

Reprint

Cesar-Scott

A progressive, flexible growing company

As featured in the
March/April 2012 issue



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Wiring Harness News



By Fred Noer

Opportunity does not have to knock at Cesar-Scott. The door already is open, and inside the company headquarters in El Paso, Texas, the staff members are taking advantage of every opportunity presented to them.

They also are making their own opportunities, a proactive approach reflective of founder and president Gustavo Farell. His broad background and open-mindedness enable his firm to be progressive and flexible.

“The best thing about what I do is that I do not ever worry about the day going by slow,” Farell, 50, said. “I like that we do a little bit of everything. We adapt quick, and we are a small company, so we can react fast. We have big-company thinking because I kept all the things I learned at Honeywell about infrastructure.”

Cesar-Scott is diversified. Wiring harnesses and cable assemblies account for 80 percent of sales, and heat-shrink tubing is 15 percent. The remaining five percent primarily is in the distribution of electronic components.

Farell, who is the sole owner of the firm, expects it to hit \$3 million in sales this year, the highest in company history. The number will be the third consecutive annual sales record, based on \$2.5 million last year and \$2.25 million in 2010.

Growth in such a difficult economy can be attributed to Farell’s approach to doing business due to his expertise and experience. Formally, he gained expertise by earning a bachelor’s degree in mechanical engineering from the University



Mr. Francisco Armendariz Payan (left) manager of Cesar-Scott’s Juarez harness and cable facility and Mr. Cesar Gustavo Farell.

of Minnesota-Twin Cities and an MBA from the UM Carlson School of Management.

Farell’s first job was as a process engineer at Honeywell in Minneapolis in 1983. Three years later Farell became a project engineer at Honeywell in Chihuahua, Mexico, to use his education, newly gained process engineering experience and knowledge of Spanish. He was born in Uruguay, lived in France for a time and is trilingual in English, Spanish and French.

The Honeywell branch in Chihuahua manufactured test sets for the F-15 Eagle fighter jet that included cable, chassis and PC board assemblies. Eventually, the F-15 project ended due to military budget cuts.

After having relocated to Ciudad Juarez with the Honeywell Keyboard Division, Farell left the company in 1990 to do Cesar-Scott full time. He started the firm in December 1988 and initially worked at it part time while keeping his Honeywell job.

“There was a lot of politics at Honeywell, and I had frustrations because the overhead rates were so high,” Farell said. “It was impossible to suggest new ideas and bring them in house, so a lot of things were bought outside. It led me to say, ‘I can do this on my own.’ I’m a doer, not a talker.”



Isabel Morales, a Cesar-Scott employee, on the electronic gas igniter production line.

Although harnesses and cable assemblies are the bulk of Cesar-Scott's business, Farrell first specialized in heat-shrink tubing, which was used extensively at Honeywell. He initially bought two tubing processing machines and set them up in his El Paso garage.

Farrell's partner during start-up was Scott Schmidt, a University of Minnesota fraternity brother who worked as a financial advisor from his Minneapolis office. Farrell wanted Schmidt to move to El Paso, but he declined, and the partnership was dissolved.

The first few years of business were difficult for Farrell. For a while he assisted manufacturers rep Don Trenda, a retired Honeywell employee and friend who was selling PCBs and other components to companies in Juarez, Mexico.

Farrell's fortunes changed when he met Francisco Armendariz, a quality engineer working at a Juarez company. He offered to operate Farrell's equipment, and the arrangement worked well - so well that he eventually left his position and became Farrell's partner. Their partnership has lasted 20 years, and Armendariz manages Cesar-Scott's Juarez harness and cable plant.

Other key staff members are: Laura Mendoza, administration and customs in Juarez; Ingrid Flores, marketing manager; Ricardo Aguirre, heat-shrink tubing manager; Velia Fernandez, senior account executive; Claudia Carrillo, materials and supply chain engineer; Fernando Moreno, process engineer; and Miguel Barrera, Juarez production superintendent, Mr. Jose Jesus Muñoz, Receiving Inspection.

"I am most proud of my people who have been with me through all the times and are still with me," Farrell said. "That shows success. We've been able to keep a group working towards success.

"I emphasize the need to communicate, and I push people to do the same," Farrell said. "I'm very results oriented, but it's a very relaxed environment at the office. As long as the customers are happy, I'm happy."

Of the harnesses and assemblies, appliance, automotive and industrial are split evenly at 30 percent, and the 10-percent balance is spread among such markets as communication, consumer goods, custom applications, lighting, medical, military, safety and transportation. Each item is custom made from a customer's print.

By the end of this year the markets and percentages will have shifted, according to Farrell. Appliance will jump to 50 percent, while automotive will drop to 25 percent and industrial to 15 percent. Much of the appliance growth is due to Cesar-Scott producing electronic gas igniters and switch harnesses for Burner Systems International in Chattanooga, Tenn.

Cesar-Scott, which gained ISO 9001 and 14001 certifications in 2002, has 15 wiring harness and cable assembly customers, three of them major - Burner, Harman Automotive and Goodman Manufacturing Company. Others are Epic, Toro, Federal-Mogul and First Texas Products, all in the El Paso and Ciudad Juarez area.

Farrell pointed out many customers have been with his company up to 12 years. "I tell everybody here that we have to earn our customers' business every day," he said. "You need to stay in touch with your customers because when you're not hearing from them, the competition is. You can't take anything for granted."

Long customer retention is attributed by Farrell to a thorough understanding of all aspects of his and his customers' operations. "I am emphatic in knowing your costs," he said. "You need to know your total cost that takes into account quality, product cost, delivery and service." This understanding also includes processes, customers and suppliers.

Of the 400 part numbers, the simplest product is a two-inch wire that has been cut, stripped and tinned and costs



Wiring harness assembly line at Cesar-Scott de Juarez.



Switch harness assembly station for gas stove at Cesar-Scott de Juarez.

less than two cents. The most complex harness consists of 10-15 wires four feet long and sells for \$5. Quantities range from 25 for one customer to 12,000 or 15,000 per month for another customer.

Cesar-Scott's niche is manufacturing 20-26 gauge discrete and multiconductor assemblies that average 2-6 minutes per piece or 33-100 hours per thousand pieces. The firm also specializes in higher mix and low-to-medium volumes that use a combination of automated and manual processes.

"Our batch sizes have made us successful," Farell said. "We can change parts quickly. We anticipate what our customers need based on historical data. We have 3-4 weeks of inventory and produce in advance. It's a risk, but there's a bigger risk of not having it and having production shut down."

While Cesar-Scott is based in El Paso, which has 12 employees, all manufacturing is done in Juarez by 45 employees in a 10,000 square-foot building leased in an industrial park. All materials are shipped to El Paso and then forwarded to Juarez as needed. Such inventory control reduces the amount of space in Juarez, where the cost of space is high.

Heat-shrink tubing is a separate division with 100 customers. All its wholesale and distribution operations are in El Paso and include cutting, printing and stocking.

Industries served range widely from audio, marine and food and beverage to lighting, personal protection and tools. Tubing materials include single-wall and dual-wall polyolefin, shrinkable and non-shrinkable PVC, Teflon, Kynar and Neoprene, and some materials can be up to 11 inches in diameter. Cesar-Scott sells shrinking and marking equipment to handle small and large volumes.

What Farell describes as his "big break" occurred in 1995 when Toshiba in Ciudad Juarez needed harnesses. "We were

in the right place at the right time," he said. "Heat-shrink tubing was the only basis for the business at first, and I never imagined that I would make it more than a simple operation."

A Saturday phone call in 1999 from a buyer for Oxford Speaker (now Harman) led to Cesar-Scott's niche in small-gauge harnesses such as 20-26 AWG. A critical supplier for Oxford was not delivering parts on time, thus shutting down an Oxford production line. So, Oxford needed a new supplier. Opportunity knocked, and Farell answered.

"Sometimes customers take you in a direction that you really didn't think you'd go in," he said. "We've become adept at small gauge, and it's our most profitable business because of less copper and less competition."

Cesar-Scott's competitiveness is aided by paying extra attention to suppliers, which number 40. "Suppliers sometimes are more important than the customer itself," Farell said. "Without good suppliers we don't have anything. We work with our suppliers to understand what they do to help them understand the needs of our customers. You need to adapt to what your customers and suppliers are asking and not dictate to your suppliers."

Relationships with customers and suppliers only will gain in importance as Cesar-Scott moves forward. Farell related that this year and the next five years are critical to the company and its future.

"I'm looking for an opportunity with a partner with similar processes," Farell said. "I would like to share some of the responsibility and keep working because I enjoy it."

Farell was speaking specifically about the harness and cable assembly division. He would like to turn over the heat-shrink tubing division to employees. They probably would be working with a major tubing manufacturer in China that is interested in funding a partnership.



Four soldering assembly lines at Cesar-Scott de Juarez

“That part of the business could grow quickly in the next few years,” Farrell said. “Tubing margins are much greater because you don’t have to add value to the process. You just cut, print and repackage.”

Besides the challenge of finding a suitable partner, Farrell is faced with continually improving his company. “We’re mature in our industry, so it’s hard to improve,” he said. “We need to find small ways to improve. We’ve got to look deep within, and we’ve got to seek new opportunities.”

Ever the analyst, Farrell sees more harness and cable assembly business coming back from overseas because of

increasing costs there. Also of major significance is the movement of Chinese manufacturers to the United States.

“They have tremendous knowledge of materials and processes, so the possibility is to find the right company to merge with in China to produce in Mexico,” Farrell said. “They want to do things here the way they are done over there, but they must operate by the rules here.”

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