

Puget Sound BUSINESS JOURNAL

August 26 - September 1, 2011

Desk strategy

Clif McKenzie owns Watson and focuses on his employees and the environment

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Clif McKenzie, owner of Watson, knows that almost every small-business owner has an exit strategy.

That's the cycle in which an owner coaxes the company's growth along until the "natural" point of selling it. But McKenzie also believes that exit strategies tend to get in the way of growth and planning for the long term.

"What we're programmed to do is ... to always have an exit strategy," said McKenzie. "You run it, then you sell it."

Six months after buying Watson in 1990, some 30 years after it was founded by Grahame Watson, McKenzie said he called his two business partners (Bill Haggerty and Daniel Warn) and said, "This is what I'm doing for the rest of my life."

There would be no exit strategy, no sale of the company nor any backing out. McKenzie's plan had switched to the "continuation" strategy.

More than 20 years later, McKenzie is still running Watson. Located in Poulsbo, Watson manufactures European-inspired office furnishings for major clients such as Motorola, Nike and Boeing.



KYLE HOISINGTON PHOTO

CHAIR MAN: Clif McKenzie owns Watson in Poulsbo.

"We're in the top 2 percent of Boeing suppliers," said McKenzie. Watson is in the process of patenting a tabletop originally created for Boeing employees that is reversible to accommodate either right- or left-handed people, he said.

Once he had committed the remainder of his career to Watson, McKenzie — an accountant by trade — said his linear thinking took over. The company needed to establish some basic values that would allow for longevity.

McKenzie quickly decided that in order to grow his business in a way that would provide for the long term, he first needed to focus on his employees.

"I refused to outsource jobs or profits," said McKenzie, who now has 150 employees and an additional 30 subcontractors. "In effect, that would mean there was only one level of profit in the food chain, and that would allow us to keep building jobs and careers."

Next came a new strategy to

replace the exit strategy he'd abandoned. McKenzie decided instead to focus on the financial stability of the company, which also translated into taking some calculated risks to encourage growth.

"I knew that if I wasn't willing to make investments, I'd lose some of the top people in the organization," said McKenzie, noting that most people he wanted working there wouldn't stay at a stagnant company.

McKenzie also focused on paying down debts, focusing on containing his costs and putting cash in the bank — as much as 15 percent of his pre-tax income.

"That way when '09 comes and your revenues fail 30 percent, you can keep going," said McKenzie. "Having cash always helps you weather the storm."

Instead of focusing on sales in 2009, the hardest year for Watson, McKenzie shifted the company's focus to its core development and product research. And, with that little cash nest egg McKenzie had been storing away, Watson was able to make an acquisition, purchasing Magna Design, of Lynnwood.

"It was great because we didn't need a bank," he said. He didn't reveal the price.

Along with the acquisition came a 14,000-square-foot expansion to its facilities in Poulsbo, an additional 40 jobs, and laser technology for fabricating the company's own sheet metal.

"During those two years we worked harder than we ever have," said McKenzie.

But the result was a "rebound in 2010," and overall growth of about 25 percent, he said.

And 2011 will be even better. Watson projects gross sales of between \$31 million and \$32 million, results that McKenzie attributes largely to the company's policy of insourcing.

"We're creating that value itself," he said. "We're dead serious about insourcing everything we possibly can."

That's not the only aspect of his business McKenzie is "dead serious" about. He considers his company a steward of the environment: Watson has won multiple environmental awards for its efforts to be green and sustainable, even as a manufacturer.

"We don't even have chemicals in here," said McKenzie. "I don't want my employees working with them — everything is water-soluble — because there's no spill that's acceptable."

LESSONS LEARNED

McKenzie on running a successful company

1. Focus on basic financial principles.
2. Invest in people. Hire the most competent, passionate employees. Be demanding; set the expectations to be difficult, rigorous.
3. Protect/enhance your environmental footprint. Take small incremental steps to leave this planet in better condition for children.
4. Listen, understand and manage customer expectations.

— BETHANY OVERLAND

McKenzie said his opinion on environmental responsibility is one he was introduced to as a child by his father. Walking home from his job at the Bremerton naval shipyard, his father would complain about all the trash littering his path, wishing someone would clean it up.

"Then he realized he was somebody," said McKenzie. "And I've always wanted to be somebody, too. The reality is we're all that someone."

At the end of the day, McKenzie admits that his love for Watson isn't actually about the furniture itself.

"It's about manufacturing and making something quality with our own hands," he said. "Our purpose doesn't say anything about furniture."