

**STARTUP  
SCAN**

**CASE 2D**  
RH Collets Ltd.  
Mississauga, Ont.

**LAUNCH DATE** March 2007

**BUSINESS** Custom parts  
manufacturer

**TARGET** \$1 million in 2008

**DIAGNOSIS** Seek expert  
advice and ensure that all  
business components can  
be integrated into one  
model of success



Charles Ruecker has a unique model to produce low-cost and high-quality parts for manufacturing equipment

## The go-to guru

CHARLES RUECKER THINKS HIS LONG-TERM BUSINESS MODEL WILL BE THE SALVATION FOR NORTH AMERICAN MANUFACTURERS. BUT CAN HE KEEP THE MOMENTUM FROM HIS FIRST COMPANY GOING?

BY RICK SPENCE

**I**n a two-storey townhouse in Mississauga, Ont., in a second-floor alcove, is the home office and world headquarters of RH Collets Ltd. From his perch overlooking a shared backyard, founder and president Charles Ruecker is quietly building an integrated network of independent machine shops designed to challenge old ways of doing business in this hard-hit industry.

It's a big ambition for a one-person, two-year-old home business with a three-page business plan. But this is the 21st century, when vision, innovation and strategic alliances are supposed to pay off. And Ruecker's chosen niche, producing custom parts for computer-controlled manufacturing equipment, is already in turmoil, with North American toolmakers shutting down almost weekly. Which explains why Ruecker's long-term goal is not just to make collets, but to become the go-to guru for all North American manu-

facturers hoping to survive the shakeout.

Ruecker, 48, has a hands-on history you might not expect from a visionary. He was 12 when he began sweeping floors at his father's tool-and-die firm in Uxbridge, Ont. While he became a proficient tool and die maker, he saw a future beyond operating million-dollar machines. "It was a small company," he says, "and I wanted more."

In his 20s he joined a major tool shop in Stoney Creek, Ont., rising to plant manager. In 1999, he decamped to a manufacturer of collets—the clamps that fit on complex production equipment to hold the raw materials (say, steel cylinders) that get "machined" into finished components for automobiles and aircraft systems.

But sweeping change was clamping down on the machine-tools industry. As he helped his employer solve cost and production issues in the face of increasing overseas competition, Ruecker

saw an opportunity to go freelance. "I was producing a lot of products and results for my employers," he says. "I was changing the way they do business. Now I wanted to do it for myself."

In 2004, he chucked his \$100,000-a-year job to form Ruecker Global Solutions Inc., to help other tool-and-die firms solve problems. Sometimes his solutions were simply mechanical, but often they required clients to rethink their business plans. But although he could produce measurable results (he helped one company save \$500,000 a year), Ruecker found that old-line toolmakers don't really trust consultants. "They are rooted people, very 'stuff-oriented,'" he says. "To them, a consultant is someone who lost his job and is now trying to sell his services. I needed to demonstrate my ability to create product."

Ruecker had already helped some clients source high-quality collets from a

British supplier, Tim Holmes, of Holmes UK Ltd. in Birmingham. In March 2007, he formed a 50/50 partnership with Tim Holmes to launch a manufacturing division, RH Collets Ltd.

Into RHC he poured everything he had learned in business. First, he chose a single niche market: making collets for the popular automated tooling machines produced by St. Louis, Mo.-based Hydromat Inc. Then he shunned the off-the-shelf market in favour of custom orders, in which each thumb-sized piece of drilled metal can cost from \$100 to \$800.

And here's where the turmoil in the machine-tool industry created an opportunity for RHC. As tool companies fail, surviving companies may pick up their contracts—if they have the machinery to produce those items. While machine-tool vendors try to sell them new hardware, Ruecker says, some machine shops can save millions by designing custom

PHOTOGRAPHY: DAVE STARRIETT

collets that let them manufacture new products using existing equipment. "There's a lot of opportunity in being innovative with our customers and applying our years of machining know-how," he says. With about 1,600 Hydromat machines installed in North America, Ruecker estimated his market at \$3 million a year.

While RHC sources most of its production from Holmes, Ruecker contracted three Toronto firms to provide specialized manufacturing services. "It's a core of companies I've known a long time," says Ruecker. "It's our machine shop." For instance, he says, nobody drills more precise holes than Toronto-based MicroMetric Ltd., a nine-person machine shop that produces aircraft parts. To fill one order, 14 collets were machined by Holmes, air-freighted to Toronto for initial hole-drilling, shipped back to Birmingham for finishing, and then returned to Micrometric to finish the holes. Ruecker says the final product was of the highest quality—and cheaper than the competition's. "We're taking the people that are the very best at what they do and letting them do what they are very good at."

It's certainly a low-cost way of getting into manufacturing: RHC's startup costs (funded by a bank line of credit) totaled about \$40,000, mainly for marketing materials, a trade-show booth and ISO 9001:2000 quality certification. With his no-employees, few-assets model, Ruecker has lots of time for selling. But once more, sales proved tougher than expected. There were no lists of Hydromat-equipped companies, and many prospects were leery at first. After a few months of slow revenue, he hired distributors to sell for him, but that didn't work. "It

actually declined our sales," he says. "They're used to selling commodities. But we're not selling a product, we're selling expertise."

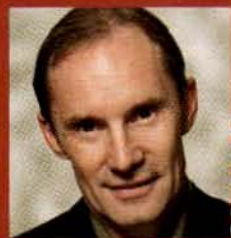
So, last September, Ruecker took back sales. Revenue soon tripled. There's no substitute, he says, for getting in front of the customer, talking shop about their problems and having products to show

them. Accordingly, he has been busy gathering names of Hydromat clients—mainly through industry contacts—to the point where one Hydromat executive asked Ruecker how he'd obtained the company's customer list.

Ruecker's hard work is paying off: in 2007, the company managed sales of \$450,000, up from Ruecker

Global's \$350,000 in 2006. This year, RHC is on a pace to do more than \$800,000. RHC's customer base has already doubled this year, to 40 companies. And Ruecker says inquiries are coming in from Mexico, France and India. While RHC isn't hitting its targets yet, Ruecker says the company has a profit margin of 20% (before interest and

## ADVICE FROM THE EXPERTS



CLARK

The good news is that Ruecker is a classic entrepreneur. If something is not working, he changes it. He is willing to take bold actions, which on the surface seem ridiculous but which work. Who would have thought that you could ship a machined part not once, not twice, but three times across the Atlantic and still make a profit at a competitive price?

But too much change, too quickly can be a problem. I think Ruecker could benefit from a "systemic chamber of sober second thought" to help "smooth out his decision making". This would be best provided by a trusted advisor or mentor (perhaps the strategic coach can/should play this role) with whom he meets regularly and discusses decisions before he makes them.

*Greig Clark is the founder of College Pro Painters. Based in Toronto, he now runs the Horatio Enterprise Fund.*



GARNETT

Ruecker looks like he has the boxes checked off for success. Any weaknesses I see are not in the man, but the model. Any model based on one person is destined to hit a ceiling. Ruecker has seen what happens when he passes the reins, so how does he scale this business without a cloning device? He is already working 14 hours a day, seven days a week, so how much more can he put in?

His future plans also seem ambitious. I don't see how all those components can be integrated into one model for success, nor if they truly strategically leverage on each other. Expansion of the base idea is fine, but if it's linked strategically to the current business, it has a far better chance of success.

*Jay Garnett is president and CEO of Vancouver-based Whitefish Group, a vertically integrated brand-management company and three-time member of the PROFIT 100.*



MURRAY

I love Ruecker's "Canada against the world" passion. He appears to have translated this passion, as well as his intimate knowledge of the tool-and-die world, into a nice niche business.

Manufacturing will survive and thrive; it just won't be in North America. So, going global is an obvious choice, although making the transition to global domination will be an entirely different game for Ruecker.

I think he should continue to rely on his instincts and credibility regarding solutions to the business challenges that face manufacturers worldwide, and complement these with advice from those who've "been there, done that" in a global marketplace.

*Elsbeth Murray is director of the Queen's Centre for Business Venturing, and is the CIBC Faculty Teaching Fellow in Entrepreneurship at the Queen's School of Business in Kingston, Ont.*

### ARE YOU AN AMBITIOUS STARTUP ENTREPRENEUR?

Startup Scan offers young companies invaluable publicity and great business advice. If you're a candidate, send your 300-word pitch to be profiled to [StartupScan@PROFIT.rogers.com](mailto:StartupScan@PROFIT.rogers.com).

PROFIT **HOT**  
**50**

**CANADA'S HOTTEST STARTUPS**

The young entrepreneurial stars on this year's list of Canada's top young growth companies demonstrate how to thrive in the face of uncertainty. Included in our 2008 package is a valuable list of startup strategies and advice on how to ensure your employees can operate in the whirlwind of a growing business.

WHAT'S ON RIGHT NOW

**THE BUSINESS COACH PODCAST**

Drawing on experts in a number of fields, we provide you with useful information and the prescriptions you need to run your small business better. Hosted by Ian Portsmouth, editor of PROFIT magazine. Recent episodes cover Canada's economic outlook and how to attract and retain Generation Y workers. Produced in association with BMO Bank of Montreal.

**Kelly the Intern**

PROFIT's recent MBA grad answers your questions about business and finance—see her latest advice on producing webinars and employee Facebook use.

**Ask the Legends**

Readers ask Leonard Lee, founder of workshop products manufacturer Lee Valley Tools, about how to raise capital and what sales tools he used to drive his business when first starting out.

**Plus**

- > PROFIT-Xtra: The e-newsletter for growing companies.
- > PROFIT-Xchange: The e-newsletter for Canadian businesswomen.

Visit [www.PROFITguide.com](http://www.PROFITguide.com) or [www.canadianbusiness.com/entrepreneur](http://www.canadianbusiness.com/entrepreneur)

>FRONTLINES

taxes) and is paying him a salary close to the one he gave up four years ago. (Although that doesn't take into account that he's now working 14-hour days. "I miss weekends," he says.)

But it takes confidence to be a pioneer and discipline to make cold calls. Lacking post-secondary education, Ruecker took charge of his own management development, working with business coaches, studying (and more recently teaching) leadership through Landmark Education courses, and following the Toronto-based Strategic Coach program. He credits this training with helping him focus his time on the stuff he does best—he recently began contracting out his marketing, administration and shipping chores to external suppliers—and encouraging him to fire his accountant. A year ago, Ruecker was working with an accountant who seemed more interested in telling Ruecker how to run his business than doing his books. Ruecker replaced him with an accountant who churns out monthly financial reports. After reviewing the results together, Ruecker says, he now understands the importance of setting goals and tracking progress on a monthly basis.

But he is still recovering from another rookie mistake. Once his first, desperation-driven sales efforts started paying off, he worked with a consumer-marketing expert to create professional-looking product brochures and other marketing materials. "Our marketing looked better than it ever did. But it wasn't working." He soon realized the problem: "We stopped focusing on problems and solutions. We're not asking, 'Are you having trouble with your collets? Call us.'"

Ironically, he says, "The better our branding became, the further we drifted from helping our clients. We were just branding, sending catalogues. It's a trap." He switched to a marketer with more experience in B2B, and they're now designing a new campaign based on solving problems and giving customers good reasons to call.

But Ruecker's success will also hinge on his three machine-shop partners and their enthusiasm for his low-cost, high-quality model. He began the relationship by introducing his vision to his prospective partners and then asking what they would like from such an arrangement. He designed his

business around their needs, agreeing to provide training and take charge of the engineering, promising to share responsibility for mistakes, and committing to produce \$100,000 a year in incremental business to each of them—a nice bonus, but not enough to create a dependency on either side. In February, Ruecker hosted RHC's first annual review meeting for his virtual team and showed them his plans. "They made it very clear that if I get them the work, they'll get it done," he says.

Vince Docimo, a partner with MicroMetric, is a huge supporter of Ruecker's vision—he thought of it, too. In recent years MicroMetrics has become more focused on boring and drilling, contracting out lathing, grinding and other work to firms once considered rivals. "Charlie realized the same thing we did," he says. "Sometimes your competitors are your friends. It's not so much me against the guy down the street now—it's Canada against the world."

But RHC is only Ruecker's first step into manufacturing. His 2009 plan calls for creating a second company—one that makes spindles, the machine part that holds the collets. Like collets, he says spindles are an "under-supported" subset of the industry. Once RHC succeeds, he is confident he can duplicate that success. "We don't have to find new markets. They're already our customers—we'll just be offering a different product."

Then comes Phase III: the relaunch of Ruecker's consulting business. Only this time, based on the success of his two parts companies, he expects manufacturers from across North America to beat a path to his door, to learn how to build their own competitive networks. Over time, he also envisions becoming personally involved in acquisition deals and corporate restructurings. "The model will change [from consulting] to buying into bigger companies to disassemble them. You identify the core business, get rid of the components not worth hanging onto, and create partnerships and strategic alliances with others."

To Ruecker, this is nothing less than the salvation of manufacturing in North America. "In my business model, you can't do it all yourself," he says. "But with the right relationships, you can have everything." P