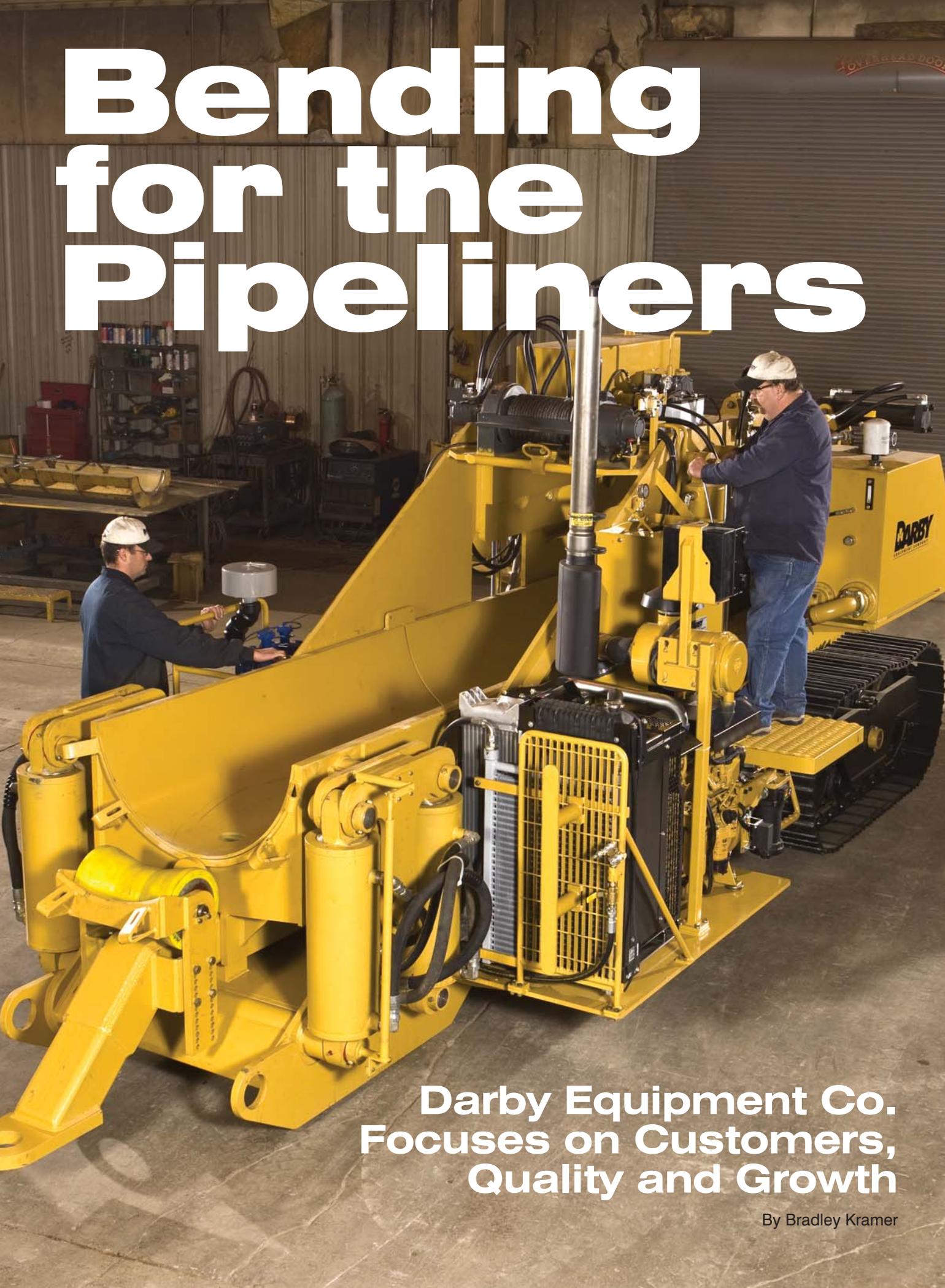


# Bending for the Pipeliners

A large yellow Darby pipe bending machine is the central focus, situated in a workshop. Two workers in hard hats and work clothes are operating the machine. One worker is seated on the left, and another is standing on the right, adjusting components. The machine features a large rotating wheel and a complex hydraulic system. The background shows a well-lit workshop with various tools and equipment.

**Darby Equipment Co.  
Focuses on Customers,  
Quality and Growth**

By Bradley Kramer

**A** pipe-bending machine shapes a pipeline before it enters the ground. Darby Equipment Co., a manufacturer of such machines, hopes to shape the pipeline industry by providing quality products and exceptional customer service. And if by doing so Darby can continue to grow during this sagging economy, the company will also help lead the pipeline industry out of this downturn.

Darby manufactures a long list of pipeline-related equipment. The Tulsa, Okla.-based company is best known for its pipe-bending equipment, but also builds mandrels, clamps, pipe-facing machines, roller cradles and pipe-bending dye sets. Darby began manufacturing most of this equipment from the get-go, with the exception of pipe-facing machines, which were added to the lineup about 10 years ago and were recently redesigned.

About 90 percent of Darby's business is oil and gas related, and most of the company's equipment is specifically designed for steel pipe. Darby's customers are the contractors who put the pipe in the ground, such as Sheehan Pipe Line Construction and Michels Pipeline.

The company rents and sells its equipment worldwide. The overseas market is more geared toward sales because the cost of shipping is prohibitive for rentals, says Bob Darby, president of Darby Equipment. Rentals are a stronger business domestically.

2008 was Darby's best year ever in its 27-year history, even though its overseas business was not very strong because the company remained focused on meeting the demand from its U.S. customers, Bob says. In 2009, domestic business fell off somewhat, and the company increased its focus on international sales. By doing so, the company was able to steadily increase its market share even while other companies struggled with a slowdown in the industry.

Darby has weathered the ups and downs of the pipeline industry by getting involved in more markets. The company's biggest international market is South America, where there is little competition and shipping costs are not as high as to other locations.

In 2010, Darby expects to hold steady while its overseas business continues to grow. Oil and gas distribution construction was down in 2009, and Darby is hoping for an uptick this year, but Bob says it will depend on the credit situation in the United States.

As an indicator of how well the company has fared recently, Darby purchased a new manufacturing space in Tulsa, near the airport, and began moving its operations to the new location at the beginning of February. The new property provides additional crane space with 30 acres.

"We've been at this facility for 10 years," Bob says of the company's current digs. "From a crane standpoint, [the move] is better for us."

## **A Family Line**

Darby is a family company, like many other companies involved in oil and gas pipelines. Bob is joined at the helm by his brother, Ed Darby, CEO, and his two sons, Bobby Darby, vice president of sales and marketing, and Ryan Darby, vice president of operations.

Bob and Ed's father, Lee Darby, started Darby Equipment in 1982 after a long career in the pipeline industry as a Caterpillar salesman.

"Dad was around pipeline equipment all his life. Right out of school, he began working renting and selling sidebooms," Bob says. "At the time, Tulsa was the oil capitol of the world."

Ed was the first son to join the family business in 1989. Bob followed suit nine years later. Bob's two sons joined the company a few years ago, Bobby in 2003 and Ryan in 2005. Bob's wife, Bonnie, also works for the company.

"The pipeline business historically has been a family business," Bob says. "Companies like Miller, Michels and Sheehan were handed down through the generations. Our family atmosphere helps us in some places. Now, some companies have been acquired, but the families are still involved."

Darby began as an equipment brokerage company. There were very few manufacturers making the specialty equipment that Darby has made its focus. Lee, who is now deceased, saw an opportunity. Ed decided to move Darby into manufacturing its own equipment in 1996, the same year he hired head engineer Floyd McCann.

As far as working with family goes, Bob says it's easier as a dad getting to work with his sons. Although Ed is now semi-retired, most of the company decisions are made jointly by the Darbys and Nick Minden, who joined the company a year ago as the chief financial officer.

Though the name of the company is Darby, Darby is not the only family that matters to the company. Darby has 40 employees right now, and Bob says a lot of them have been with the company since the beginning. Unlike many other companies over the last two years, Darby has not laid off any of its personnel.

"We don't overhire, so we don't have layoffs," Bob says. "We like to keep a family atmosphere around here. There is flexibility in scheduling, and we expect parents to go to their children's ball games and other events."

One benefit for Bobby and Ryan is getting the chance to speak with customers who knew their granddad.

"Everyone in this business has a story about him," Bobby says. "This industry is people-oriented, and as a family-owned company, it's easier to relate to customers as a third generation."

Ryan agrees, adding that the family name carries weight in the oil and gas pipeline industry. "Our name has been in the industry for a long time, 40 years, before I started," he says. "Having a family name in this industry means a lot. It's a good thing for business."

Bobby originally didn't plan on getting into the pipeline business. Although he had always been around the industry, he didn't join the family company right away. A few years before joining Darby, Bobby started his own company that specialized in Web-enabled financial applications for banks. Not exactly the background you'd expect for a heavy equipment salesman. One day, his dad came calling about coming to Darby.

"There came a point when Ed semi-retired and I had some experience as president of my own company, my father contacted me to join Darby," Bobby says. "At first, I said he couldn't afford me. But it was a good opportunity, and I felt I could do a lot to help the company."

Bobby's experience as the president of his own company before joining Darby helped him realize how important it is to surround himself with smart and experienced people.

"There are a lot of people you have to hire who are smarter than you, especially when it comes to technology," Bobby says. "We realized why we're good at what we do is not because of my dad or my brother or just the Darbys. We're smart enough to know that our people have a lot of experience in this field. We know that we don't know everything. If you have good people working for you, you're

way better off than if you do it all yourself. Fortunately for me, there are a lot of knowledgeable people at Darby."

Ryan worked at the family company before and during his college years, but after he graduated, he too ventured on to do his own thing. Before joining Darby, Ryan worked as an environmental consultant, helping companies conform to federal and state regulations. But he eventually felt the draw to come back to Darby.

"There's something about having your name on the building," Ryan says. "It gives me pride to work in something that my grandfather started and help improve the business."

A prime benefit of working with family, according to the Darbys, is honest and open communication.

"One thing about working with family is that it all gets laid on the line," Bobby says. "If I have a different opinion, I'm not afraid to say something. If I was working for someone else, I might have to mind my P's and Q's more. We're more free to give our opinions because we know we'll come to a better result."

Between the Darbys and Minden, the company has five chief decision-makers, but they all have a common goal in growing the company through its quality products and customer service.

### Maintaining Quality

During a downturn in the economy, many companies look for areas in their business to cut costs — Darby included — but the company does not count manufacturing as one of those areas if it means lowering the integrity of its product.

"Cost savings are important, but no cost is worth cutting quality," Ryan says. "We feel the best possible equipment requires the best components. Even if the parts are more expensive, we're after the best quality. Customers return because our equipment has so few breakdowns."

"We always have service people on hand in case there is a problem [with Darby's equipment in the field]. Fortunately, they spend most of their time in the shop, not out making calls."

The Darbys believe that a quality product helps sales.

"Once we get equipment in a customer's hands, we usually get repeat business," Bobby says. "We're not the cheapest manufacturer out there. But if someone gets it once, they'll get it again. We've seen a lot of growth in the international side of our business in the last five years because we're going after the business more, not because we've lowered our prices."

"From a quality standpoint, we're not going to use cheaper materials to lower our costs. But if we're sending equipment to Argentina or into another new market and

we need to give a discount, we will because we feel we'll get the business next time they buy. Those new customers will know they're getting something for their money."

In the United States, about 80 percent of Darby's business is rentals, compared to 20 percent sales. Internationally, that trend is reversed, with about 10 percent rentals and 90 percent sales. Overall, rentals account for a hefty portion of Darby's business, and that requires the company to make sure its products will last and avoid sending service technicians to fix something. Darby isn't afraid to spend money in building its machines because it knows that better quality equipment will last longer, and that quality will lead to more business in the future, both repeat and word-of-mouth sales.



Darby Equipment Co. has implemented lean manufacturing practices, which have made the company more efficient, reducing costs and lead time from sales to delivery. These processes help the company forecast demand to ensure that parts and products don't sit around too long.

"We've been asked to make cheaper equipment," Bobby says, "but we don't want to go there."

### Serving the Customer

The key reason why Darby has been successful is the company's contact with its customers, gaining input and implementing improvements to its equipment.

"They [customers] are out there working with it every day," Bob says. "If they know a better way to do things, we want to hear it. People just get in the habit of doing things a certain way. We don't want to be like that."

The company listens to its customers' input, as well as its employees, Bob says. Darby's relatively small size has allowed it to be responsive to its customers' needs.

"My boys know how quickly they need to react in this business," Bob says. "We need to get the problem solved first, and who is responsible or at fault second. Customer service is 24 hours a day."

Whether a problem is the fault of the machine, a person or the pipe, Darby will do what it takes to fix it.

"We'll err on the side of pleasing our customers," Bobby says. "Our service is what we stand behind. When our customers are out on the right of way, they don't have time for downtime. If someone calls with an issue, we're going to have a guy out there to take care of the problem. Our No. 1 philosophy is to make sure our customers can keep going."

### New Horizons

To offset a flat U.S. market in 2009, Darby has focused its attention overseas. A hotbed of growth for the company has been North Africa and the Middle East. Australia also appears to be an up-and-comer.

In an effort to help expand Darby's international contacts, the company joined the International Pipeline and Offshore Contractors Association (IPLOCA) in the summer of 2009, Bob says. Darby is already a member of the Distribution Contractors Association (DCA), Pipe Line Contractors Association (PLCA) and the American Pipeline Contractors Association (APCA).

When Bobby first started with Darby, the company had virtually no Internet presence. He has since worked to improve the company's search engine results, which in turn has increased its international recognition.

Language barriers are a difficult hurdle for the company, as are shipping costs and documentation for delivering its products. Even still, the Darbys plan to continue making a push for more international business. "There's no reason to slow down and we don't expect to," Ryan says.

The company's plans are to continue its overall growth, but at a slow and steady pace. 2008 was huge for Darby, and the company could have gone off and hired like mad to increase production and had an even bigger year. But the company chose not to.

"One thing we do is grow steadily," Bobby says. "We don't try to do it all in one year. In 2009, the whole industry was down, but we hired a new chief financial officer [Minden], a lead engineer, a purchasing agent and some shop people. We're still down compared to 2008, but we still had a pretty good year. We're ready for the market to surge back. We have our head up."

Ryan thinks business in the United States will pick up in 2010. Combined with the company's increased international sales, he expects Darby's overall volume of business to increase.

"When times are tough is when companies make up the difference and pick up market share," Ryan says. "We've focused on making improvements to our processes. If we work to put those in place now, we'll see the payoff in better and busier times."

While the Darbys think 2010 will be better than 2009, they know business won't be as strong as it was in 2008.

"Based on our customers' feedback, we are cautiously optimistic," Bobby says. "If the pipeliners are optimistic,



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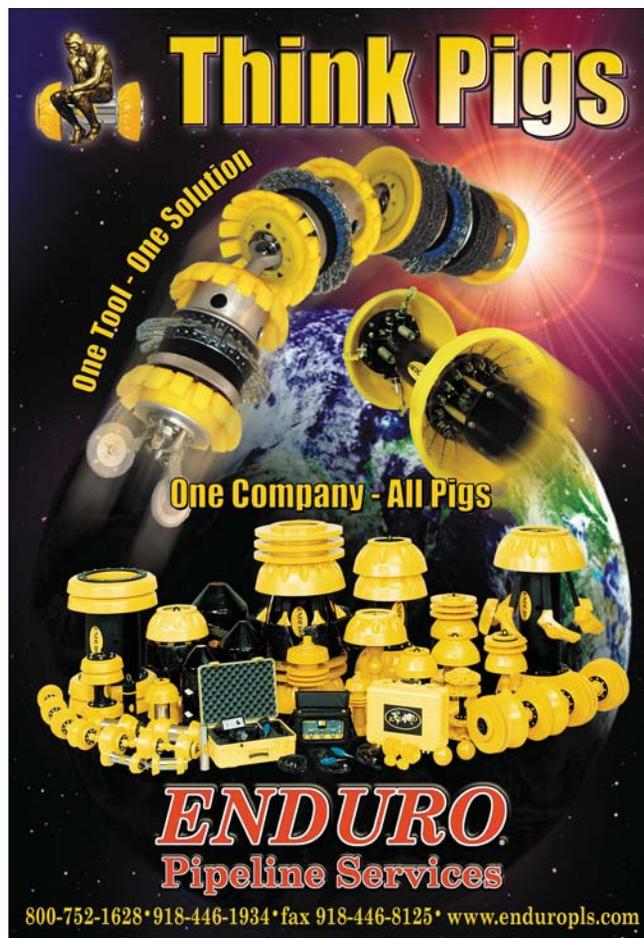



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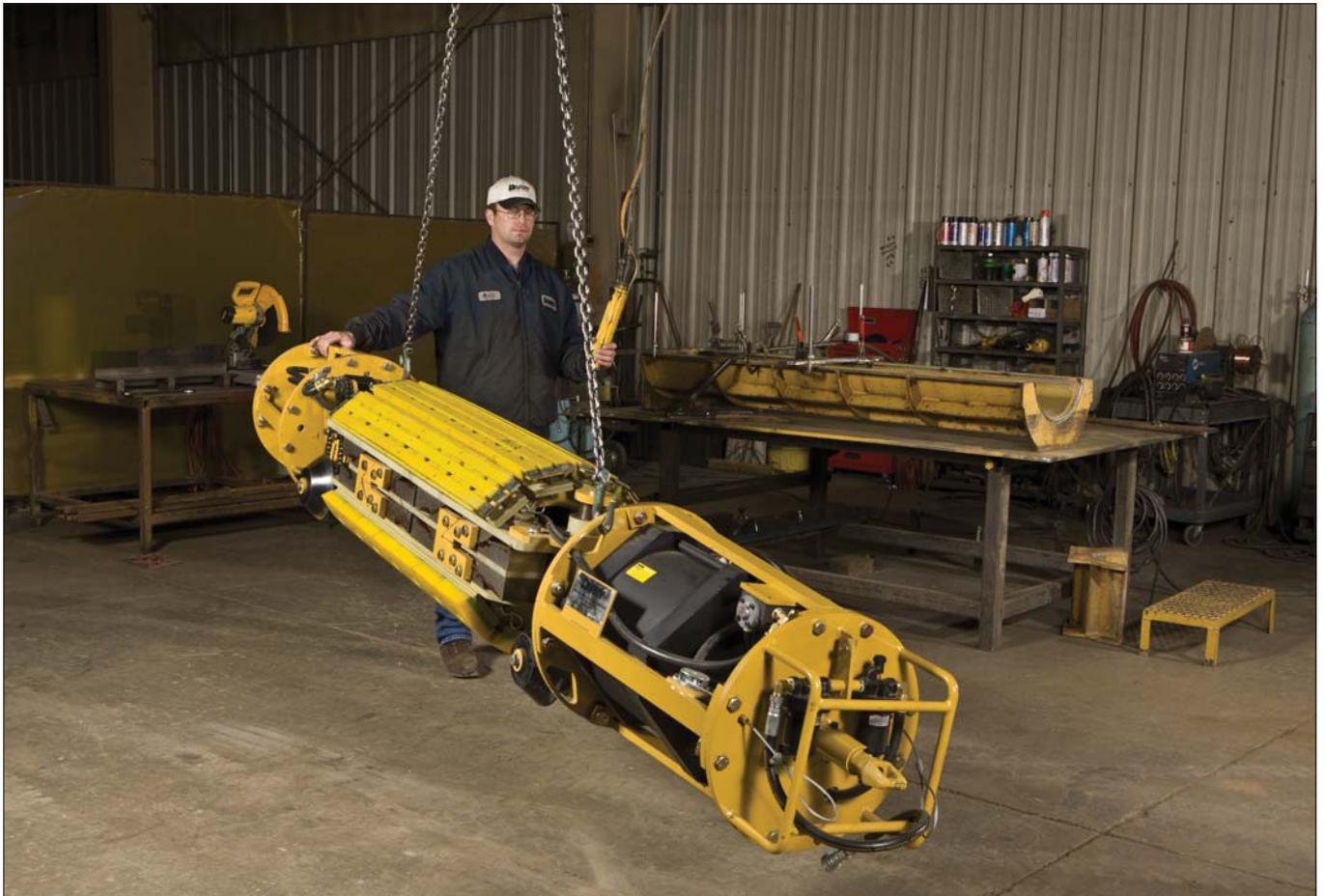
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Darby isn't afraid to spend money on producing a quality machine. "Cost savings are important, but no cost is worth cutting quality," says Ryan Darby, vice president of operations at Darby Equipment Co. "We feel the best possible equipment requires the best components. Even if the parts are more expensive, we're after the best quality." The Darbys feel that once a customer uses their products, they'll be hooked.

it's for good reason. This industry will be back on the upswing we feel. 2009 has given us time to breathe. 2008 was so hectic. Now, we're moving to a new facility, and we'll be able to step up. Just because it's been a slower year, it hasn't changed our philosophy at all. We will continue to gain market share and focus on getting those tricky first-time customers to use our equipment."

### **Leaning Against the Recession**

Darby managed to have a solid year in 2009 with its focus on international business and growing the company prudently.

"We haven't avoided the downturn," Bobby says. "We took a glancing blow, not a direct hit like other people in the construction industry. We have been very fortunate. I believe it will turn around. This industry is like a gradual wave. It has its ups and downs. We didn't put all our eggs in the up year. We'll continue to grow slow and steady."

One of reasons why Darby has fared well during a tougher economic climate is in the way the company manages its manufacturing, Bobby says, pointing to the work his brother has done as head of Darby's operations.

Ryan has instilled "lean manufacturing" processes throughout the company to help improve efficiency and quality. These lean practices have standardized Darby's manufacturing operations, reduced costs of overhead and shortened the company's lead time needed to deliver a product to a customer.

"We have processes in place to ensure that a product is not sitting around waiting to be bought," Ryan says. "A lot of it is about timing, having the right amount of parts on hand so that the manufacturing department can get things done in

## **Darby Equipment at a Glance**

**Pipe Bending Machines:** For bending welded pipe along the right of way before the line goes into the ground. Currently available up to 42 in., but the company is working on larger machines.

**Mandrels:** Placed inside the pipe during the bending process to keep the pipe wall from buckling. Available up to 48 in.

**Internal Pneumatic Clamps:** To hold pipe sections in place during the welding process.

**Pipe Facing Machines:** Used to prepare a bevel, like a mobile lathe, before the pipe is welded.

**Roller Cradles:** Used in conjunction with a sideboom to lower pipe into a ditch. Available up to 60 in.

**Pipe Bending Dye Sets:** Part of the pipe-bending machines, used to guide the pipe during the bending process. Each pipe size requires its own set of dyes.

time. Parts and equipment sitting around creates more overhead and waste."

Changing these processes requires a lot of help from Darby's customers to provide important information such as what piece of equipment they need and when they need it. With that information, Darby can forecast demand and be ready to deliver a product on time.

"Very simple things like being organized, like having all our tools in one location — that attention to detail helps us avoid wasted time to complete tasks," Ryan says. "Knowing our inventory helps us know if we are running low on a certain part and we can purchase more. Having the right amount of inventory, but not too much, takes a lot of work and discipline."

Darby's new lean manufacturing processes have helped the company's international presence. During its record-year 2008, the company was trying hard just to keep up with its domestic business and virtually let potential sales overseas go by the wayside. By implementing these practices and reducing its lead time, Darby is now better able to compete on a global scale. And that has kept Darby at an even keel overall.

"With the rental market down in the United States, we've been more competitive overseas, which has helped us maintain our business," Ryan says. "We wouldn't get that business if our lead time was long and our prices were high. In sales, the customer wants the product as soon as they can get it. A focus on our internal processes has cut costs and shortened lead times. We have just touched the tip of the iceberg."

The recession has made Darby's lean manufacturing and efficiency even more important. It has changed the atmosphere at Darby. The company has moved employees to departments that require more focus, while other departments are experiencing slowdowns. Part of being lean is being flexible and being able to move people to where they are needed to ensure the company is churning out reliable equipment and providing the best possible service.

"The main thing we focus on is a quality product," Ryan says. "In slower times, we work to be in a better position. We're proud that we've had no layoffs. Because we focus on being lean, there is plenty of work. We don't expect it to be slow forever. We have to be ready for the next busy time."

The Darbys believe that the next busy time will be sooner, rather than later.

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