

FINANCIAL TIMES

A bastion of British engineering

Entrepreneurship

The founder of Oliver Valves admires tradition but is quick to embrace a global approach, writes Andrew Bounds

In an age when many entrepreneurs claim their motivation is to help others or improve society, Michael Oliver is old-school.

"I started this business in a one-car garage with no money and I started it to make myself wealthy," says the founder of Oliver Valves, Europe's largest maker of valves for the oil and gas industry. "I have achieved that. I have made other people wealthy and given people career opportunities.

"I am the highest paid director in the north-west of England - I made £5.7m personally (in 2009). Nobody comes close to me," he adds. In fact, Ben Luscombe, founder of Henleys Clothing in Manchester, made £10.3m, but Mr Oliver is not a man to argue with.

The imposing 72-year-old is seated at a giant wooden desk in his office, surrounded by memorabilia of a life in business - tankards, awards and pictures - and evidence of his passion for manufacturing. On the boardroom table is a large model train like the ones that many buffs set up in their

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gardens - but he is more interested in its design and mechanics than its movement. The downstairs lobby boasts a Merlin engine, made in Manchester, of the type used by the Spitfire, the aircraft credited with winning the Battle of Britain in 1940.

Mr Oliver also owns a flying Spitfire and a £240,000 steam-driven traction engine made famous by Fred Dibnah, the steeplejack who became a television personality in the UK.

He believes Britain must preserve its manufacturing heritage. "We used to have a huge engineering industry in the north-west. I have seen it decimated," Mr Oliver says.

He is not speaking amid the mill chimneys of the Lancashire rust-belt but in Knutsford, the genteel commuter town better known for its Bentley dealership serving footballers and stockbrokers than its machine shops. Of investment bankers, he says disdainfully: "Since they lost all their clients' money, they have been pestering me to give them mine."

If Mr Oliver is a romantic, he is also no fool. His company designs and assembles valves rather than building them in the UK from scratch, so it can flex its supply chain. "We buy all the bits for our valves through a subcontract network in Europe. We buy them and continue to drive costs down year on year. Our cost-control is phenomenal."

He would rather reject an order than sacrifice margin. "This company is debt-free. We have one principle - gross margin is king."

And he is unsentimental about uncompetitive engineers. "Manufacturing is still going to decline in this country. If I can buy something for £1 in India and £10 in England, I will buy it in India. The only problem is quality. When we have sourced parts overseas, we have experienced major quality issues with forgings and castings."

Mr Oliver, who is the company's chairman and now "comes and goes" as he pleases, was a late starter when he set up the business aged 42. He had left school at 15 and gone to the US to



History man: Michael Oliver's collection - including Rolls-Royces, Bentleys and a Spitfire - are testimony to his respect for manufacturing heritage

Jon Super

design machine tools. He then worked around the world in middle management and sales for manufacturers, which taught him financial controls and how to deal with people, he says.

Not how to deal with bosses, however: he was sacked from three jobs for being "outspoken and fast-moving" - as he puts it - and decided he would only work for himself.

"I was 42, with a garage and no money. I got out a T-square and designed a valve and made it. We have just made the five millionth one," he says. "My first order was from a synthetics gas refinery in China. It ordered 990 valves in six weeks." The valve's selling point was that it was less likely to leak.

British Gas was the next customer, using the valve on undersea pipelines and rigs. Once the product received British quality approval, it rapidly took off in the oil and gas industry.

"In the early 1980s, there was a lot

of activity and I was a good salesman," he says. "The name 'Oliver' was built into the specification and you had to go to the approved vendor. It is recognised worldwide as 'Hoover' is to vacuum cleaners."

Mr Oliver continued to innovate with the double block valve and bleed valve, which could replace three valves welded together and was more secure. His company now supplies oil majors such as Petrobras of Brazil and Exxon of the US and makes 400,000 valves a year. It employs 260 in Knutsford and 600 internationally, in China, Malaysia, Brazil, the US and Middle East, and is recruiting.

He believes his company can expand even if UK manufacturing is under pressure from cheap competition overseas. After a dip, turnover is on track for £50m this year, he says, but he is still aiming higher. "We have got the funds. We are opening new market places in emerging markets. The great challenge for us is the Indians and Chinese taking our market share."

He fears for others, though. "In this country, banks do not understand industry and governments do not understand banks or industry."

"Manufacturing... is dying on the vine due to the banks' inability to provide liquidity. Two of our major subcontractors have just gone broke because banks have pulled their overdraft facilities at a time when they need them most - criminal."

He says government policy does little to help: "The 50 per cent rate of income tax [on annual incomes over £150,000] has meant that I now take life easy instead of working too hard for a government that does not understand my needs."

The work force is an issue. "In countries such as India, Brazil and China, where we oper-

ate, you have these engineers coming out of university. We have almost none." He laments the quality of potential engineers coming out of British schools. "They cannot come [in] on time and be properly presented. We are looking for people who want an opportunity and take personal pride in the job."

No one can accuse Mr Oliver of being improperly presented, with his shock of white hair neatly swept back, striped suit and tie with matching handkerchief in his breast pocket.

Also, he does take an interest in young people. The Merlin engine was restored by the Oliver Merlin apprentice club, which sees older workers mentor young people to share the wonder of pistons. "We give them the new skills alongside the practical old skills," Mr Oliver says. The company also funds an after-school engineering club at a local primary school. Few youngsters have any concept of engineering or know anybody who works in the sector, he says.

The company also supports a mission for the poor in Salford, a school in Kenya, the NSPCC and the Army Benevolent Fund. "There are lads getting killed with young families left behind," he says.

Mr Oliver conducts a tour of the company's sprawling site, several buildings spread across an industrial estate. An entire wing is a mini-museum, housing not just his steam collection but a fleet of more than 25 cars and racing motorcycles. The company employs a driver, who knows Mr Oliver's ways well enough to stiffen and call him "sir" as he enters. He has just finished polishing some of the jewels of manufacturing: three Rolls-Royces, including a 1913 Silver Ghost, five Bentleys, three Ferraris and a Bugatti Veyron.

Surveying the site, he reveals another aspect of its future: "This company will never be sold. When I die, my shares go into a trust fund, which will enable the business to continue beyond me."

Making it in manufacturing

Michael Oliver has strong opinions on how to build a manufacturer based in a high-cost market.

● Know your customer.

"A lot of engineering companies fail because they design a product and then think: 'Who is going to buy it?' ... We work with customers looking two years ahead."

● Go for margin, not volume (don't rely on the bank).

"We will not take an order from a client if there is not enough gross margin to satisfy our need to self-finance the growth of our business without recourse to bank debt."

● Focus on quality, not

price. "You do not maintain your lead by being the cheapest. In the industry we service, zero defects is one of the things they look for, reliability of the product once installed. They are not fussed about the cost. If my valve fails, the rig is shut down."

● Be tough with suppliers and avoid capital outlay.

"Our competitors have finite capacity and we have infinite capacity. I also don't have to buy expensive new machines - my suppliers do that."

