

L&H Industrial's enhanced boom design on a shovel in a Chilean copper mine.

L&H INDUSTRIAL

drills down to the essentials

Two second-generation brothers, together with a non-family manager, reshaped the company culture to emphasize professionalism after years of disagreement over policies. A byproduct has been considerable growth.

BY HEDDA T. SCHUPAK

The first recorded sale of oil in Wyoming was in 1863. One hundred years later, a machinist named Leon Wandler settled in Gillette, Wyo., to serve the oil industry.

Like many rough-and-tumble men before him, Wandler went from job to job. Welders and machinists were in demand to repair oil-drilling equipment, so the highly skilled Wandler always found more work and gradual pay increases.

In 1963, Wandler packed up his pregnant wife, Betty, and their two children, bought a trailer and headed to work at the Young Machine Shop in Gillette. The shop was on the verge of bankruptcy, so Wandler scrounged \$10,000 from his uncles in North Dakota for a down payment and convinced Hank Barney, a co-worker, friend and master welder, to become his partner. With that and an \$80,000 note, he bought the business, and in 1964 the L&H Welding and Machine Company was born. It had six employees.

Fifty years later, the small shop Wandler started has become a global leader in aftermarket parts for mining and drilling equipment. L&H Industrial, as it's been called since

2004, has 400 employees in the U.S. and another 500 employed through its various partners. L&H has offices and partners in Wyoming, Arizona, Mexico, Australia, Chile and India, and a distribution network that spans the globe. L&H parts are used in a diamond mine in Botswana and for transporting NASA space vehicles.

There have been hurdles along the way. The 1980s' oil bust took down hundreds of small machine shops in Wyoming. L&H was one of the few that survived, but Leon Wandler's three sons, each with a different vision for the company, almost took it down themselves before the non-family CFO, Jim Klikeman, stepped in with a plan.

Today, two of the three brothers, Mike and Jeff Wandler, are in charge. Mike is president, and Jeff is corporate vice president and director of sales and marketing. They bought out their older brother, Lee, in 2001. The company culture has undergone a 180-degree turnaround from what their mother called "workaholic and alcoholic" to one based on respect and empowerment. Most important, the shares their father granted to almost two dozen non-family

members in lieu of pay have been bought back, with the exception of those held by Clikeman, now 55, who holds 10%.

"We don't want to be entitled," says Jeff Wandler. "Dad worked hard, and we knew we were more comfortable than Dad, but we were afraid it would destroy the business if we spoiled our kids." At 45 and 49, respectively, Mike and Jeff aren't ready to retire yet, but unlike their father, they do have a solid succession plan. The third generation—Mike and Jeff's nephews Dustin Roush, 32, and Jason Percifield, 30—are being groomed to take over in the next decade or so. Clikeman and Jeff and Mike Wandler plan to space out their retirements so the buyback of their shares isn't a financial burden. Clikeman, the oldest of the three at 55, will retire first, then Jeff, then Mike. At present, Mike Wandler owns 49%, Jeff Wandler owns 39% and Clikeman has a 10% share. Roush and Percifield each own 1%.

A plan that backfired

In Leon Wandler's hands, a lathe was magic. Like millions of other Depression-era American farm boys with no money for new equipment, he had to figure out how to make repairs or fashion a part he needed out of whatever he had lying around.

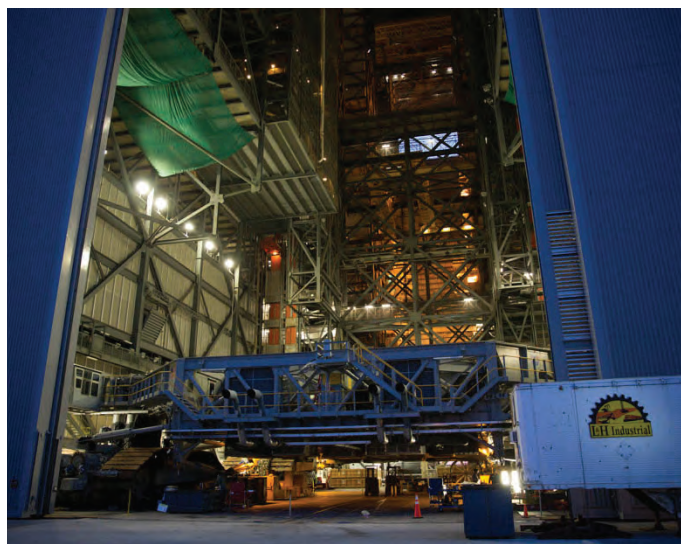
At L&H, no matter what a customer brought in, Leon and Hank took great pride in being able to fix it. They were the "go-to" guys in Gillette; when the other shops said something couldn't be fixed, that was all the challenge

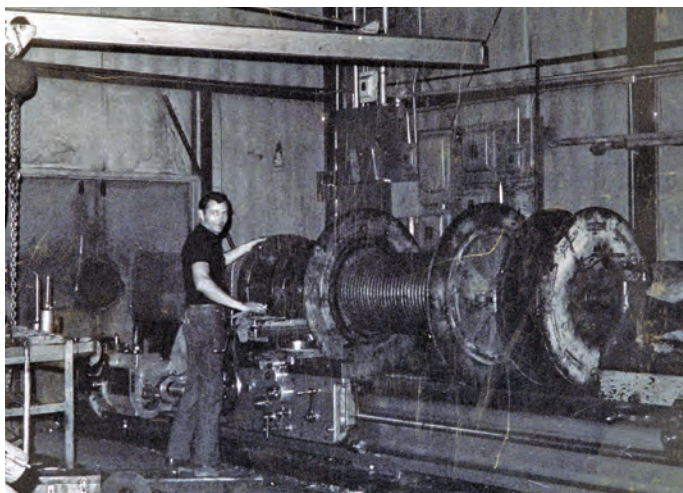
**Below: L&H's second- and third-generation owners. From left, Jason Percifield, Mike Wandler, Jeff Wandler, Jim Clikeman and Dustin Roush. Right: NASA's crawler-trans-
porter #2. L&H Industrial upgraded the four undercarriages to increase payload from 13,000 to 18,000 lbs.**

L&H needed. Leon could look at a part and re-engineer it in his head. He'd scribble on whatever was handy (usually a napkin), hand it to a machinist, and say, "Make it." His motto was, "like new or better than the original part."

Hank Barney, Leon's original partner, retired after only about five years at L&H. After Hank retired, Leon's accountant, Jerry Aarsby, became his next partner. Aarsby was bought out in 1992.

Leon Wandler's older brother, Rick, was also a part owner of L&H. As children, Leon and Rick were separated when their mother passed away. When the two reunited as adults, Rick—who possessed the same mechanical aptitude as his brother—became the night supervisor at L&H, one of Leon's most trusted advisers, and an owner until his death in 1994.





Above left: L&H Industrial's founder, Leon Wandler, opened a small repair shop in 1964 in Gillette, Wyo. Today, L&H Industrial has locations worldwide.

Above right: When Leon Wandler ran the shop, hard work and long hours were a badge of honor. Employees often stayed overnight to tackle the piles of equipment waiting to be repaired. **Left:** In the mid-1990s, L&H Industrial had about 100 employees.



Sibling disagreements

Mike Wandler, Leon and Betty's youngest son, inherited his father's mechanical talent, becoming the machine shop supervisor at just 17 and a shareholder by age 22. Jeff, the outgoing middle son, became head of sales in 1992. Jeff, who

The shop gradually prospered through the 1960s. In the early 1970s, L&H also began repairing equipment for the new coal mining companies in the area. Then, in the five years between 1981 and 1986, Wyoming crude dropped from \$33 a barrel to \$13. The bust came just as L&H completed a huge, expensive expansion. Work from the mines saved the company from going under, but major layoffs ensued and, down to bare bones with little money for wages, Leon granted shares in the company to various employees in lieu of pay until L&H was owned by more than 20 people. Only five were family: Leon, his sons and Rick.

According to Jeff Wandler, the stock ownership plan backfired. For one thing, while Leon had thought an ownership stake would give employees incentive, instead it created a sense of entitlement. Moreover, buying out the employees as they left or retired hampered the company financially. Eventually, the financial strain was resolved, Mike and Jeff say, but getting back on firm footing would have been much easier and happened much earlier without the share buybacks.

never shared Leon and Mike's passion for machines, found his niche helping his father drum up new business when the oil bust began eating into demand.

Eldest son Lee loved oil. He had his father's mechanical talent but no interest in coal or the mining equipment that by then made up the bulk of L&H's business. L&H was so focused on mining that it was in danger of ceding its oil field work to a new competitor. Lee, with his oil industry relationships and familiarity with the region's drilling equipment, not only kept that part of the business alive but also grew it substantially. In gratitude, Leon promised that if he ever retired, L&H would pass to Lee.

By 1995, Lee was in charge of the mechanical shop (tear-down, parts replacement, and cleaning and assembly of parts), Mike ran the machine shop (machining and manufacturing of mining equipment parts) and Jeff led sales. Jim Clikeman, a CPA, was head of finance, and Roy Atkins Sr., another non-family employee, ran the welding shop. Each department was its own fiefdom, a silo operation with no coordination between them. Only the iron fist of Leon Wandler kept it all together.

Then the unthinkable happened. Leon had a heart attack in 1996. He survived, but his health was severely impaired, and it was obvious he wasn't going to be able to keep up his former role. He had no real succession plan, other than having once told Lee he'd inherit the company. Lee became president. Leon was still involved, but his responsibilities were greatly scaled back.

Despite complementary talents, the three sons didn't have a cohesive vision and couldn't even agree on day-to-day issues, Mike and Jeff say. Lee got more involved with oil, but Mike and Jeff felt the company's future was in mining. Lee liked the harsh, roughneck culture of 12-hour days; Mike and Jeff wanted reforms. The younger brothers' vision for expansion was also a point of contention. The battle lines were drawn and took a heavy toll over five years.

The company that had been the "go-to guys" lost its reputation. The parts coming out of L&H were often late, and a lot of faulty parts were coming back. L&H had focused on getting the word done with the cheapest labor possible, and it had an abysmal safety record. Workers didn't even wear protective gear.

Mike and Jeff Wandler knew things had to change radically for the company to survive. Together with Jim Clikeman, they turned to a University of Wyoming-based consulting group known as Manufacturing-Works to address a range of issues, including marketing, technology and employee training. But Lee Wandler, now 55, and his father resisted the consultants' advice. They remained staunchly old school, shaped by a generation of hard laborers that distrusted those with formal education.

Leon retired for good in 1997. Lee held 42% of the company stock, but in a surprise move before heart transplant surgery, Leon gifted Mike and Jeff with enough stock for a combined majority share.

When the company was approached with a sale offer that same year, Mike, Jeff and Jim Clikeman, who dominated the ownership group, were opposed to selling. But the following year, a much bigger offer came, and this time Lee put his foot down: If his brothers wanted to keep the company, they had to buy him out.

A buyout was the best solution. Lee took the money and founded Marlin Oil Company, which develops and services oil wells in Wyoming's Powder River Basin. He was free to follow his passion for oil and leave his brothers to implement their vision for L&H. Leon passed away in 2005.

Through his brothers Mike and Jeff, Lee declined to comment for this article. Mike and Jeff say they have done business with Lee's oil company on occasion.

Re-engineering the company

At Jim Clikeman's urging, Jeff and Mike sat down and wrote a long-term business plan that included reducing the company's debt load and keeping shares tightly held within the family. There are key non-family directors and managers, but no shareholders other than Clikeman. After Clikeman retires, Jeff and Mike Wandler plan to buy his shares to be held within the four owners: themselves, Roush and Percifield.

Buying out non-family owners is "smart for the business and smart for the family, especially when you have the talent in the family," says Mike. "The other decision we

Mike and Jeff Wandler's mother used to refer to L&H Industrial's company culture as 'workaholic and alcoholic.' Since those rough-and-tumble days, the culture has undergone a 180-degree turnaround and is now based on respect and empowerment.



The original L&H shop serviced and repaired parts for the oil field industry. In the early 1980s, the company began serving the mines.



Above: A team of L&H engineers, welders and project coordinators with a 48-foot boom sent to a customer in Mexico. **Left:** L&H machinist Caitlin Fox measures a bushing prior to machining.



made is that we don't want to sell the company. We've had lots of offers, but it doesn't end up well for employees and customers if we sell."

The new business plan—which, true to Leon Wandler's spirit, was first sketched on a napkin—also included a statement of the company's core values. Leon Wandler had believed in picking up cheap labor anywhere he found it (usually a bar) and managing with a command-and-control style. Mike and Jeff, by contrast, wanted professional, self-driven, motivated and empowered employees without substance-abuse problems. They also wanted a company that was known for safety and quality, not for taking on any drunk or ex-con who couldn't get hired anywhere else. Leon valued machines over labor and hated adding overhead costs, but his two sons realized that they needed to invest in their employees.

Drug testing, which the brothers began implementing even before Leon's departure, ticked off a lot of employees. But the policy is non-negotiable.

"It's the Wild West, a very rough industry," says Mike Wandler bluntly. L&H employees used to drink on the job and felt free to light up a marijuana joint on their breaks. At one point an L&H employee faced federal charges for dealing methamphetamine in the parking lot.

Employees—even some managers—who wouldn't clean up are gone. And the workers who preferred the old shouting, swearing culture also gradually left. Of roughly 150 employees, Jeff and Mike estimate that 75% left, 10% were fired, and 10% remained. Those who departed

were gradually replaced by sober, professional employees. While Leon Wandler had said, "We can't afford good people," Jeff and Mike knew the company couldn't afford not to hire good people.

The other big turnaround has been an emphasis on quality, safety and the core values of ethics and customer service. Nobody screams anymore; employees are encouraged to share ideas. Education, frowned upon in the old culture, is critical to the company's successful turnaround. In addition to engaging Manufacturing-Works and other consultants specializing in various areas such as technology, Jeff has taken Dale Carnegie courses, as have some of his top sales managers. Professors from Harvard Business School have come to L&H to teach various business issues to managers. And Mike, who dropped out of high school a few months before graduation to work in the business, first got a business degree online from Kennedy-Western University and then attended the OPM (Owner/President Management) program at Harvard Business School, an intense on-campus program for three weeks a year, between 2006 and 2009.

The Harvard OPM course made Mike see that he and Jeff needed to change themselves. Though they were allied in wanting to change the company, they still often worked their respective areas as a silo, and occasionally the old sharp-tongued culture came out in conversation. Mike says the course taught him how to work together with Jeff to develop a common vision, and leave sibling backbiting out of it.

The brothers determined that Mike would be president because the company had always been run from a production standpoint, and Mike knows that side of the business best. Mike and Jeff say they collaborate when important decisions must be made. Even during the years of debate about how the business would be run, the family always put the company's needs first, Mike and Jeff say.

The third generation

Leon Wandler encouraged his grandsons to come into business. "He mentored them at home with a hobby machine shop," Jeff says. "Especially Jason, who chose to go into the trades."

Dustin Roush manages new markets for the company. Jason Percifield manages the welding shop and is also responsible for spearheading a major project L&H is doing with NASA. Both came into the company at age 18, though Dustin left for a time and came back. Their mothers, Laura and Anne, are Jeff and Mike's sisters. Neither sister has worked for the company.

There are other Wandlers at L&H, though none in management yet.

"Mike and Jim and I decided nobody can have stock without pulling some significant role in the company. They have to be worth their salt before becoming owners," stresses Jeff. Percifield, who inherited his grandfather's and his uncles' mechanical prowess, proved his value by creating a profitable field service division. Field service had been the proverbial stepchild at L&H, but Percifield showed that not only could it make money, it would elevate the




L&H team members visiting a copper mine in Chile. From left, Elson Rojas, Philip Mooren, Jeff Wandler, Pablo Velasquez, Mike Wandler and Brittney Thomas.

company to a new competitive level as a one-stop shop. Roush's outgoing personality, meanwhile, was more like his Uncle Jeff's, right down to the fact that both have overcome drinking problems. Once sober, Roush buckled down and accomplished something the company had wanted but previously been unable to do: break into the Canadian market. Through a combination of perseverance and fortuitous timing, Roush built up a profitable business servicing Canadian mining companies.

Jeff's daughter, Miranda Nygard, works as a receptionist. Mike's kids—Paul, Briana and Gage Wandler—work there too, but none of them currently has an executive role. Paul is quality director, Briana works in invoicing and Gage works in field services.

The brothers have worked hard to restore L&H's reputation as the "go-to" guys. But unlike their father, who relied on cheap labor and barely knew which customer ordered what, Mike and Jeff built a high-end company in their field. "We're kind of like the Napa Auto Parts of the mining equipment world," says Jeff. "But we don't just copy parts, we make them better. L&H is known for parts that last 30% longer than the original equipment."

To celebrate its 50th anniversary, L&H Industrial is publishing a commemorative history book. Mike and Jeff Wandler, who say the book project inspired some significant revelations, have a lot to be proud of. Between 1964 and 1990, the company's annual revenues grew from \$25 million to \$40 million. Between 1990 and 2000, revenues jumped from \$40 million to \$100 million; by the end of 2013, sales had hit \$700 million, the family says. The company whose employees once worked drunk, stoned and without safety equipment was honored with the 2013 Governor's Safety Award for the State of Wyoming. 

Hedda T. Schupak is an editor and analyst specializing in fine jewelry and luxury retailing. She is the editor of *The Centurion Newsletter*, a weekly e-news magazine in the luxury fine jewelry industry.