

John F. Darby

President of Niagara
Power Transformer

Interview with **John F. Darby**

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NIAGARA POWER TRANSFORMER
Powering Possible.



Photo: Niagara Power Transformer

Following the recent rebranding of Niagara Transformer to Niagara Power Transformer, and the start-up of a new arm of the business that will take on repairs, we talked to the third-generation CEO, John Darby, about the company's history spanning nearly 100 years, their unique value proposition and the vision for the future and the next generation.



Alan Ross: John, I am fascinated by companies that have been in business as long as Niagara Power Transformer has. The company is nearly 100 years old, would that be fair to say?

John F. Darby: Correct, we are approaching our 100th anniversary in 2024. Our history goes back to 1920 when my great uncle emigrated from Guelph, Ontario into the Buffalo Metropolitan Area. Those who know the history of the industrial Great Lakes know that this was a very vibrant area of the country. There was a tremendous amount of industrial infrastructure

built up around the Great Lakes and Niagara Falls. My great uncle opened a business in 1924, primarily to do repair work on motors, electromagnets and switchgear transformers for that heavy industrial base that surrounded the Great Lakes.

In the late 1920s, our industrial customers began asking us to consider making new transformers to fill a market void. A few years later, in 1933, we began making new industrial transformers, followed with an expansion ten years later into the utility-grade transformer market.

This dichotomy between making heavily engineered industrial transformers and sophisticated utility transformers that we do today has lasted almost 100 years.

AR That is amazing. I remember we joked about this: I usually say that in my opinion the best transformers were made by a company called Westinghouse back in the 1970s. And you said they were not; they were made by Niagara Transformer and they just put the Westinghouse label on them. So in fact, for the last 15 years I have been saying the best transformers were made by Niagara Transformer back in the 1970s, which would indicate that you have a vision for the future.

JD As you approach the 100th anniversary with three generations leading the company, you focus to a certain extent on your history. But obviously, you also focus on what the next 100 years are going to look like. We are in an interesting apex between history and future. It gives us a good opportunity to go back and think about what our vision for the future is and how we are going to interpret that in a rapidly changing business climate.

What is old is new again encapsulates our vision. The first utility customer that we started doing business with in 1943 is still an active customer today, more than 75 years later. You might ask yourself how we achieved that long-term partnership. We did it by living two words: *Relationships matter*.

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Even in the digital age of Zoom, we feel that long-term relationships really matter in our business and our industry. We like what we call *long-term marriages* with our partners and our employees, and certainly with our customers. We think that investing in relationships is the key to our success today and fundamental to the vision of how we are going to be successful in the future.

AR That is the hallmark of excellence. Another thing the customers look for is a unique value proposition. What is it that Niagara Power Transformer brings to the marketplace?

JD As implied by our long-term perspective in relationship building with our customers, we are not transactional in any way and our value proposition really underscores that. The way we compete and live our Relationships matter mantra is accentuated by four attributes that we see as a four-legged stool.

Number one, we think we have the best people in the industry. It starts with our technical ability and our deep engineering. We love taking on tough engineering challenges. In today's world where so many manufacturers are very focused on a specific product type, we are just the opposite. We are what you call high mix, low volume. We will take on engineering challenges that others, even much larger and much more complex organizations, do not have the engineering bench for. That is how we did so much private labelling, not only with Westinghouse and GE, but also with Square D over the years, because even though they were competitors some days, they were also very good customers other days.

We lead with quality in everything that we do. You can do unique and tough engineering challenges, but if you don't put quality first, then the engineering doesn't really matter. And we do all that in very competitive lead times.

We are responsible for the specification of those transformers as well, selecting the suppliers and ensuring that the designs are in accordance with our requirements. We conduct design reviews and perform all factory acceptance tests. But the actual asset management and the maintenance of the operation belongs to the field staff and their management.

Being able to rotate people, taking on tough engineering challenges, executing with incredible quality and meeting customer-defined lead times – these are the four attributes that we compete on and that encapsulate our *Relationships matter* mantra.

Obviously, we are sensitive to a lot of the continuous process industries that we deal with on the industrial side, such as steel, electrochemical and mining. We operate 24 hours a day, seven days a week, 365 days a year so we can meet their schedule. Being able to rotate people, taking on tough engineering



challenges, executing with incredible quality and meeting customer-defined lead times - these are the four attributes that we compete on and that encapsulate us.

If any of your readers have an engineering challenge that nobody else will take on, we likely will.

AR Excellent, we will make sure our member companies know that when they have a need for an engineered-by-design solution.

In order to do what you have been doing for three generations, there had to be next-generation knowledge passed on. It is the knowledge that you have, the knowledge that your engineers have, and that the workers have. We are all facing the same problem: How do you prepare the next generation? How do you recruit them? After that, how do you prepare them to handle the problems that are changing all the time? What is it that you at Niagara do to be able to approach this need for next-generation transfer of knowledge?

JD In our particular case, it all starts with the leadership team. Our company is not only almost 100 years old, but it is also approaching the fourth generation transitioning into the business. My son, who is finishing his studies at Cornell University, has already begun to plug in and learn the business from my point of view. But I can tell you, he looks at human resources and many other things very differently than I do. It is reassuring, because I did the same thing with my dad and he in turn did the same thing with my great uncle, who started the firm. It is a balancing act. Having an equal measure of interest and aptitude in the business like ours, I think is essential.

At the same time, we want to be open to being innovative. We want to be open to applying those fundamental business and engineering skills in new ways in a rapidly changing environment, not only for suppliers and customers, but also for employees. As we all have lived through this last year of significant and almost unbelievably quick changes and challenges, the last year has really underscored that.

Preparing the next generation starts with being open to new innovative ideas, while having the family at the core. That provides the underpinning of how we approach not only recruiting technical engineers from all over the world, but also our local and national people that supply our direct labor talent.

We are very selective about who we hire, even in today's very competitive marketplace for our top labor, and we underscore that with family approach. Again, using that term long-term marriage, we want to make sure that it is a partnership not just for the company, but also good for the employee. And we spend a tremendous amount of time in the selection process.

When somebody comes on board, we invest a lot in giving them numerous ownership opportunities, from the most junior person on the production floor, all the way through engineering. That way they have a sense that the family has their back, and they have a sense of ownership. We don't want transactional employees. We want people who are long-term committed to quality and to our success. And that is also what we look for in customers.

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We have had employees who have been with us for 30, 40, 50 years. We even had an employee of 55 years. We have less than 0.5% turnover, which in today's marketplace is absolutely unheard of. We tend to be very selective and make decisions looking at both sides of the employment. We do a lot of training and engagement. And the results, I think, speak for themselves, at least in our business where we have a lot of long-term and committed employees. If you choose not to be a transactional company, then you cannot be transactional in engaging your workforce either.

AR Let's talk a bit about the future. One of the things that impresses me about Niagara Power Transformer is that you are a company based in a tough state. To do business in New York is not the easiest. You are an American manufacturer, American-made, but you are also a global supplier to a marketplace which is fast becoming even more global because the need for uniquely designed solutions.

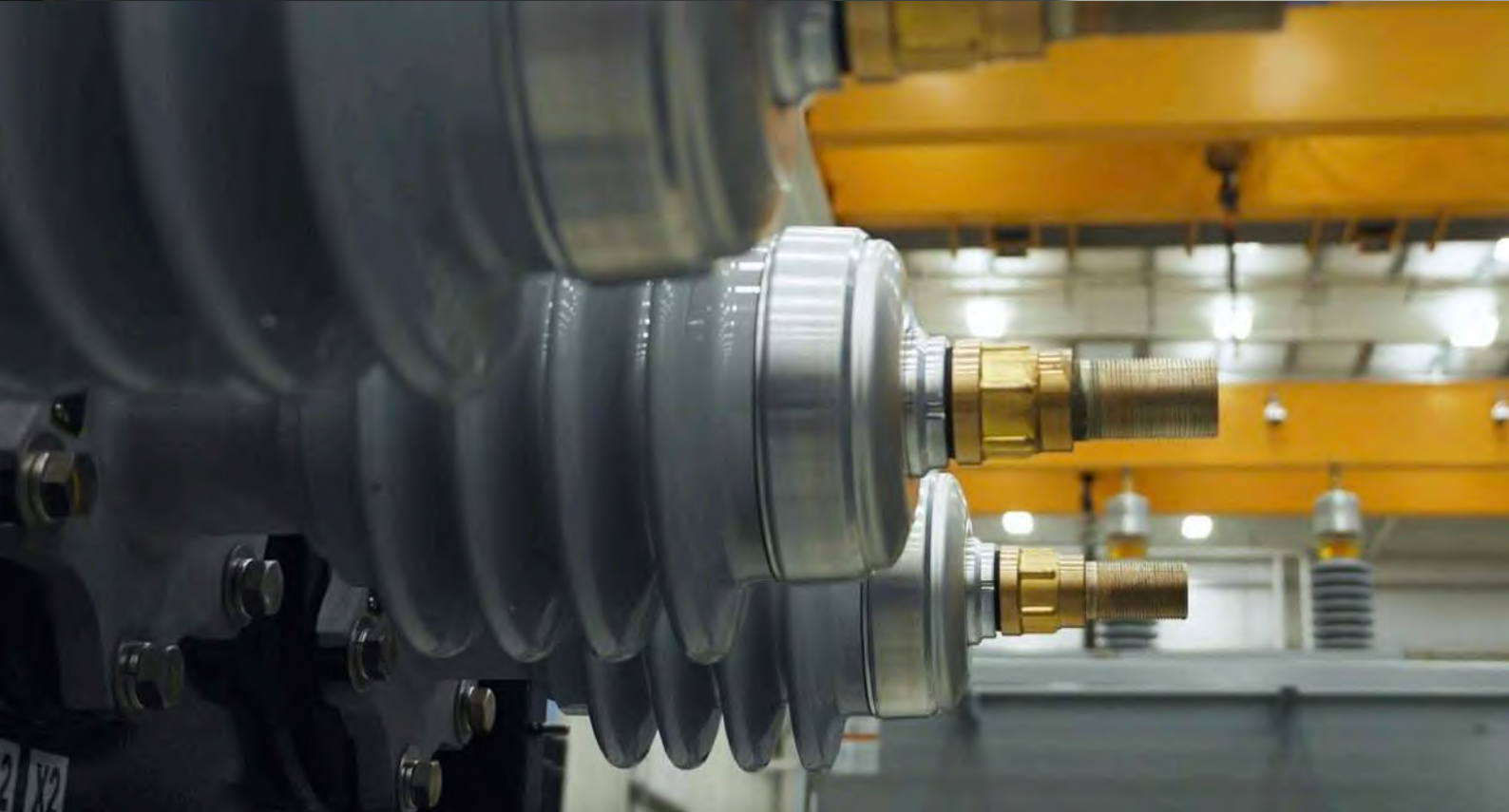
Take yourself a decade or two out. What do you think is happening in our industry and how are you connecting with it?

JD There are some very exciting things going on that I think we as a company can take advantage of. You pointed out that we do our manufacturing in the United States, but we do have design offices in China and Canada. We are very familiar with taking advantages of the expertise and inventory in other parts of the world. But we convert that into our own execution here in the U.S. It is a very exciting time to take those strengths and channel them inwards, because there are a number of interesting things that are going on.

The electric vehicle market is just in its infancy. That is going to be a tremendous, sustained market opportunity for those in our space. Here in New York State, we are pushing for 100% renewable generation. I think there is still a lot of runway left for renewables, particularly solar and battery storage. I believe that presents us some great opportunities, a bipartisan US infrastructure bill that is being discussed in the Congress and the Senate led by our new president, Mr. Biden. That obviously would be very exciting in terms of making investments in energy efficiency, infrastructure, redundancy, and continuing to replace aging infrastructure that is long overdue.

Finally, I think that there is a sense of uncertainty among our North American customers, and to some degree our European customers, who are concerned about stretched supply chains,







particularly those that have pursued 100% Asian-oriented supply chains. They are concerned about access to products, technical support, and to a quick and nimble response in case there is a problem. I think that demographic shift is never going to go back to what it was in the 1950s, nor do I think we want it to.

We are excited about reaching 100 years in business and the fourth generation taking over.

There is a movement back to really taking a hard look at redundancy and supply chains. Certainly, Asian competitors offer a lot of cost advantages, but they are not a one-stop solution to all potential problems that our more sophisticated customers are recognizing. I do think that shortening up supply chains and providing redundancy to supply chains that our focused outside of the North American

market will enhance and sustain our business going forward.

We are excited about reaching 100 years in business and the fourth generation taking over. I think we are well positioned as a company. We are healthy. We have invested \$45 million in our plant and equipment here in Buffalo. We have one of the world's most state-of-the-art facilities to take on the opportunities that the macro environment is going to rapidly present. I am very excited about our prospects, and I believe that we will balance our old school value system against the opportunities that are rapidly evolving and presenting themselves to our market.

AR What is old is new again. Thank you for these fantastic insights, John.

JD Thank you very much Alan, we appreciate the opportunity.