

Interview: Luis Alemañy â?? General Manager, American Tools, Inc., Puerto Rico



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Luis Alemañy came to American Tools, Inc. as general manager in 2014 following a career largely focused on multinationals. He talks about the companyâ??s new direction and their large international client base that has come about as a result of over 40 years of high-quality sheet metal manufacturing primarily for the life sciences, electronics and military industries.

What drove you to come to American Tools?

I have been working for global companies my whole life, such as Pepsi, 3M, Amgen and Toshiba. I heard about American Tools having a very good product and engaged workforce, which has

decades of experience. I visited the company and once I saw the product and customer portfolio as well as the manufacturing process, I thought this would be a great opportunity for me to grow and to develop the company to have greater impact in Puerto Rico. This country is experiencing difficult times due to different factors. Section 936 of the Federal Tax Code was phased out in 2006, and since then many companies have departed the island for more profitable countries like Singapore, Ireland, Costa Rica or the Dominican Republic to name a few. As a country, Puerto Rico has a great challenge ahead at the moment. Once I heard about this opportunity I decided to move to help this company get to the next level.

What changes did you feel you needed to make?

Coming from an experience focused on global companies, the organizational structure is very different here. Smaller companies have less structure. My first challenges were working with change management with over 100 employees and business process reengineering as well as developing strategies focused on having a sustainable operation.

American Tools is the number one sheet metal manufacturer in the Caribbean. What are the competitive advantages of this company?

Compared to any player in the US, American Tools offers very high quality products combined with lower labor costs and very talented and engaged people. When I visit my customers in Puerto Rico or in Mexico, China, India, the Czech Republic or the US, everyone has the same feedback regarding our processes and product quality. In Puerto Rico's marketplace, we're currently the leader in the industry due to having products and service based on quality, consistency and credibility.

Your international client base is extremely impressive for a local Puerto Rican company. What has been the secret to success in terms of obtaining such a broad international clientele?

American Tools's aim has always been to provide a good product to our global companies located here and abroad. Once you prove your quality is good and you build up this credibility among your customers, you can sell outside Puerto Rico quite easily.

Do you see yourself continuing to expand beyond the current scope, or focus on Puerto Rico?

The business plan I designed when joining the company was to focus on Puerto Rico as well as international markets. Nevertheless, the country is developed, so opportunities are somewhat limited at this point. The cost of doing business here is tough, so it impacts the decision-making process, which is now slower. Thus, we leverage it by exporting and looking to expand to other countries.

On the other hand, we have some companies trying to simulate our work in sheet metals. Some companies try to replicate what we do in American Tools. For instance, one of our customers needed to build and develop an internal machine shop, which American Tools has. It is more profitable for them to have this internal manufacturing process rather than using a supplier. I am currently a supplier but I respond to their excess demand. This is part of what some companies need to do in order to reduce costs and increase profitability as part of their strategies to be more competitive.

Two months ago, I received a phone call from a contact in China, a country very strong in metal manufacturing. He asked us to manufacture a certain piece. Apparently they have tried to replicate our products but it is never the same. Our competitive advantage is our quality and processes; we

have very trained people who have been working with those parts and similar parts for more than 40 years. Our turnover with employees is ludicrously low. It is not so simple to just copy the work.

In serving all these countries, you need the regulatory expertise for all these countries too.

We run a locally-based team but they have that expertise. Many people have tried to copy what American Tools does, but our quality is superior. This company has an inspection team and a quality team, and we do lots of testing to guarantee our customers no returns. Historically, our yield metric is not significant at all.

To what extent does the life science industry comprise your revenue?

About 38 percent of the business is dedicated to pharmaceuticals and medical devices. The rest is devoted to electronics, aerospace, military, hospitality among others.

American Tools offers a number of different products and services to its clients. Which are requested most often?

For the pharmaceutical industry, we focus a lot on racks, trays, sterilization trucks, clean room furniture, etc. We have manufactured some for Baxter, Amgen and Sartorius. The whole room is done in stainless steel. We do some racks for Medtronic as well. This is all done in our 45,000 square foot facility.

From where is all this metal coming?

The metal comes primarily from the US. I only have one customer for whom we need to bring the metal from Europe, for some specifications involving the Israeli military. We have many customers for whom they have specific materials and suppliers for which we need to follow all those aspects to be compliant with them.

Your business card says "Total Commitments to Customers". What aspects of your management strategy define this mantra?

Open communication is very good, especially with your employees who understand the importance of the strategy and growth of a company. This makes them very committed and engaged, communicating the same energy to the customers. I have a sales team, but interaction with customers is not limited only to them. I prefer to be a general manager with a face-to-face relationship with customers, visiting them on a regular basis and having a closer relationship with them. That strategy combined with a good product, price and quality allows for a very good output with the customers.

Would you ever expand your offices beyond Puerto Rico?

It is not among my current priorities since my current structure allows me to export around the world very easily. The cost of operating here is expensive, but simultaneously there are good tax incentives to operate as provided by the Puerto Rico Industrial Development Corporation (PRIDCO) and the municipalities for creating employees. In that sense, my finished goods costs reflect such benefits, in that they create some competitiveness.

What can other companies learn from American Tools' experience and success internationally?

Many companies in Puerto Rico are unfortunately administered improperly. These businesses are closing because they are in bankruptcy. It is not necessarily because the service and/or product are

not good. The leaders in administration have not been managing the companies properly. You need to have good strategies, understand the business, see what other companies are doing in order to do benchmarking, and to know what you have to do and do the right things in business. American Tools is challenging its people because we are struggling with the market here. That is why we are exporting products internationally. For local companies without the benefit of exporting outside Puerto Rico, they need to manage the company well for better results.

What are your goals and ambitions for the future?

First of all, I would like to improve our brand awareness, which we are currently doing through the Puerto Rico Manufacturers Association and being actively participating within the most relevant events for the industry in and out of Puerto Rico. I would like to have my product all around the world. I know we can do it; we have talented people and excellent products and service. I would also like to continue increasing the exports worldwide and being the first alternative for custom-made sheet metals fabrication demand around the world.

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