When Chris Woods decided to sell ACW and its international subsidiaries last fall, it marked the end of a 23-year run during which he grew the company from a UK startup to multinational business with $80 million in revenues. Hit hard by the recession, Woods sold the UK operation to TT electronics last month and now seeks a buyer for the operations in China and the US. He spoke with CIRCUITS ASSEMBLY editor in chief Mike Buetow today about what went wrong -- and right -- for the EMS company, and why he's still bullish on China.

CA: Chris, typically when a company is being sold or closed, the owners disappear. Instead, you are making yourself available to talk about what went wrong. What makes you so different?
CW: Why am I different? The truth is, I don't pay quite so much attention to what everyone else is doing. What I try to do is see what the best thing to do is, and do that. Maybe in this case it didn't work out so well, but I had 23 years where it didn't work out so badly [laughs]. My way forward has always been to think about the customer, and can what they need be coincident with what we can do as a supplier of that service, and deliver that to them with some good mileage for both parties.

For us, the sad thing was, even though we were doing everything the customers wanted in terms of delivery, quality and the like, their business just dropped. Apart from one company in civil aerospace, all the other customers' business dropped because they just didn't have the orders to place. You would have hoped with our customers being in different markets we would have to some extent been immune, but it seems the recession affected all of them, and then it affected us. With high fixed costs in manufacturing, you don't have that much escape. So if the business erodes, you can be in deep trouble. We had invested in the previous 5 or 6 years in China and the US, but we get no help from the government in doing so; no tax relief. We could not obtain asset financing. So we invested out of retained earnings and capital, which meant we maybe were more vulnerable than we would have liked.

CA: At its peak, how big was ACW?
CW: We built it up to 600-plus people and we were about $80 million in sales.

CA: What prompted the move to China?
CW: As you know, manufacturing has high fixed costs, which is why people want to use contract manufacturers. They want to escape the problem of the low margins attendant with making products. What prompted opening up in China was the ability to attract a larger market.

We encountered many companies that we could not satisfy with Western cost production. When we opened in China a number of companies approached us just because we were in China and had a low-cost offering that could be competitive for them. It did increase our available market significantly. China is still an attractive name to use. The wages have gone up, but it's still low cost, has a great work ethic, and has great capability in electronics manufacturing because it's fully supported in that area. It's also relatively good for smaller companies because there's a huge electronics manufacturing support infrastructure in the area we chose. If you are employing tens of thousands of people you can set up anywhere. For a smaller company like ours, you need that support infrastructure.

CA: When did you first realize things might not turn out as you had intended?
CW: Towards the end of 2011 we could see a significant downturn. We got no relief from that in 2012, so we had to do some restructuring to match cost to output. We did that, and there are lot of costs in the UK for doing that, but business continued to decline. We were hit by surprise after surprise. Major companies, with business running along reasonably level found their business just dropped off the edge of the cliff. That was more than one company. It was beyond a shock. It's the lack of profitability that ultimately hits you when it translates into lack of cash one day.

CA: Were these long-term customers, or ones you had brought on after opening the China plant?
CW: Some were long-term customers, some had come along since opening the China facility, but certainly their intent was for long-term relationships with us. They didn't go and place the business elsewhere; they just didn't have the business. So we sold the UK side of the business to another contract manufacturer [TT electronics], and now ACW is left with a fantastic Chinese electronics manufacturing company; a complete factory with purchase new equipment, good employees, Western management, and which was set up by us in Western company mode with all the systems, services and quality that gave us a good name in the UK. There's also a sourcing operation in Shenzhen, with ownership in Hong Kong, which negotiates with suppliers in Shenzhen. Just about anybody who's anybody in electronics in China has an operation in Shenzhen, where we buy moldings, printed circuit boards, components and so on.

CA: If I understand correctly, China is an asset sale, and TT electronics has acquired the accounts.
CW: The UK business has gone to TT electronics. The China facility is a separate company and both it and its complementary sourcing company, are still owned by ACW International. Sale of the China facility should be as a company, not an asset sale, as that enables the buyer to obtain all the hard won benefits of total ownership of fully functional Chinese facility together with chance of ownership of its complementary sister sourcing company, but they will not come

with any ongoing business. This can be a good or a bad thing depending on circumstances. One of the huge benefits that ACW Technology (Zhuhai) offers is it runs to Western quality standards and has been under Western management for six years, and it can make things. It would really take you three or four years to get to the stage it is at from a standing start. That time taken after dealing with the many government departments needed just to get a business license; the time it takes to open the bank accounts you require, permissions from the People's Bank of China, the State Administration of Foreign Exchange … you need to get so many permissions from so many different organizations, either semi-government or dictated in some way by the state. The local governments are very powerful. It did take a while [laughs]. Once you've started, you have to learn your way about China and how to do things there.

I've spent months in China – in addition to the plant's British managing director who has been living there for six years – and not for no reason. Someone could pick that Chinese company up and be up and running straight away. For companies who think that China is a step too far, they could jump in easily "just like that.."
It's a very good high-tech, low-to-medium-volume factory. It has Europlacer iineo lines, x-ray, digital test, selective soldering etc; it's a very well-equipped factory. It builds for aerospace, broadcasting, security markets, telecom, and more.

We have between 200 and 250 people currently working there. That business will transfer to TT electronics. It will be a phased transfer process, but in theory it is due to finish by the end of March.

CA: How would you characterize the local Chinese government?
CW: I think the local government has been very friendly, very helpful; and very keen on inward investment; they set up agencies with free services to help inward investors. Without a doubt they have been very friendly and helpful toward me and the company. The government is very pro-business. It's business that pays the taxes that helps to build the infrastructure.

CA: In hindsight, do you think having multiple plants overextended you?
CW: As time went on, we were somewhat overextended. We went into the US and, let's say if things had gone better in the UK, it would not have been a problem. But they didn't, and therefore, it was a problem, the US was an ongoing cost to us from Day 1. Clearly it would, in hindsight, have been better not to go into the US at that time as we did not put enough resource into it, sadly leading to its closure and an online auction of its shiny new assets [coming at the end of February].

CA: What lessons could others learn from ACW's experience?
CW: I think there are many lessons, but I'd say you can set up in China, but you have to make plenty of commitment in terms of time and personnel, and you really need to be there. You can't just make everything you want happen remotely or through others. The key players must be onsite in China, and they need to be committed. Things will take longer than you think, but one of the wonderful things about China is, when something is finally agreed, things can happen very, very fast. Excitingly fast.

I took on a new building facing our existing manufacturing site and it previously had been occupied by a tenant. I signed the lease at 3 pm. I met the builder at 4 pm and we agreed what we were going to do. That was on a Friday afternoon. On Monday morning all the internal structures, walls, etc., had been completely removed, ready for their refit. It was just amazing. That's how they work. People are keen to work, keen to earn money, and they'll do it now. People do make things happen. It's part of their culture in China.

CA: What are your plans now?
CW: I'm going to see a successful transfer to TT electronics. I'm going to see a successful sale of the Chinese manufacturing and sourcing companies. And then I'm going to make myself available to interesting opportunities. I've got a bit of experience if someone wants to tap into it. It will be open skies.