

The Vermeer Podcast – Episode 7

Leading Through a Crisis

Speaker 1:

How a company fares during some of its greatest challenges often depends upon how their leaders respond and guide their teams. In this episode of The Vermeer Podcast, legendary news broadcaster, Harry Smith, has a conversation with Vermeer President and CEO, Jason Andringa, and Vermeer Chair of the Board, Mary Andringa. In the conversation, they share some of their experiences leading and learning through a crisis. Let's listen in.

Harry Smith:

As a way of introduction, I'm Harry Smith. I've been in network news for more than 30 years and I went to college in Pella at Central College, and that's how I first got to know Mary Andringa more than a dozen years or so ago. And got to come and visit the plant and do a big interview with her during the depths of the recession, when you guys were begging for people to come to work, which is its own story, we'll get to later. Jason, I've gotten to know in the last couple of years, because he and I are both board members at Central. And one of the things that I've expressed to both of you over the years is I have so much respect for your family and for your business. I've been to the plants in Pella several different times, and I'm no stranger to you and your business. And it's my pleasure to have the opportunity to talk to you about a couple of things that we think are important and relevant to the times we live in right now. So good afternoon.

Jason Andringa:

Thanks, Harry. Great to be with you.

Mary Andringa:

Great to be with you.

Harry Smith:

Mary, let me start with you. There was a time when you were either at the top or near the top of the business, when you said to yourself, "How are we going to survive this mess?" When is the first time those words crossed through your brain?

Mary Andringa:

Yeah, I think the first time was definitely the 2001 to 2003, dot-com bubble that hit us right direct on. We were, at the time, producing a lot of directional drills and most of them were going to the industry to install fiber. And in 2001, not only did things just stop with installation of fiber, but we got hit with 9/11 and Enron and just a whole raft of things. And we started pulling all the levers we had pulled before, reducing hours, bringing in outsourced items back to Vermeer and just a number of other things. But it finally became evident that the only way we were going to be able to go forward was to have a reduction in force. And it was the first time ever in our history. We'd been around 50 years then, and it was the first time in our history. So it was really a difficult time and lasted three years.

In that period from 2001 to 2003, we shut down one of our plants. We worked diligently with our dealers to reduce inventory, but we still saw sales go, plummet over 50% in those three years. So that was probably one of the first real brutal facts of reality was that dot-com for me.

Harry Smith:

When you're in those darkest of moments, is there a thing that you think, what's the most important thing we need to keep in mind?

Mary Andringa:

Well, I think there's no doubt, and you'll hear this from both of us, that keeping our people in mind is the most important thing. One of the things during that time period, which I really took to heart, was an article; it sort of became a quintessential classic for Harvard Business Review. It was "How Resilience Works" and it was by Diane Coutu, and I think it's been republished several times actually. But she talks about how if you've got three characteristics, you're going to be able to get through really challenging times, whether it's personal or institutional, and not only bounce back from those times, but be resilient, and actually be better after that crisis period. And talks about understanding the brutal facts of reality, making sure that you know what your meaning and your values are in your business and then ritualized ingenuity, just making do with what you have.

And I think that really fit what we were doing in 2001 to 2003, understanding that we had way too much inventory out in the field, inventory that was aging, and we needed to help our dealers reduce that. We also realized that our 4P philosophy, which we had been talking about for a couple decades was really important, which talks about principles. And at the top of those principles are how we work and interact with people, and then continuing to produce safe, quality, innovative product. And then if we did make money to put profit back into the business to be financially sound. So I think relying on those principles, which for us have just been our bedrock, our foundation, was really important during that crisis and every crisis we've had since then.

Harry Smith:

I'm going to get Jason involved in this conversation, and I'm not sure how many folks, except maybe internally who work for Vermeer or people who may not have ever looked at your resume. You're a rocket scientist by training. About what time did you decide, wasn't this about the time you decided to come back to the business, come home and get back in the business?

Jason Andringa:

I was working at NASA Jet Propulsion Laboratory when Vermeer went through the crisis of 2001 to 2004. I had been really enthusiastic about aerospace for about five years leading up to that. So we have a family employment policy at Vermeer that we work outside the business before we potentially come to work for the business. And I became extremely interested in aerospace when I was an undergrad at Calvin College in Grand Rapids, Michigan. And that led me to spend a year, off and on, two semesters in the summer, co-oping for Johnson Space Center. And then I went to MIT for graduate school in aerospace engineering from 1999 to 2001. And then from 2001 to 2004, I worked for NASA Jet Propulsion Laboratory. And I was very aware that Vermeer was going through a very challenging time when I was working for JPL. For three of those four years, I went to business school at night at USC, and I really started becoming very enthusiastic about coming back to work for this company that I was so proud of, Vermeer, that my grandfather had founded and my mom was in very senior leadership at that time.

So it always was my plan that I would come back to work for Vermeer, but I do have to say from 2001 to 2005, there were times I wondered also whether Vermeer was going to make it through. And yeah, we've gone more than 50 years before we dealt with a challenge on that magnitude. One that affected Vermeer that strongly, and clearly, I was glad that by about 2005, things were looking better for Vermeer, things were looking more promising for Vermeer. Vermeer was growing and I had always assumed I'd come to work for Vermeer. And in 2005, I did that.

Harry Smith:

What does it do, Mary, for a business to be able to manage through? You see those darkest days, you go to your bedrock principles, you lower inventory, you cut back as much as humanly possible to maintain the core of your workforce. Once the needle starts to go in a more positive direction, what does that do not only for your confidence but maybe even the confidence of the company as a whole?

Mary Andringa:

It shows for one thing that you can get through challenges and that you may need to be, you need to be agile, you need to pivot at times. And every challenge has its own differences, there are some similarities, but there's also differences. But as things start to build back, I know I have always just really felt grateful and blessed that we made it through a difficult time. And then were able to see light at the end of the tunnel, to see orders come back, to see positive things happening in the market. And it's a really great time to be able to celebrate with team members, dealers, customers, the fact that with all their help, we were able to make it through a challenging time.

Harry Smith:

Conversely, let me ask you the tough one then. When it's time, when your managers have to walk through the building and tell people they can't come to work next week, what is that like?

Mary Andringa:

Brutally hard. Before we had, and we had pulled every lever we could think of in 2001, it was actually beginning of 2002 when we had our first reduction force. We had decided that we were going to meet with every person individually, we were going to go over how we could help them if they were in the reduction in force. We set up an employment day where we asked people to come back and we brought other employers into our facility to offer jobs. We helped people write resumes. And I think for us, it was how do we treat every single person with respect and dignity and help them also to get through this as best they can? So I think we did, we tried to show that respect and dignity in the best way that we could, but it was tough. And I, along with other senior leaders, went to one of the plants, we split up so we told everybody at the same time.

And at that point we didn't really have any other entities outside of the Pella, Iowa, facility. Now we do. But so in Pella we spread out and we went to make the announcement that we were going to have to have a reduction in force. And I remember getting pretty emotional as I was telling the plant I was in. I think people could tell that we were authentic, we had tried everything we could, and we were going to have to take this next step, but we were going to do everything we could to help them in the process. And obviously, we learned a ton from that first downturn.

Harry Smith:

All right, but Jason, on the other hand, so here you are, out in rocket science land, and you have this family legacy at the company. Was there a part of you that said, maybe I don't really want to walk into this. When the times are great, they're great, but like this looks brutal?

Jason Andringa:

I did have some of those thoughts. I was enjoying living in Southern California. I was really enjoying working for JPL. If Vermeer wasn't my family company, I think I'd still be working at JPL, but I kept going back to the fact that my whole life I had always looked forward to and assumed I'd come to work for Vermeer. And even as proud as I was of JPL, there could be no company that I, no organization, that I could be more proud of than Vermeer. And so even during those tough years, 2001 to 2004, I was always 99% sure I was going to come back to work for Vermeer. And really I did find the MBA really, it also very much solidified in my mind that I enjoyed thinking about business and thinking about looking at markets and looking at customer needs and trying to fit those needs, fill those needs better than what the competition could.

So I really always felt like I'd come back to work for Vermeer, but there were times that I thought, if this downturn at Vermeer is numerous years long, I may just stay in California until things start looking better for Vermeer. And of course, really 2001 to 2004, Vermeer wasn't hiring. And it's our family employment policy that we only hire family members when there's a genuine job for them. So it's like, well, I know I

can't go back to work for Vermeer until there's a job available anyway. So I think that my mom and my uncle Bob and Vermeer leadership, it was a very difficult time, but they ultimately made the right decisions for Vermeer to protect the long-term future for the company.

Harry Smith:

Mary, let's talk about The Great Recession. You all buckled down, do everything you can to save the company. The business starts to rebound, then the economy really for you then also begins to recover. People are building houses, there's construction going on all over the country. And then the bottom falls out. What were those days like?

Mary Andringa:

Well, for one thing, we learned so much in that first 2001 to 2003 or 2004 recession about inventory control. We had been on that, we had started our continuous improvement, our lean journey, but we weren't very far along in that journey when 2001 hit. And so immediately several of us started talking about, we have got to have a better system for how we are producing product to fit the market needs and not just pushing out product when we may not be able to sell it from our dealerships. We also in between 2003 and 2008, we realized that we had maybe too much emphasis on our horizontal directional drill industries and our markets there and should beef up some of our other markets. So in that time period, we really doubled the percentage of our total volume that was from our forage business and we also doubled the percentage of volume that came out of our environmental business.

And we actually took on some new projects that got us more into the recycling, the waste recycling business. And those were all things we did thinking about, we need to be a bit more diverse. So that helped us to be more ready for a downturn. We also realized that if we could just understand the flow of inventory better and not have the amount of inventory out in dealerships or in our own yard, that would bog us down, we would be in a much better position. And so when we got to the fall of 2008, we really felt that it was a recession that was going to hit all of our neighboring industries as well. So we wouldn't have as many places for people to go get jobs. So we did three things. One, we decided to reduce hours and use a shared work program in the state of Iowa, so that if somebody worked 32 hours, they could still claim eight hours of unemployment.

It's a special program our state's had for a couple decades and we had used it before, but we used it much more extensively in the great recession. So we had people working anywhere from 24 to 32 hours receiving some unemployment and they also were able to go get a weekend job if that was necessary. But we kept our trained, talented team. We really felt if we went to our, my brother Bob and I, went to our board and we went to our shareholders and we said, if we can just break-even, we really want to keep all of our people. We got approval to do that, both at the board level and from the shareholders as well. And we didn't make any money that year, but we did basically break-even because we could reduce hours to fit what the needs were.

We also really focused on a couple R&D projects so that we had new products, which were going to come out. And we really used the cost and impact analogy and looked at what can make the most impact for our customer base and we can do it with less resources than a huge project. So we brought in some things that we had been outsourcing, we did some quick, rapid innovation, kaizens, around them. And we had some new products in a fairly short time. Finally, the thing I've talked about before, we really attract inventory everywhere and worked really hard to reduce inventory so that in one year's time, our dealers needed to order new inventory, new products coming out. And we had the talent in our workforce base and we were up back at 40 hours and full salary. We had taken some salary cuts as well in one year. And that was quite remarkable.

Our customers realized it, that we had kept our R&D going. They also truly appreciated that we had kept in contact with them and that we had kept talent. And so we learned a lot from the 2001 to 2004 recession, and I think really built that into a plan for 2008 to 2009.

Harry Smith:

Jason, how much do you think your mother ought to be teaching at the Harvard Business School?

Jason Andringa:

Absolutely, definitely. Good plan.

Harry Smith:

Unbelievable. It's just chapter and verse to be able to figure out how to manage through these different things. I'm going to jump ahead a little bit. Remind us then what year you took over as CEO, Jason?

Jason Andringa:

I took over in 2016.

Harry Smith:

Talk to me then about what happened two years ago in July, when the National Weather Service started to post warnings about potential tornadoes in Marion County.

Jason Andringa:

Yeah. You bet. Certainly in my mind, the single greatest event that has challenged Vermeer was when we were hit by a tornado. And when we were hit by a tornado, it was the strongest tornado in the state of Iowa in more than three years. We were one of several different locations in Iowa that was affected by a string of tornadoes that just kept spinning out of the same storm system. And another very significant challenge that we had at that time is we were celebrating our 70th anniversary. And so we had hundreds of guests onsite, we had customers onsite, we had dealers onsite, we had a lot of international guests onsite. Some of whom had no idea what a tornado was because a tornado is actually a fairly unique weather phenomenon. So it was the afternoon of our 70th anniversary and we had customers and dealers and guests strung out among our different facilities, and out seeing demonstrations of equipment and at what we call The Founders' House, which is my grandparents' small house, across the street from Vermeer. And that's actually where I was.

And there was a tornado warning, and we all went into shelters for about 45 minutes. My wife kept texting me because she was in our basement at home watching the coverage of the storm. And she kept texting me how far away the system was from Pella. I kept assuming that it was going to miss us to the north. The whole system was moving to the east, but yet it kept spinning out storms to the south and kept building south also. Finally, my wife texted me and said, they say it's a mile away from Pella. And in the shelter that I was in, the lights flickered twice and then I started hearing voices over the radio of the security guard that was in the shelter that I was in and, in remarkably calm voices on the radio, were saying things like, "The roof is off," "We have windows out," "We have injuries." And because the shelter I was in, I did not feel the change in pressure. I did not hear that noise of a train going by like what other people did.

My parents, my mom, was in a shelter much closer to where the tornado actually hit. After we got the all-clear that the tornado was passed, then I went out and drove along the backside of what we call the Vermeer mile. And I will never in my life get over the visuals of the destruction that I saw after the tornado had gone through. The number one blessing, the number one miracle, it's called the "Miracle on the Mile" or the "Vermiracle", is that several hours later, we were confident that there were no fatalities and that

there were no serious injuries, serious physical injuries, that resulted from the tornado. And we knew that already the very first night, but man, that was just the beginning of a remarkable story of Vermeer strong to then come back and recover from that.

Harry Smith:

If my memory serves, wasn't there some mixed messaging, wasn't the National Weather Service basically saying it was okay where you were. And wasn't there a security guard, a US military veteran who was in your employ, who said, "I'm watching this, everybody needs to stay inside."

Jason Andringa:

You are exactly correct, Harry. There are so many stories of individual heroism, group heroism, but that is maybe the single greatest story of individual heroism from the tornado is a guy by the name of Billy Fox. Everyone is in shelters. Billy is responsible for security at Vermeer. And the weather service that we subscribed to actually did communicate that the storm was past Vermeer. That was wrong. And we actually have surveillance video of Billy in a truck driving off in the direction of the tornado and two minutes later, scurrying back. We had gotten the message that the storm was past us, and Billy drove out in the truck to look in the direction of the storm system. And he saw it coming at us. He basically texted everyone: "It is not clear. Keep everyone in the shelters." And then he basically rushed back himself. Frankly, if Billy had just been in a shelter, just willing to say, "Okay, well they say it's clear, everyone can leave," people would have been walking out of the shelters and out of the building at exactly when we did get hit by the tornado.

Who knows exactly what would have happened? But I think it's very fair to assume that if Billy had not risked his own life to go and look in the direction of the tornado and say, "No, keep everyone in the shelters," I think undoubtedly, would have had fatalities and undoubtedly would have had very serious physical injuries.

Harry Smith:

To me having heard that story a couple of times now and been out to survey the damage just a couple of months after the tornado went through. The thing that really struck me was one of the things that Mary talked about earlier, and you referred to, Jason, as this really concentrating on people. And here is one of your employees who is out there saying, I have eyeballs on this thing. And you said, we trust you. We trust you to do your job. And that's what kept everybody safe.

Jason Andringa:

Yep.

Harry Smith:

Just remarkable. We've been taking probably a little more time than we anticipated, but as time marches on, well, let's do real quickly. How long then before you opened back up?

Jason Andringa:

So we knew that demand for our equipment was high. We wanted to as quickly as possible determine what facilities we could get back in production, as soon as possible. The tornado hit us on a Thursday, we were closed for production on Friday, but really the entire leadership and operations leadership was back at Vermeer at seven o'clock on Friday morning. Even though many of us were at Vermeer until past midnight the night before trying to assure that our entire team was accounted for. We were back at Vermeer seven o'clock Friday morning, and our first task was to determine what facilities we could get back up and going already the next Monday. And about half of our facilities, we could get back up and going the next Monday. And then for those team members that weren't part of those facilities that got back up and going on Monday, every day we brought more team members back to clean up, to move

manufacturing materials from the destroyed plants to those plants that we were repairing, to move stuff, to make room for production.

And we really got our entire team back to work within 30 days and essentially recovered our production, albeit in very cramped production space, but we really recovered our production volume within 45 days. Those four to six weeks, I think I will always be more proud of those four to six weeks than anything else in my career at Vermeer.

Harry Smith:

Absolutely remarkable. So on Vermeer charges into the future, and then late this last winter, in the early days of 2020, we start hearing about a virus, about COVID, about the coronavirus. How do you pull together and say, how do we continue to manufacture and how do we protect the health of our employees?

Jason Andringa:

I think COVID is the greatest macroeconomic geopolitical challenge that the world has faced during Vermeer's history. Thankfully, knock on wood, the markets that we serve at Vermeer are holding up pretty well. Installing underground infrastructure, doing tree care and landscaping work, processing organic waste, harvesting forage and bioenergy. All of those markets are holding up well, so Vermeer's business is still clicking along pretty well, but it's a completely new challenge. And one thing that's different between this crisis and 2001 to 2004—which affected us disproportionately negatively—and of course the tornado—which only affected us from a manufacturing perspective—is the whole world is in this crisis. And there's just a lot of fear and anxiety about how this is all going to play out. And as we speak, we're right still in the midst of it. There is no light at the end of the tunnel yet.

And so I just really think important aspects of this for Vermeer have been that we're not trying to reinvent the wheel, we are trying to follow the guidelines that are out there. We're trying to follow CDC, WHO, local state and federal guidelines. And we're trying to help our team have a long-term, level-headed perspective. And we have implemented a lot of things to keep our team safe. We have health checks at the door, we do temperature checks at the door. We have recommended wearing face masks for those people that cannot work in a socially distanced way. We required wearing face masks until we felt better about our ability to provide space between people and just doing the best we can to have a level headed, calm mindset that the whole world is going through this and we're just doing the best we can to get through it. And thankfully, our customers continue to be busy and continue to demand our product. And thankfully, we're able to continue to work and supply that product.

Harry Smith:

Well, we've covered a lot of territory here. Maybe the next time we'll talk about innovation. Because Lord knows that is the birth of the company your grandfather, Mary's dad. I mean, my goodness, that story is in and of itself, it's one idea after another and the next thing you know, there you are with this multi-generational, multinational company. It's really just, it's quite fantastic. One last thing, though, because Mary, one of the things you talked about is flexibility. Even going to the board, going to the shareholders, the idea that you're a privately-held company, do you think Vermeer would have been able to survive all of this, that it has, and then continue to grow and to continue to serve and to continue to strive, if it were publicly held?

Mary Andringa:

I don't know that for sure, but I have doubts. I've served on a public board for many years and they were not able to do what we did as far as taking no profit for a year in order to be able to keep people. I think as a private company, we do have more flexibility and we can really take the long view, even though we still manage to the quarter, we can take a longer view. So we're strong proponents for a privately-held business. And I think this was one example that showed that it made a difference.

Harry Smith:

Well, it sure has been a pleasure having the opportunity to speak with you. I wish that the next time we do it in person, how about that?

Jason Andringa:

Sounds great, Harry.

Mary Andringa:

Thank you so much. This has been great talking with you.

Harry Smith:

What a pleasure. Take care.

Speaker 1:

That concludes this episode of The Vermeer Podcast. We hope you found this conversation helpful as you think about how to prepare and respond when challenges arise in your business. In addition to Jason and Mary's comments, we asked several leaders at Vermeer, what they learned about leadership in the response to the tornado that hit the Vermeer campus on July 19, 2018. You can find their short podcasts and more at vermeer.com/podcasts. Thank you for listening in.