Does Burgmaster’s Demise Hold Lesson for US?

By GERRY KHERMOUTH

Early in "When the Machine Stopped," author Max Holland announces that his intention is to tell the story not only of the rise and fall of Burgmaster as a machine tool builder but also of "the destruction of U. S. manufacturing, and the reasons for its failure to innovate and to survive fierce competition in a global economy." In doing so, the book provides a scathing critique of leveraged buyouts, which gained prominence after Burgmaster’s parent, Houdaille Industries Inc., launched the first one in 1979.

In fact, the book succeeds brilliantly as a gripping account of Burg Tool Manufacturing Co.’s founding by a semi-retired Chicago merchant, the technical achievements that provided two decades of strong growth, and then its decline as the Burgmaster unit of Houdaille. Along the way we get a fascinating inside look at the political maneuvering behind Houdaille’s much-discussed petition for protection for the U.S. machine tool industry and at the way the financial maneuvering in Houdaille’s corporate suite created pandemonium on the factory floor 3,000 miles away.

But the book is less successful in projecting Burgmaster as a paradigm of declining U.S. industrial competitiveness. Why? In part because, as Holland admits, Burgmaster is so much a special case in the machine tool industry. After all, how many other integrated West Coast tool builders can you recall?

Also, as the son of a 29-year Burg machinist, Holland was able to cultivate an impressive array of sources at all levels of the company, from factory-floor associates of his father to top officials. But Holland, who is a contributing editor to The Nation magazine, relies too much on news accounts, academic treatises and other secondary sources in presenting the broader financial and economic backdrop against Burgmaster’s—and Houdaille’s—fall. In fact, the climactic moment, when the Houdaille empire toppled, is based mainly on contemporary news accounts that left many questions unanswered. Holland does acknowledge his debt to David Noble’s controversial "Forces of Production" in providing the context for the development of numerical control technology (MN, April 1, 1985).

But there’s no question the well-researched book is fascinating reading for manufacturing experts and general readers alike. It begins by tracing the firm’s founding by a mechanically minded Czech emigree named Fred Burg, who had made a living as a department store operator in Cicero, Ill., then "retired" to Southern California to devote himself full-time to his tinkering. He lured a couple of young family members out West and, before long, the three had established a lucrative niche for Burg Tool’s pioneering productivity-improving turret drills. In explaining the machine’s innovations, as elsewhere in the book, Holland doesn’t shy away from technical details but keeps his explanations refreshingly free of jargon.

In chronicling Burg’s rise in the 1940s, Holland provides an exhilarating tale with more than a few echoes of Tracy Kidder’s "Soul of a New Machine." This is significant, for Kidder’s book was an account of the rise of computer maker Data General Corp., a couple of decades later. That the machine tool industry, even in the 1940s and 1950s, still contained room for that type of creativity and innovation may surprise some general readers.

But Holland really is setting the stage for what was to be, with a fearful dramatic symmetry, Burg’s 20-year decline. This is terrific reading and, to his credit, Holland is willing to undermine the neatness of his case against leveraged buyouts in the interest of fairness and thoroughness. Thus, though he painstakingly shows how Houdaille’s time-and-motion culture and declining financial situation caused needed investments to be deferred, he elsewhere acknowledges that at times, "The real problem was not that Houdaille didn’t invest but that Houdaille didn’t invest wisely." In the case of some unwise investments—say, Burgmaster’s failed rotating tool changer—the ideas had come from Burgmaster’s founders themselves. The result is a complicated company portrait whose denouement, at the auctioneer’s gavel, is no less tragic.