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2016 Service Center Executive of the Year

Craft O'Neal

O'Neal Industries

55 YEARS of Editorial Excellence

By **Dan Markham,** Senior Editor

2016

Craft O'Neal

Chairman and CEO, O'Neal Industries

Craft O'Neal, front, is backed by a strong leadership team at O'Neal Industries. Middle row, from left: Denton Nordhues, Larry White, Tom Kennard, Mike Rowland. Back row: Holman Head, Stephen Armstrong, Jack Elrod, Jeff Simons. (MCN photo by Lane Cameron Photography)

Service Center Executive of the Year

Craft O'Neal's skilled guidance of O'Neal Industries earns him distinction as the Metal Center News 2016 Executive of the Year.


(Photo courtesy O'Neal Industries)

O'Neal was one of the leaders in moving into downstream processing, and remains ahead of the curve with the creation of a separate manufacturing division.

O'Neal Industries is an unusual company. It has survived for nearly a century under the stewardship of one of Alabama's preeminent families, whose members continue to run it today. It has achieved a record of growth and profitability that only a handful of other companies can rival. And it has transformed itself from a regional service center into a global player that's a hybrid of distributor, processor and manufacturer.

Under the guidance of Craft O'Neal, O'Neal Industries has grown to become the seventh largest service center organization in North America with about $2.4 billion in annual revenues. For his deft management of the family enterprise and his impeccable reputation in the industry, *MCN* has selected Craft O'Neal as its 20th Service Center Executive of the Year.

Craft O'Neal isn't comfortable talking about himself, but his colleagues are quick to comment. "He's enthusiastic and passionate about the business. He's fair. He values our employees. And he leads by example, being here every day working hard," says Holman Head, the second in command at ONI.

"He's passionate about the business, but in a low-key kind of way," adds Bill Jones, retired president of O'Neal Steel and *MCN*'s 2005 Service Center Executive of the Year. "He loves the detail part of the business as much as he loves the strategic part of the business."

"One of Craft's major goals when he took over was to

O'Neal Industries At-a-Glance

- **Address:** 2311 Highland Ave. South, Suite 200 Birmingham, AL 35205
- **Phone:** 205-721-2880
- **Website:** www.onealind.com.
- **Key Personnel:** Craft O'Neal, chairman and CEO; Holman Head, president and chief operating officer; Mike Rowland, chief financial officer
- **Founded:** 1921
- **Locations:** 80, totaling 8 million square feet
- **Employees:** 3,200
- **2015 Revenue:** $2.4 billion
- **Products:** Carbon, carbon alloys, stainless, aluminum, specialty metals in flat-roll, bar, rod, wire, structurals, plate, pipe and tube
- **Services:** Cut-to-length, blanking, flame/laser/plasma cutting, leveling, sawing, shearing, slitting, waterjet cutting, welding
- **Market area:** U.S., Canada, Mexico, Europe, Asia

diversify the revenue base and expand from the industrial base into the high-performance and specialty metals arena, to avoid some of the cyclicality that comes with the industrial side of the business," says Mike Rowland, ONI's chief financial officer.

Diversification was the driver behind the current management structure of O'Neal Industries. ONI now oversees the company's two primary business units: the High-Performance Metals Group and the Industrial Metals Group. Starting in the mid-2000s, around the time Craft O'Neal moved up to the company's top spot following the unexpected passing of his father Emmet, O'Neal began expanding beyond carbon products. A series of acquisitions pulled more exotic alloy distributors such as Aerodyne Alloys, TW Metals, Ferguson Metals, AIM International, Plus Ten Stainless and Vulcanium into the O'Neal fold. Ferguson and AIM later merged as United Performance Metals. This month, Aerodyne, Vulcanium and Plus Ten will merge with UPM to form a single, high-per-

ONI expanded into plate with the 2005 acquisition of Lisle, Ill.-based Leeco Steel.

A True Southern Gentleman

Craft O'Neal's low-key style tends to mask his competitive nature. But colleagues, customers and suppliers who know him describe him as an executive with a true passion for the metals industry, known for his integrity and loyalty. Or, as Jack Elrod succinctly calls him, "a true Southern Gentleman."

Elrod has known Craft O'Neal for more than a dozen years, since O'Neal Industries acquired TW Metals, the Exton, Pa., specialty metals distributor, which Elrod still leads. "From my perspective, I couldn't ask for a better person to work with," he says. "He's very good at giving directions, talking you through where you need to go, and making sure you have the tools and support you need."

Tom Kennard founded AIM International, which ONI acquired in 2006. As an entrepreneur, Kennard didn't expect to stick around long after the purchase. But he soon found a home at O'Neal, and will head up its newly realigned United Performance Metals division. He attributes his commitment to the company to the environment O'Neal and the rest of the leadership team have created, one built on integrity and professionalism. Beneath Craft O'Neal's easy-going nature is a leader who gets things done, he says. "He's got a subtle way of moving the ship in the direction he wants."

Bill Jones once helped pilot that ship, serving as president of O'Neal Steel under the direction of Emmet and Craft. He says the father and son share of a lot of the same traits, both passionate, ethical and caring. "He's a wonderful person," says Jones, *MCN*'s 2005 Service Center Executive of the Year.

"He's the kind of person that everybody likes," adds Mike Rowland, O'Neal Industries' chief financial officer. "He is very even tempered, very humble. But he is also intensely competitive, and he instills that in the people who work for him. It sets the tone for the organization, that he wants people to work hard and be the best."

> ***"He's very good at giving directions, talking you through where you need to go, and making sure you have the tools and support you need."***

Customers and suppliers express similar sentiments. "His company operates with the highest integrity and character," says Chip Poth, president and CEO of Universal Alloy, a longtime supplier to TW Metals and other ONI businesses.

Barry Zekelman, executive chairman of Zekelman Industries, has been dealing with ONI and its subsidiaries for decades. "We find them an excellent customer and a company that has pushed us to new heights. We enjoy a great relationship with them." One trait he finds particularly notable is ONI's loyalty. "They know relationships aren't short-term. It's always a two-way street, never one-sided."

Gregg Goodner, the retired president of Hytrol Conveyor, a long-time customer of O'Neal Steel, recalls a time that loyalty was put to the test. During a period when the industry was "steel short," O'Neal delivered on a promise to keep a steady supply of material moving into Hytrol's plant in Jonesboro, Ark. "Our products can't be made from rubber. We can't build them out of plastic. We needed steel, and he made sure we had it," Goodner says.

Few O'Neal customers, or even colleagues, have a relationship with Craft O'Neal longer than the one enjoyed by Lee Styslinger, III, the chairman and CEO of Altec, Inc., which supplies material to the utilities industry and purchases steel products from O'Neal Steel. The two men were childhood friends and classmates, and remain close as supporters of various business and civic initiatives in Birmingham. "Craft has always been a great leader, bringing people together to realize a goal, whether that's for his company or the community," Styslinger says.

O'Neals Leave Mark on Alabama

O'Neal Steel grew out of Southern Steel Works, founded in 1921. (Photos courtesy O'Neal Industries)

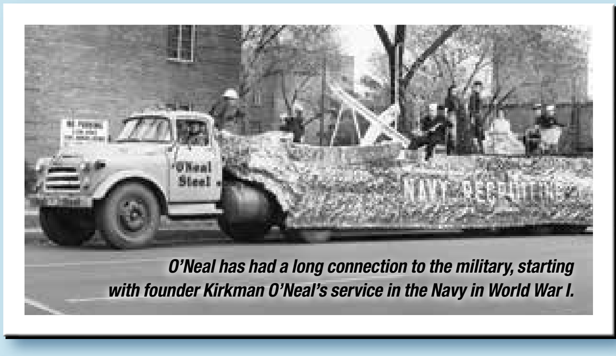
O'Neal is a familiar name in Alabama, and not just because of O'Neal Industries' prominence today. The O'Neal family has a long and impressive connection to the Yellowhammer State dating back to the Civil War. Edward O'Neal, who fought for the Confederate Army, served as Alabama governor from 1882-1886. Twenty-four years later, his son Emmet followed him into the governorship and was instrumental in bringing the steel industry to the state. What Emmet started, his son Kirkman O'Neal accelerated. In 1921, the former World War I Naval officer returned to Alabama, where he was an early investor in the fledgling Southern Steel Works, a small fab shop that would eventually become O'Neal Steel.

Craft O'Neal with father, Emmet O'Neal.

For decades, O'Neal Steel's growth continued under the direction of both Kirkman and his son Emmet, Craft O'Neal's father. Emmet O'Neal passed away in 2004, turning the company over to Craft, who manages the business alongside his cousin-in-law Holman Head. Numerous other descendants of Kirkman O'Neal remain the company's shareholders, with varying levels of involvement in the company. O'Neal Industries is the largest family-owned steel distributorship in the United States.

Craft O'Neal is father to four sons and three daughters. None yet has reached the age to join the company full-time. The door is open to them, he insists, but there's no pressure for them to enter. He'd prefer that any family member work elsewhere first before coming aboard. "Most of the family members have gone to college and have been successful on their own. If you're coming into the business, the expectation is you've got to work your way from the ground up," he says.

The two executives who lead ONI communicate regularly with other family members to keep them apprised of the company's fortunes. Such a large group of shareholders representing two branches of the Kirkman O'Neal family could be problematic to manage, though that has not been an issue for ONI. "We've been very fortunate. It's a close family where everyone gets along," says Head. "And Craft pays a lot of attention to that community of shareholders, letting them know what's going on from a business standpoint. When they see things happening in the world, they understand how it affects a company like ONI."



O'Neal has had a long connection to the military, starting with founder Kirkman O'Neal's service in the Navy in World War I.

formance metals division under the UPM name (see sidebar).

TW Metals was the company's largest acquisition. Under Jack Elrod's leadership, TW had navigated the tricky merger of longtime distributors Tube Sales and Williams, and was looking for a partner to help it grow. "Our strength is making good companies better, companies that had successful management teams who were not able to grow the way they wanted to," says O'Neal. "We're not turnaround people. That takes expertise and time that we've never pursued."

Instead, O'Neal has targeted successful companies that offer a means to expand its business offerings, either in terms of new products, new geography or new end-market customers. ONI's acquisition strategy has been to buy firms that complement, rather than compete with, its existing portfolio.

ONI's Industrial Metals Group includes O'Neal Steel, O'Neal Flat Rolled Metals, Leeco Steel, and O'Neal Manufacturing Services, which focus more on the carbon side of the business.

Among service centers, O'Neal Steel has been a leader in moving downstream into more complex, value-added processing operations. Revenues from processing help insulate the company from fluctuations in the price of metals.

M&A activity has slowed since ONI brought in Leeco and other service centers in the 2000s, though O'Neal executives believe acquisition remains the best path to growth. (Photo courtesy O'Neal Industries)

out. We didn't have the skill sets in the plant," O'Neal says. Today, O'Neal Manufacturing Services has nine standalone operations around the country and in Mexico.

Managing the expansion of value-added processing has been one of the company's biggest challenges, O'Neal says. "When we first moved into value-added, we were one of the few, so we could get paid. But as more and more companies get into it, it becomes commoditized."

Recognizing that service center and manufacturing operations are fundamentally different, the company established a separate manufacturing business unit, O'Neal Manufacturing Services. "In Birmingham, we were doing distribution, then first-stage processing, then kits, and finally we got into weldments. We had too much going on in the warehouse. Our salespeople were out there selling off-the-rack pure distribution and also trying to sell manufacturing. We realized we had to sort that

Of course, no challenge was as daunting as the 2008-09 recession, particularly coming on the heels of the company's acquisitions in the early part of the decade. At the time, O'Neal operated more than 90 facilities and employed close to 4,500 people. Closing and consolidating some branches has taken that number down to about 80 locations and 3,200 employees. "Since the Great Recession, we've right-sized

O'Neal Creates Single, High-Performance Brand

O'Neal Industries' specialty metals affiliates will go to market next year under a single high-performance brand known as United Performance Metals. Its Aerodyne Alloys, Plus Ten Stainless and Vulcanium Metals International subsidiaries will join the previously merged Ferguson Metals and AIM International under the UPM brand, to be headquartered in Cincinnati.

"The integration of these four high-performance metals companies creates a scenario that is not only consistent with our long-term strategic vision, but more importantly places us in a better position to service a larger portion of our customers' requirements," says Craft O'Neal, ONI chairman.

As a result of the merger and operations integration, UPM's inventory will include stainless steel, duplex stainless steel, Prodec, nickel alloys, cobalt alloys, cobalt chrome moly, titanium, aluminum and alloy steel in coil, sheet, strip, plate, bar and near-net shapes. The newly formed high performance metals company will serve a broad range of customers in the aerospace, fastener, medical, power generation, oil and gas, and semi-conductor industries.

Tom Kennard, president of UPM, will continue to head up the expanded business. Chief officers of the other three companies will assume new leadership roles in UPM.

"We are committed to long-term success for the customers and markets we serve," says Kennard. "The merger of our companies allows us to offer a broader range of products and services through integrated sales and operations, providing quality solutions to each customer we serve."

UPM offers a variety of processing services, including cut-to-length, leveling, slitting, edging, chamfering and facing, shearing, laser cutting, laser gauge measurement, waterjet cutting, plasma cutting, sawing, precision cold saw cutting, precision blanks, first stage machining, heat treating, ultra-sonic testing, boring, trepanning, and deburring. In addition to its Cincinnati operation, the company will maintain locations in Los Angeles, Houston, Oakland, Calif., Hartford, Conn., Greenville, S.C., and international locations in Singapore, Hungary and Northern Ireland.

All of the high-performance alloy distributors have been acquired by O'Neal Industries in the last dozen years, starting with Aerodyne Alloys in 2004. Craft O'Neal says the acquisition of Aerodyne Alloys was a turning point for O'Neal in its transformation from a carbon steel service center company to a more diverse distributor, a change that continues with this new development.

O'Neal says "the process of combining the four companies has been in the works for a couple of years. The branding has very well received in the market. We love the logo. UPM makes sense."

ONI remains a leader in steel coil distribution through its O'Neal Flat Rolled Metals division. *(Photo courtesy O'Neal Industries)*

our business. We'd like to grow, but profitable growth is what we're focused on," he says.

Despite the slowdown in deals this decade, O'Neal still believes acquisition is the most responsible path for growth. Their preference is acquisitions, but greenfield projects remain an option. "When you enter a new market, you're adding another competitor. There are already other companies in it, and that's going to drive down prices. There are not a lot of underserved markets," he says.

Once acquired, subsidiaries operate with a large amount of autonomy. As part of ONI, they have access to capital, training, technical support and communication. ONI conducts regular leadership councils attended by key decision makers from various departments across the affiliates who meet to share ideas. Councils are organized by function, including human resources, safety, finance, operations and sales and marketing. "There's good communication flow between the companies," O'Neal says. "They get together and talk about what they're doing in terms of best practices."

Such gatherings also help to reinforce the value the company places on its employees. ONI's SAVESMART program helps employees with financial planning, and its award-winning LIVESMART program is designed to promote healthy lifestyles. "We have a safety and wellness culture that demonstrates we value our employees as people, not just cogs in the wheel," says Rowland.

Philanthropy is an important part of ONI's corporate culture. The company contributes a portion of the profits each year, allowing the individual companies to choose the local charities to benefit. "We tell our employees, the more successful we are, the more will be able to provide better working conditions, and the more we can contribute to the success of our communities," O'Neal says.

It's a philosophy that's near and dear to him. O'Neal doesn't hide his love for his home town. He's involved with a variety of local health charities, plus the University of Alabama Birmingham, the zoo, symphony and other causes. "I love Birmingham and enjoy helping those in need and enhancing the quality of life in our community." ■

Elite Company

As the 20th recipient of *MCN*'s Service Center Executive of the Year Award, Craft O'Neal joins an illustrious group of past honorees:

- **Michael Siegal,** Olympic Steel, Bedford Heights, Ohio.
- **David Hannah,** Reliance Steel & Aluminum Co., Los Angeles
- **Norm Gottschalk, Jr.,** Marmon/Keystone Corp., Butler, Pa.
- **Al Glick,** Alro Steel Corp., Jackson, Mich.
- **Sandy Nelson,** Earle M. Jorgensen Co., Lynwood, Calif.
- **Arnold Tennenbaum,** Chatham Steel Corp., Savannah, Ga.
- **Bud Siegel,** Russel Metals, Mississauga, Ontario
- **Dave Lerman,** Steel Warehouse Co., South Bend, Ind.
- **Bill Jones,** O'Neal Steel, Birmingham, Ala.
- **Don McNeeley,** Chicago Tube & Iron Co., Romeoville, Ill.
- **Wayne Bassett,** Samuel Son & Co., Ltd., Mississauga, Ontario
- **Gary Stein,** Triple-S Steel, Houston
- **Mike Petersen,** Petersen Aluminum Co., Elk Grove Village, Ill.
- **Richard Robinson,** Norfolk Iron & Metal, Norfolk, Neb.
- **Michael Hoffman,** Macsteel Service Centers USA, Newport Beach, Calif.
- **William Hickey,** Lapham-Hickey Steel, Chicago
- **John Bates,** Heidtman Steel Products, Toledo, Ohio
- **David Samrick,** Mill Steel Co., Grand Rapids, Mich.
- **Donald Simon,** Contractors Steel, Livonia, Mich.