with growth overseas and a focus on corporate social responsibility efforts and sustainability initiatives.

2013 - ITW buys Gold Pattern Holdings, owner of Vesta Catering Co, a Chinese manufacturer of Western-style cooking equipment.