

BUSINESS ENTERPRISE

PROFILE

Engineering a new direction

Building on connections helped make the world's factory a perfect fit for a Sydney-based metal firm, writes Brad Hatch.

Wendy Simpson's business background is a curious amalgam of east and west - the right cultural stuff it turns out to take Westray Engineering global.

A decade ago she led a debt-funded management buy-out of the Sydney-based specialist metal manufacturing business where her husband Geoff had worked and is now managing director. "He knew the business," says Wendy, who was "just a financial investor" at the time.

Geoff kept things ticking along while Wendy worked in a high-powered job in Shanghai at Alcatel for six years, flying back every few weeks to help out. But in 2004 she quit the telco to become Westray's chairman and set about improving the business.

"I had skills which I knew could be used in my own business," says Wendy, who speaks Mandarin. She knew how Chinese factories operated and was familiar with the country's unique business culture.

"I became aware China was grooming itself to become the world's factory," she says. "A lot of classic Australian manufacturing companies were finding it difficult to compete with Chinese factories. Rather than just accept it, we took advantage of the situation."

China was attractive because of its low labour costs, and as the country up-skills its citizens in engineering and computer science disciplines, the outsourcing trend is spreading to knowledge-intensive industries.

Wendy had the oriental connections and commercial smarts; Geoff, a metallurgist, had the engineering know-how. Together they set about taking Westray eastward.

Manufacturing partners in Asia that didn't compromise on quality were signed up. The big-vision strategy improved thinning profit



Geoff and Wendy Simpson demand high standards from Westray Engineering's Asian partners. Photo Louie Douvis

Avoid shoddiness by getting to know a potential partner's design capability and engineering operations: walk the factory floor, look at quality-control processes, documentation, equipment, tools and testing equipment.

Wendy cautions against using samples as a measure of quality assurance because the system used to make a one-off is often completely different to the one used to make large volumes.

"You've got to be really clear what is acceptable and what isn't," she says. "Build a relationship first, then do business."

The global financial woes have had an impact on Westray's bottom line but Wendy is optimistic about the future. "Manufacturers have to think outside the box and keep reinventing," she says.

She is confident the company's specialist design credentials and ability to form quality partnerships in Asia will ensure continued profitability.

Westray is on target to achieve \$8 million in annual turnover this year. Growth areas include custom-designed value-add items and the rail and car sectors. The company will also pursue a number of offshore projects and expects to benefit from Australian infrastructure development initiatives.

In the year ahead, the company is likely to divert more business to Thailand due to specialist skills there and factories being more cooperative than those in China.

Wendy says Chinese factory owners must focus on customers and be more flexible. "The attitude can no longer be 'We are the factory and you get it the way we want to give it to you'."

The company has dealt with a number of significant issues in the past year, including the need to prepurchase steel to cope with fluctuating prices, tight cash-flow control and pressure from customers to discount. The firm is also cautious about giving customer credit.

margins, cut costs and freed up time to focus on product innovation: thinking rather than doing.

The firm's local workforce of 22 focuses on administration, design, engineering and some small-scale production. Most of the heavy lifting is done by six partner factories in China and one in Thailand that make bolts and plates for railway tracks and metal products for the mining, construction and automotive industries, as well as other high-end precision items.

Westray wants its engineering know-how to be at the core of each partnership and partners must be willing to co-design and collaborate, often using online tools.

But seeking out and forming "genuine" partnerships in China during the economic boom years wasn't easy. "People who stand in front of factories present themselves as the factory owner when they are not," says Wendy.

She says the first thing to do is understand the entity you are dealing with. The test is whether a manufacturer has its own engineering team. If not, they are "just a trader with a website that

wants to take orders to whatever factory it feels like".

Workmanship is a big concern for those relying on China's transformative talents. Quality concerns are only likely to intensify in the year ahead as enthusiastic factories in Asia "promise the world" to businesses desperate to cut costs, says Wendy.

Her advice is to think twice about the discounts being offered. "Be cautious and don't compromise quality," she says. "From a design point of view we invest in the engineering department of a factory. If they haven't got a commitment to quality then it is not going to work."

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Wendy Simpson