



Photo by Andy Levin/Photo Disc

IT'S PEOPLE THAT COUNT

That's what John Mariotta learned after three business failures.

By Cheryl Morrison

John Mariotta, a Puerto Rican high school dropout with three bankruptcies behind him, is still getting used to his role as president of a company that did over \$12 million worth of business this year.

The president's background isn't the only unlikely thing about Welbilt Electronic Die Corp. Even less auspicious is its location. You've heard of Fort Apache, the Bronx? In 1965, as other companies were beginning to head for the suburbs with the urgency of wagon trains under attack, Mariotta and a partner founded Welbilt in a garage not far from Yankee Stadium. Each time the company has outgrown its quarters, Mariotta has reaffirmed his decision to stay by purchasing still more space amidst the rubble of an area that has become synonymous with urban blight.

Mariotta's loyalty to the Bronx extends even to his living arrangements. Though he drives an expensive company car, he and his wife still live in the same four-room apartment they moved into 16 years ago—in the same week he started Welbilt. "The only difference," he remarks, "is that 16 years ago it was \$150 a month and now it's \$450, and it's older and in worse condition."

How has Mariotta finally hit the jackpot? Hustle and hard work haven't hurt. As Welbilt has grown, Mariotta has put in more hours rather than fewer. "You can't relax," he says. "In business, there's no such thing as security."

According to his employees' accounts as well as his own, Mariotta is on the job night and day, keeping close watch on Welbilt's operation and staying in close touch with its 250 workers. One of the worst tasks he ever faced, he says, was giving layoff notices to some of Welbilt's workers during a tight spell a few years ago: "I had no choice. It was either that or the whole company. But I hated it. I know these people, and I know

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John Mariotta, president of Welbilt.

some of their families."

Mariotta was born in Spanish Harlem. His father, a Puerto Rican immigrant, was a tool-and-die maker. After serving in the Army during the Korean War, Mariotta set up a machine shop with his father and brother. The business failed. He moved to Long Island and started a company there. He went broke. He set up another metalworking business, once more he went bankrupt. "I lost my shirt on Long Island," admits Mariotta. "I came back to the Bronx licking my wounds."

Along with his shirt, however, he shed a naiveté that had contributed to his business failures. It was in the suburbs, he says, that he worked his way through "the school of hard knocks."

Some of his lessons had to do with his own limitations. Mariotta had started his Long Island firms on his own. When he founded Welbilt in 1965, he teamed up with a partner who had some business savvy.

"I'm just a tool-and-die maker," Mariotta says. "Some things I don't know about. I'm stupid, so now I get help from other people."

He sought to avoid another pitfall by dealing only with customers who have the capital to back up their orders. More than once in his earlier ventures, Mariotta says, he fell prey to undercapitalized manufacturers who ordered parts, then failed to sell their products, leaving them unable to pay for the parts. "If they can't sell their products," notes Mariotta, "you've invested all your time and money for nothing. If they go down, so do you. I learned not to be hustled, not to be conned."

Nowadays, his customers have deep pockets. About 80% of Welbilt's work is

for the government. The company makes stabilizer fins for the Navy's Sidewinder missiles and cooling kits for Army tanks. It is the sole manufacturer of a device called a Bell crank, which regulates the air intake of engines in the Air Force's F-104 and F-4 aircraft.

Mariotta produced precision metal parts for the military with his old companies, too, but he worked as a subcontractor. "Some of it was sub-sub-sub-subcontracting," he says, "and if there was a break somewhere in the chain, I'd be left whistling for my money."

As Mariotta tells it, there are two kinds of government contracts—small ones that truly are put to open bid and more substantial ones that usually go to conglomerates despite ostensibly open bidding. The small contracts, he says, "are cut down to the bone. There's no money in it." For five years, Welbilt hobbled along with small government contracts and occasional commercial jobs.

The turning point came in 1970 when Mariotta signed on a new partner, Fred Neuberger, because his original partner wanted to retire. It was through Neuberger's efforts that Welbilt got its first big government contract.

"We went to the procurement office and looked over the blueprints, and Fred picked out one that was illegible," Mariotta recalls. "Fred said, 'If we can't read this blueprint, nobody else can, either.' We put people to work on that blueprint with magnifying glasses, to figure out how to bid the job. Fred was right. Nobody else could read the blueprint, and consequently no one else bid for the job, so we got it."

Having successfully executed its first substantial government contract, Welbilt was in a better position to negotiate for other high-ticket jobs. The company also benefits from laws that set aside a portion of all government contract work for minority-run firms. The set-aside requirements apply to corporations that subcontract work for the government as well as to the government itself.

The company's most important commercial customers are General Electric's Aircraft Engine Business Group and Western Electric. Neuberger and Mariotta are ardently wooing other corporations in the aerospace industry. They would like to see the company do proportionally more work for industry and less for the government. The corporations, they're convinced, are more likely than the military to follow congressional guidelines on contracts for minority companies.

After Welbilt has done a job for a military installation, it can be pretty sure of getting repeat business—but only from that installation. "Every time we have contact with a new agency," he explains, "we have to go through the same

song and dance of proving ourselves—in ways that a nonminority company wouldn't have to.

"The private corporations are skeptical, too, but they're more likely to go along with the set-asides," perhaps in part because they're afraid of losing their contracts by ignoring the rules, comments Mariotta. "Some of our commercial customers first came to us because of the set-asides," he adds, "but when they saw that we did excellent work ahead of schedule, they stayed with us because of that."

The toughest part of doing business in Fort Apache, he notes, is suffering the slings and arrows of government and corporation officials who take a dim view of the place. "The first thing they say is 'Oh my God! It's all bombed out! What kind of a company can this be!' They assume that we're all machete-swingers and spear-throwers," says Mariotta. "You say minority, and they look at you like you had two left hands. They think we're too left-handed to produce, but here we are, producing."

According to Mariotta, the people of the South Bronx are an asset rather than a handicap to Welbilt, partly because they're eager to acquire skills that will help them advance. Welbilt's employees include a score of blacks, 15 East Indians and Pakistanis, 32 Jewish émigrés from the Soviet Union (most of whom are engineers) and 10 native-born white Americans. Almost all the rest are Hispanic. About 90% of the work force comes from the South Bronx.

"The executive corps, I have to shanghai them and bring them in. But the other people are local," says Mariotta. Most, he adds, would be collecting welfare if they weren't working for Welbilt.

Mariotta tells one story after another of employees who started working for Welbilt at minimum wage and are now making \$20,000 or \$30,000 a year. A man he hired as a driver is now in charge of the company's shipping department. Another, who was living in a cellar and collecting welfare, now heads the purchasing department.

Not even a booster like Mariotta would claim that the South Bronx is teeming with skilled labor. In this age of high technology, tool-and-die makers are hard to find anywhere, let alone in Fort Apache. Welbilt's solution is to train its own workers, a task made easier by the company's investment in computerized machinery.

With the computerized equipment, Mariotta believes a worker "can acquire five years of expertise in six months." The sophisticated machines perform automatically many tasks that tool-and-die makers once had to perform by hand.

"Most employers that left or were driven out of the Bronx, besides com-

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plaining about the atmosphere, said that the people here cannot be trained to do skilled jobs," says Fred Neuberger. "We have proven that to be wrong."

Welbilt's employees seem to be as loyal to the company as Mariotta is to the South Bronx. "Nobody ever quits," says

David Epstein, director of special projects for Welbilt. "The last guy to quit here left about two years ago."

The employees' loyalty has been carefully cultivated by Mariotta through frequent salary raises and promotions, an open invitation to see him personally

about problems on the job, and a paternalism that includes lending money for car repairs, medical bills, and unanticipated expenses. To Mariotta, this personal concern makes good business sense. "If people are worried, their work is going to suffer," he says. He also believes in tangible rewards for productivity, and once gave each of his 10 foremen a \$1,000 bonus for each month they met their production schedule.

Since a large proportion of Welbilt's employees are members of fundamentalist churches, Mariotta set aside space and equipped a chapel for them in the plant. He says it was his own faith in God that made him try to start a company again after each of his failures.

As a test of his faith, Mariotta gives money to the beggars he encounters on the street—an impulse most New Yorkers have learned to suppress. Mariotta considers these personal handouts to be different from the welfare system he deplors.

Nor does he see any contradiction between his disapproval of welfare and his enthusiastic pursuit of government aid for Welbilt. The way he views it, his company has saved the government far more in welfare payments, as well as in the cost of metal parts, than it has received in assistance.

This year set-asides account for about 40% of Welbilt's business, a percentage, says Mariotta, that is falling. In addition to the set-asides, Welbilt has benefited from a Small Business Administration program that guarantees loans for minority-owned businesses. Welbilt could become ineligible for SBA assistance and minority-business aid as early as next year, according to the partners. The company's assets grew from \$589,540 in 1976 to \$6,735,430 in 1980.

As Welbilt continues to grow, so does its need for space. The company's original headquarters was a 20,000-square-foot former garage. When Welbilt expanded a few blocks away to a three-story, one-acre plant formerly owned by a shoe company, it retained the old building to house one of its manufacturing operations. Now the company is taking over a third building, a former factory that, like the other two, sits virtually in the shadow of Yankee Stadium.

With this expansion in the South Bronx, Mariotta is again reaffirming his commitment to an area other executives have found inhospitable. Not once, he asserts, has he been seriously tempted to move Welbilt to the suburbs.

"These are my people," Mariotta says. "I understand them. If I run away from my people, I am running away from myself." □

Cheryl Morrison is a business writer based in New York.

FROM NAZI GERMANY TO THE SOUTH BRONX

To most entrepreneurs, the ups and downs of business are the stuff that makes the adrenaline flow. Not Fred Neuberger, though. His stressful days are mostly behind him.

When he was 12, in 1942, his mother spent months arranging to send him to Palestine on a boat with other refugees. "Just before the ship left, I got pleurisy and couldn't go," recalls Neuberger. "Everybody thought what a tragedy this was. But the ship was torpedoed, and everybody on it was killed. If I had been on it, I would have been killed, too. After a few things like this, you develop a fatalistic attitude."

The following year, he set out on a five-week journey through Bulgaria to Palestine with a group of children traveling on foot and by train under Red Cross supervision. About 40 of the children were shot to death along the way by German soldiers.

At 15, he lied about his age, joined the British army and fought "on the costails of the African campaign and part of the Italian campaign." When the war was over, he returned to Palestine and worked in the underground with the notorious Stern Gang during Israel's War of Independence. ("Say Stern Group," Neuberger suggests. "Gang isn't nice.") "I got into trouble with the British government," he recounts, "and it was suggested that the safest thing would be for me to leave."

Neuberger emigrated to the United States in 1947 and found work as a laborer in metalworking companies. After telling officials that his high school records had been lost, he passed the tests for admission to a small college in Chicago. "I had never even seen the inside of a high school," he says. Later he earned a graduate degree in mechanical engineering at New York University.

In 1955, he and a partner founded Fleetwood Metal Products, a precision sheet-metal company. For several years the business was modestly profitable, but his partner became ill in 1970, and Fleetwood fared poorly during a national recession. "The company could no longer support two people," says Neuberger.

Welbilt made dies for Fleetwood.

So Mariotta got to know Neuberger, and asked him to take the place of his partner in Welbilt, who wanted to retire.

Using his old Buick as collateral, Neuberger borrowed \$2,000 from a finance company to buy into the company. "Welbilt had no net worth to speak of," says Neuberger. With Wel-



Neuberger: His early life more than prepared him for the stresses of business.

bilt approaching \$12 million in annual sales, the Buick has been replaced by an \$18,000 Continental.

Fleetwood has prospered, too. Having maintained half-interest in that company, Neuberger bought out the estate when his partner died in 1978 and became the sole owner. Fleetwood, which grosses about \$1 million a year, occupies part of the downstairs of the Welbilt plant.

Nowadays, Welbilt is a customer rather than a supplier.

The prosperity of the last few years, says Neuberger, "has made me more relaxed, more patient, more public-spirited. You come to a stage where you have the time and the ability to give something back. You don't have too much on your mind to be forbearing and tolerant."

The drama of his early life more than prepared him for the vicissitudes of entrepreneurship. Says Neuberger, "Since I was 19, everything's been kind of anticlimactic. I'm going to worry about the IRS! What can they do to me?"