

Technitrol, Inc.
www.technitrol.com

[James M. Papada III, Chairman and Chief Executive Officer](#)

Founded in 1947, Technitrol was the creation of four graduates of the University of Pennsylvania's Moore School of Engineering. Technitrol's young founders participated in the development of ENIAC, the world's first Electronic Numerical Integrator and Computer. They owned a related patent for many years. The company was innovative and focused on the electronics industry.

During the 1960's creating a conglomerate was all the rage in American business and the company branched out into many areas, owning a company that made electric motors for coal mining, a data processing company, a company involved with towing barges on the inland waterways. One by one these companies failed and were sold off. At the time the management theory was that any good manager could run any type of company. It did not work well at Technitrol.

Technitrol refocused on the two core businesses; manufacturing passive electronic components and precious metal electrical contacts.

Jim started out as an attorney and in 1973 joined a law firm that had represented Technitrol since 1947. Jim was assigned to Technitrol's account and participated in everything Technitrol did. In the early 1980's Jim left the law firm and went into the glass business. At that time he was asked to join the board of Technitrol, due to his knowledge of the company and past experience with the firm. Jim sold the glass business in 1988 and went back to practicing law. He stayed on the board of Technitrol and eventually became the first non executive chairman of the board. In 1999 he was asked to become the CEO of the company. Jim has a unique background, starting out in law with a focus on M&A that transitioned into operating companies.

In 1999 Technitrol's revenues were about \$ 300 million; in 2008 they were approximately \$1.1 Billion. Jim has led the company through thick and thin.

In 1999 the electronic markets were at their zenith with 20% growth. From 2001 to 2004 the electronics market suffered a 40 % decline, the largest in the history of the industry. Companies went bankrupt. Jim and his team managed through tremendous adversity. Technitrol is a global company with great products; Jim and his team focused on innovation, cut costs and hunkered down. They waited it out until the markets came back in 2005. The markets came back with 20% growth, Technitrol made several acquisitions in the fast growing cell phone, automotive, and medical industries and increased revenues. Technitrol was flying high until mid 2008. The adversity of the 2001-2004 period has been easily surpassed by the current recession and Technitrol has again had to go to the cost reduction playbook.

One of the many strengths Jim and his management team have kept at the forefront of their decision making process is to be completely realistic about external market conditions, during both up years and down years. It is important to be optimistic about your company and industry but also be brutally realistic. Due to this management style, in mid 2008 Jim took a hard look at the market and felt the down market was not going to be a short term issue. Technitrol began to readjust strategies and prepare for a difficult time.

Technitrol assessed the situation and quickly began reducing costs, reducing inventory and managing for cash resulting in profitable periods even in a down market. Jim puts it quite simply as “You either adapt to stay in business or you go out of business during these down turns”. Technitrol’s strategy with this kind of market is to forget incrementalism and go for maximum savings as fast as possible.

Technitrol has managed to develop products in many markets, offering a very comprehensive line of products that allows it to compete in a global market.

In today’s market you need to manufacture in a very low cost country and Technitrol has chosen China. Technitrol started in China in the mid 1980’s. In the late 1980’s the Chinese government changed the regulations that allowed for 100% foreign owned companies. Technitrol saw the opportunity and moved in

and established operations. Since that time it has developed a high level of expertise in managing operations in China. Early entry into China gave it a great advantage against the competition, but today China is the great equalizer.

In China, Technitrol runs massive training programs, a small factory may have 2,000 people; a large factory may have 10,000 people. Training is a critical component of success.

What keeps Jim awake at night is a key concern in finding the right people at the right time at the right location. Because Technitrol is still relatively small it does not rely on a strong “bench” of executives so everyone has a “real” job with “real” day to day responsibilities. Jim believes that you need the right people at the right time and then you need some luck. You will always have external issues coming at a company and if you have the right people they can more effectively react to these adverse external forces.

Jim has some advice for people that want to enter the business world or start their own company. You need to work hard and not look at people around you who are successful and say I want the things they have. The reality is that these successful people worked very hard for years and in some cases decades to get where they are. You need to work hard and look for opportunities and when you are young; don’t be afraid to take a risk on an opportunity. If you fail, you will learn something from it, pick yourself up and move forward from there.

The desire to have it all yesterday does not work. Jim started out working for a large law firm in 1973 making less than \$ 1,000.00 a month, working 12-14 hours per day, moved forward and took a lot of risk in his business career. The combination of a good education, hard work, taking risk and adaptation to change makes him a successful CEO.

Technitrol’s future is alive with prospects for continued growth. The electronics business in general grows about 6% a year on average and Technitrol’s goal is to grow at double this rate through acquisitions, but profitable acquisitions which create and enhance shareholder value. After a brief respite (called a recession)

which often helps one take stock of oneself and recalibrate, Technitrol intends to once again embark on the journey of successful growth.

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