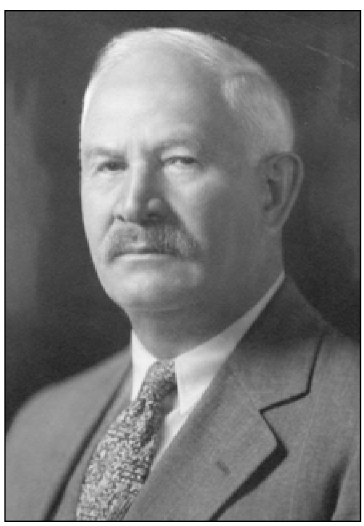
Wrestling with a giant

Joseph Soss's hinge company had been relegated to orphan status within a mega-conglomerate. Soss's great-grandson was determined to buy it back.

BY BARBARA SPECTOR

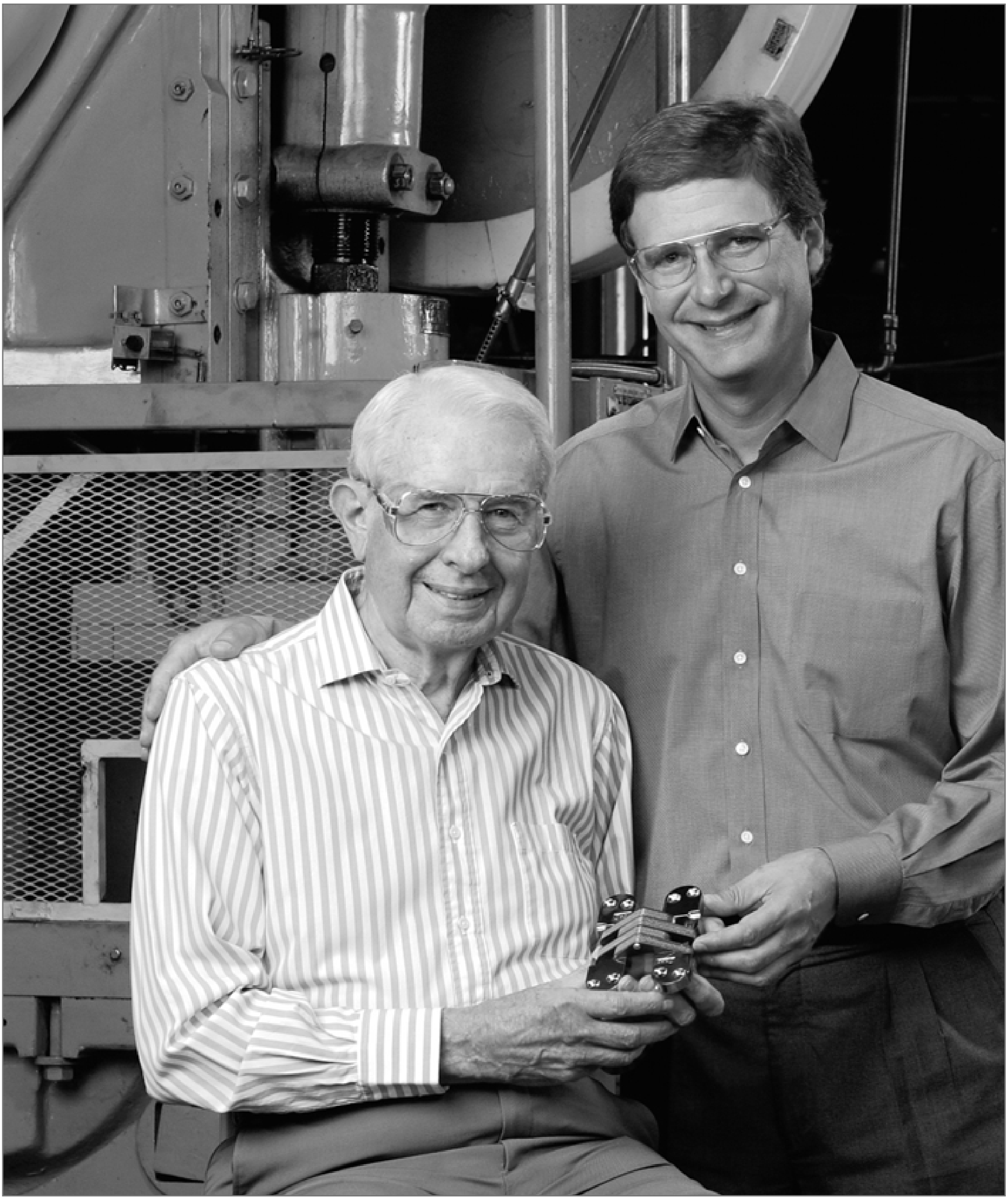
WHILE CROSSING the Pacific in 1903, an itinerant Romanian-born bricklayer and contactor named Joseph Soss tripped over a protruding hinge on the ship's cargo hatch. That was his inspiration to invent the legendary "invisible" Soss hinge, which soon turned up on Singer sewing machines, Otis elevators, Burroughs adding machines, Player pianos and Ford Model T automobiles. The result was a comfortable living for Joseph Soss and three generations of his descendants and a major headache for Soss's great-grandson some 95 years later, after the venerable company, publicly traded since 1937, had expanded exponentially.

By the mid-1990s, Soss's descendants owned less than 5% of the company their ancestor had started, and non-family corporate managers were all but ignoring the hinges that once drove the family business. The original hinge firm (included along the way in an entity called Universal Industrial Products and relocated from Montana to northwest Ohio) was merely a $5 million unit of Core Industries, an industrial conglomerate traded on the New York Stock Exchange and generating $250 million in annual sales.


Joseph Soss: A seafaring stumble inspired an idea.

Hal Marko, husband of the founder's granddaughter, retired as Core's CEO in 1994 (although he remained on Core's board). At that point Hal's son Neil—Joseph Soss's great-grandson—found himself running a division of an electronics-oriented parent company that had little interest in his product and few sentimental ties to his family legacy.

"Universal Industrial Products was treated like an orphan," says Neil Marko, now 49, who had become



Neil Marko (right) with his father, Hal, Core Industries' former CEO: 'He's my son, but it was a public company, and we had to do the right thing for the shareholders.'

president of Core's UIP unit in 1985. Neil's requests for additional resources required maddening rounds of memos, meetings and unreturned phone calls—after which they often were turned down anyway. "We weren't able to expand," he recalls. "We were stagnating."

To add insult to injury, in 1995 Core Industries decided to unload UIP altogether—and charged Neil Marko with the mission of greeting potential buyers. He was placed in the uncomfortable position of showing them his cherished family firm, which he really yearned to own and run himself.

How Marko resolved his quandary provides yet another reminder that business families enjoy unique survival skills, even when faced with seemingly insurmountable obstacles. He

PHOTO: DAVE LEHMAN

prevailed because he perceived value in his family firm—value that supposedly savvy outsiders overlooked.

THE SOSS HINGE—claimed by the company to be strong enough to hold a 500-pound door, yet tamper-proof because it can't be seen—is a high-end item that graces the doors of renowned edifices like the White House, Buckingham Palace and Salt Lake City's Mormon Temple. Neil Marko, who by 1995 had worked in the company for some 15 years, knew in his heart he could take it to even greater heights. "I really believed in the business I was in," says Marko, who has made a hobby of digging through Joseph Soss's old patent books. "I knew its potential well. I wanted to introduce new products and upgrade the tooling and manufacturing processes."

Marko wanted to dissuade visitors from bidding, yet he needed them to like him personally.

Marko's initial offer for UIP (which he declines to specify) was rebuffed by Core's corporate managers, who insisted on a price of about $2.5 million, he says. "They were offended" by Marko's bid, he recalls. "They decided to put it on the open market, insisting they could get a better deal."

Thus began Marko's stint as a reluctant tour guide, enlisted by Core brass to chaperone prospective buyers through the UIP plant in Pioneer, Ohio, an hour's drive west of Toledo and one mile south of the Michigan border. A typical tour group included the would-be buyer—generally a former executive seeking his next venture—plus one or more of the executive's colleagues or advisers. Also among the group were the broker and Core's vice president of finance, who served as the liaison between the prospective buyer and the corporate office.

Marko estimates that he led more than a dozen such tours through UIP's expansive one-story, 80,000-square-foot facility. The visitors would meander among the company's stamping presses and would observe its milling and

Soss Hinge/Universal Industrial Products timeline

1903: Joseph Soss conceives an "invisible" hinge.

1909: Soss's hinge company is incorporated in Butte, Mont.

1937: Soss Manufacturing Company goes public; traded on American Stock Exchange.

1940: Company moves to Warren, Mich.

1941: Joseph Soss dies; sons Samuel and Charles J. Soss succeed him.

1951: Hal Marko, Samuel Soss's son-in-law, joins company.

1958: Company makes its first acquisition, an iron foundry.

1960: Hal Marko assumes the helm of the company.

1968: Company moves to Bloomfield Hills, Mich.

1969: Company changes name to SOS Consolidated; begins trading on New York Stock Exchange.

1972: SOS Consolidated acquires Michigan Production Grinding Company.

1977: Hinge unit moves to Michigan Production Grinding Company, now based in Pioneer, Ohio; division name is changed to Universal Industrial Products.

1978: Parent company name is changed to Core Industries.

1980: Neil Marko, Hal's son, joins Universal Industrial Products.

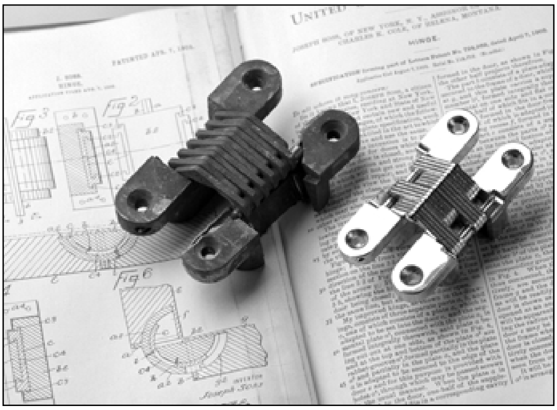
1985: Neil Marko becomes president of Universal Industrial Products.

1994: Hal Marko retires as CEO of Core Industries.

July 1997: Core Industries is acquired by United Dominion Industries.

Sept. 5, 1997: Neil Marko acquires Universal Industrial Products from United Dominion.

2001: United Dominion is acquired by SPX Corp.



'I knew its potential': The original hinge (left) and the current version, with Soss's blueprints.

grinding machines, which turned out lawnmower blades and other products. They would peek over the shoulders of employees who inspected and packaged the Soss hinges, which were delivered to the UIP plant in crates shipped from their manufacturer in Singapore.

After the walk-through, the group would retire to a conference room, where Marko uneasily fielded questions about the company's potential. "It was horribly awkward," he admits. "It was a very unsettling time."

Whenever an owner of a nine-figure company walked through the plant, Marko's stomach would churn in fear that the well-heeled suitor would buy the company from under him. "After each tour," he says, "I would be a nervous wreck." He wasn't the only one with the jitters: "The employees were scared to death that the company would be sold and their jobs would disappear," he says.

Marko's presentation had to be judicious. He wanted to dissuade his visitors from bidding, yet he wanted them to like him personally, since his future with the company might well hinge on his ability to get along with a new owner. "I wanted to impress them with me, but not with the business," he says. "I had to play it real cool."

He also had to be careful about what he said in front of the Core liaison—who'd been appointed to accompany Marko after Marko frightened off a potential buyer by conducting what he calls "a horribly slanted tour."

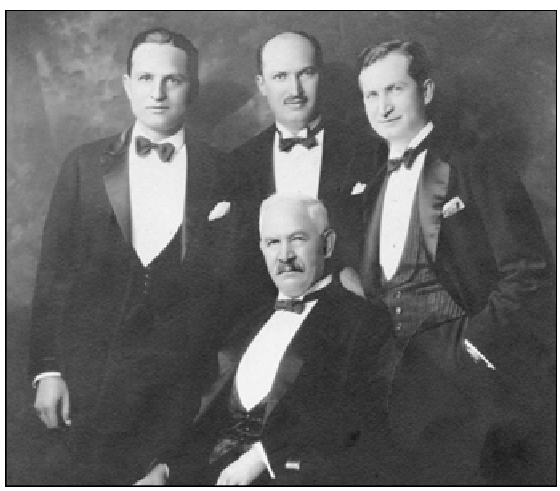
Thereafter, a Core VP was appointed to look over Marko's shoulder during the tours, and Marko adopted a don't-ask-don't-tell policy with potential buyers. "I wouldn't volunteer information that would work against me," he says. "But if they asked a question, I had to give an honest answer."

As prospective buyers queued up to view the plant, Marko's father, Hal, also found himself in what he calls "a strange position." Hal Marko, now 77, had joined the company founded by his wife's grandfather in 1951 and had assumed Core's helm in 1960. Hal says he wanted his son to buy the hinge division as intensely as Neil longed to acquire it. "He was very capable," Hal says. "He devoted all his energies to it and did a wonderful job."

But as a director of a public company, Hal Marko knew that simply handing his son the hinge unit would open him up to charges of nepotism. To avoid conflict-of-interest accusations, it was essential for Hal to encourage bidders to compete with his son. "He's my son, and I'd love him to have the company," Hal recalls thinking at the time. "But it's a public company, and we have to do the right thing for the shareholders."

Hal Marko says the ordeal took a noticeable toll on his son: "He didn't complain, but he was certainly anxious."

Amid the anxiety, there were humorous moments. Neil Marko likes to recount the tale of an "old, crusty guy" who refused to follow the organized tour. "He was a stereotypical chairman of the board—never smiling, barking at people," Marko recalls. "He walked at his



Family legacy: Founder Joseph Soss (seated) with sons (from left) Henry, Samuel and Charles.

own pace in his own direction. He didn't ask any questions of me; I didn't say a word."

The executive had flown to the Ohio plant on a private plane along with a group of advisers. "They were all complaining about the business," Marko says. "It was music to my ears."

After the tour, the executive admonished Marko: "Neil, I am very disappointed in you because you're not explaining why we're wrong in our criticisms of the company."

Neil's slanted tour of the plant frightened off one potential buyer.

Marko's bemused response, he recalls, was simply, "My job is to answer any questions you have."

Despite the frustration and indignities, Marko says he never considered throwing in the towel and buying a different company instead. "I felt that patience would overcome," he says.

MARKO'S PERSISTENCE did indeed pay off. In July 1997 Montgomery Ward, a major UIP customer, filed for bankruptcy. Ward had racked up a $450,000 bill with UIP, primarily with orders for lawnmower blades. Marko made sure all his visitors were fully apprised of this crisis.

"I knew I could use the truth to my advantage," he says. "It scared them off. It scared me too, but I knew I could work around that. Because I knew the business, I knew how I would deal with it." At the time of Ward's bankruptcy filing, "I knew Ward was not closing [yet]," he says. "They stayed open a few more years and continued to buy from us. It was not a traumatic thing."

Daredevil move: After Marko bought UIP, he ventured into a new area—skateboard ramps.

Meanwhile, other forces were at work in Marko's favor. At about the same time as the Ward bankruptcy, Core Industries was itself acquired by United Dominion Industries, a Canadian conglomerate with $1.5 billion in annual sales. The negotiated acquisition was supported by Hal Marko, who considered it a wise financial move. Marko's family, which at the time owned less than 5% of Core Industries, was nonetheless among the company's largest individual shareholders, though not the largest, Neil Marko says. Most of the stock was held by institutional investors.

Following the sale, United Dominion closed Core's corporate office in Bloomfield Hills, Mich., and eliminated the jobs of all Core headquarters employees—including Neil Marko's brother Matthew, now 45, who had been Core's vice president of international sales. Matthew Marko has since joined with a partner to open another business, Duncanna Windows and Doors of Tilbury, Ontario. (Another Marko brother, 50-year-old Clifford, is an attorney and has never worked for UIP or Core.)

But on balance, the United Dominion takeover worked in Neil's favor. The old Core managers (who continued to negotiate the sale of UIP), preoccupied with other corporate matters, ultimately told Marko the business would be his if he could match an offer they had received from one of the last suitors to tour the building. "I was probably just a nuisance on the list of things they were working on," Marko figures.

Though nearer to closing the deal, Marko had still more hurdles to clear. Few banks were willing to finance his purchase of the hinge company. UIP's success as a division and his family's prudent stewardship of the business meant little to the banks, he notes. "The fact that we were going to separate from the corporation, they considered risky. Our history was considered irrelevant."

It took Marko six months to find a bank that would back him, Charter One of Cleveland. But because of the risk perceived by the bank, Marko had to accept an interest rate in the neighborhood of 9% and use his personal assets as collateral. "I went with the first bank that came through with a somewhat reasonable offer," he says.

On Sept. 5, 1997, Neil Marko finally sealed the deal to buy his great-grandfather's hinge company for less than $2 million. The settlement, which also involved closing on his bank loan, lasted into the night. When the last document was signed, "it was a wonderful moment," Marko says. "It felt like I was recapturing something that had slipped away." That weekend, Neil celebrated by treating friends to dinner at a local restaurant; the next week, his employees surprised him with a cake and a bottle of champagne to christen the UIP building, at last completely in the founding family's hands.

Opportunity knocks: The Soss Ultralatch doorknob, another product added since the sale.

Once he began calling the shots at UIP, Marko started "doing the things I knew needed to be done," he says. Now that he's been relieved of the obligation to run all judgments past several layers of upper management, "I can make decisions fast and react quickly to market opportunities," Marko says.

'It felt like I was recapturing something that had slipped away.'

He says he's also dramatically reduced the need for his most dreaded corporate ritual: meetings. "A lot of time gets wasted in meetings," Marko asserts. Now, "If I feel good about something, I do it."

For example, Marko noticed that a UIP website, Ramps.com, was getting about a million hits a year, yet the viewers weren't buying UIP's truck ramps. Instead, most of them were skateboarders looking for ramps they could use to launch their daredevil tricks. So in February 2001, Marko re-introduced Ramps.com as a site that markets skateboards and related paraphernalia. This fall he plans to open a UIP subsidiary, Landwave Products Inc., to produce a new skateboard ramp system.

Another UIP innovation is the Soss Ultralatch, a new type of doorknob that's scheduled to debut by early 2004.

"When Neil bought the company," says Dick Frankel, UIP's non-family vice president of sales and marketing, "he immediately began expanding and looking at new ventures. He's always looking for something to add." Frankel says this infusion of energy has enlivened his own job: "I love the challenge of learning a new industry. It's a whole new world, and it's very exciting."

Since Neil bought the company back, Frankel says, when customers want to talk to the president, "I can pick up the phone and have them talk to Neil. If they wanted to talk to the president of Core, it would have taken me six weeks to get through to him."

As operational hurdles have smoothed, financing has grown easier too, says Marko, who refinanced his original bank debt after three years: "We were able to find a bank that offered a much better deal," he adds.

Better access to financing helped UIP in 1999 to acquire Soss Asia Pte. Ltd., the Singapore company that manufactures UIP's hinges, from United Dominion. That purchase enabled Marko to replace the Singapore unit's management and improve its delivery performance.

Today, UIP generates annual revenues of about $7 million, up about $2 million from a decade ago. And what happened to United Dominion, the conglomerate that swallowed Core Industries? In 2001, United Dominion and all its companies were themselves acquired by SPX Corporation of Muskegon, Mich.

"Things turned out to be for the best," Neil Marko says. FB