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Padnos, Seymour K Oral History Interview: Carl Frost Center Oral History Project

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Oral History Interview:

Seymour Padnos

Conducted and transcribed by:

Ryan C. Harvey

Edited by

Seymour Padnos

June 3, 1994

1:30 P.M.

RH- First, we'll start with a few formal questions, and then move into the bulk of the interview. First of all, could you please state your name, date of birth, and the company you presently work for.

SP- My name is Seymour Kantor Padnos. I was born [date removed], 1920 and I'm employed by the Louis Padnos Iron & Metal Co.

RH- How long have you lived in the Holland area?

SP- I've lived in Holland all my life.

RH- Can you describe your educational background?

SP- I graduated from Holland High School, and I attended Hope College. I graduated from Hope in the class of 1943.

RH- Did you have a specific major?

SP- Majors in those days, Hope didn't have degree identities, but my major emphasis was economics.

RH- Could you tell me about your first job experiences?

SP- Hope College conducted a special graduation exercise for

about four of us, I believe, in February of 1942. I went directly into the army. I had enlisted in what was then known as the Enlisted Reserve Corps. I had the understanding that college students would be allowed to continue their education until graduation, and then were presumably enlisting to be candidates for Officer Candidates School.

RH- Did they help you pay for college?

SP- No, at that point in time the military didn't have a college tuition program for enlistees.

RH- So what was the time period of all this?

SP- I think it was the spring of 1942 and I was discharged in 1945, and came immediately to work for my father at the Louis Padnos Iron & Metal Co.

RH- So did you go straight to the war after you enlisted?

SP- Well, I went to the typical indoctrination into military service. Then was sent off to a military training school, and I thought I was being held in reserve for Officers Candidate School, but that never materialized.

RH- So you never had to go overseas?

SP- I never went overseas.

RH- You said when you came back from the military you went straight into the business. Could you tell me a little more about how you got involved, and what your first experiences were like.

SP- Well, when I returned from the service my father had held his business together, barely. I've described it as a situation in which he was a tired owner in a business that had suffered the inability to buy equipment, and by having lost a good many of his employees to the defense industry. As a consequence, on my return, I found it was a case of having to start from scratch to build a business. My brother joined me after he was discharged and finished his college education at the University of Michigan. We commenced to rebuild a business, albeit, with the foundation that my father had established.

RH- Can you describe some of the difficulties in the first few years of business?

SP- Well, the difficulties were primarily trying to recover some of the lost ground. Dad lost customers to other people in the industry who had not had to go into the military. It was just a matter of building an organization, finding people, employees, finding where we could wedge into an existing industry. The

business was there being handled by other people, we had to go out and get part of it.

RH- You said that the business was struggling when you came back, I take it there wasn't any increased business because of the war.

SP- Business during the war was regulated with price controls and wage controls, a situation my father that he was not capable of competing with. These were conditions under which he just didn't know how to compete. The business fell to those people who could take advantage of the regulations to their own unique purposes. In some cases, it meant manipulating the law, and so forth, and my dad just wasn't that kind of a person. He lost ground because of it.

RH- How did you raise the capital to expand the business?

SP- Very slowly, and internally.

RH- So you never had to borrow or issue bonds?

SP- No, we had none.

RH- What were some of the most difficult decisions you've had to make over the course of the business?

SP- The difficult decisions we had to make primarily were the commitment of the little capital we had for expansion purposes. It required spending a lot of money to buy new cranes and the manufacturing processing equipment, handling equipment of all sorts, and new trucks. Particularly we had a difficult time making the decision to get into the detachable container area of the business. This required that we buy specialized kinds of containers, and specialized kinds of trucks, and a substantial capital involvement. We went to our consulting and advising CPA, actually. Seidman & Seidman, assisted us in making these decisions. They did some actuarial compiling to help us make the determinization of how we could afford to get into that business.

RH- What exactly was that business?

SP- Well it was akin to our own business. It was a process of providing service to industry, at their doorstep so-to-speak, by providing detachable containers. As many people today would look at waste bins, that sort of thing, but only much larger capacity. (Phone rings--pause)*

SP- We were talking about detachable containers. It's hard for me to describe to some one who's not in the trade or in the industry just what all these things do. At the present time we have over a thousand of these containers that we leave at the generating sources of scrap as receptacles for them to put the scrap in. We provide the equipment. We maintain exchange pieces

of equipment. We pick up the loaded one for which we then weight it and pay the customer for the contents.

RH- What year did you start doing that?

SP- I think that we bought our first, they were called Load Luggers in those days, in the early 1950's

RH- You mentioned that you raised most your capital internally. Did you ever have to borrow from family members or take an extra mortgage on your home.

SP- No, but again I'll just repeat what I said before. We did it very slowly, and very cautiously, and internally.

RH- Have you every experienced a crises situation in your company?

SP- There are always crises in the commodity business. That's the nature of our business. We're really in the commodities business. Prices go up. Prices go down, in large amounts. It's akin to the stock market where everyday is a new day and a different day. There's no constancy in our price, nor do we set our price as do manufacturers. We react to public market quotations.

RH- So you can't think of any particular crisis situations?

SP- Well, I think perhaps the biggest crisis that we experienced was when my mother and father both passed away within a years time. That was probably the biggest crisis that we experienced. Not that my mother and father were that active in the business any longer, but they were the principles of the company, and it meant a complete revamping of company ownership. It was a very traumatic time, both personally and from the firm.

RH- How would you describe your management style?

SP- Our management style has gone through a great deal of change. I would have to say that originally it was very entrepreneurial. Because I was the older of two brothers, I think my brother would probably disagree with me, but I think I made a lot of the decisions, though he would be the first to say that was part of my job assignment. The decisions were part of a master plan. I always thought of myself as building castles in the sky. I've always had an objective. I've been very demanding of myself and very demanding of the people who work with me. I once was asked the question about decision making. I think that I said that my decision making was intuitive, pragmatic, but intuitive. However, the business isn't operated that way any longer. It's much more of a sophisticated business style. Where decisions are not made by an individual, but more by a consensus.

Our business has gone through a whole transition in that regard.

RH- Do you think it's made a difference positively or negatively having a number of family members working together in the business?

SP- I was very fortunate that my brother was quite agreeable to let me make a lot of the decisions. However, now that there are several more members of the family I think that they don't deal in intuition, but in consensus, and I think they abide by consensus. They probably have it easier making decisions, that way, probably less traumatic for that reason, than they might have been in my time.

RH- In that way, if a decision goes bad there is more than one person to take the heat.

SP- Exactly, and it's a consensus opinion, it's not necessarily an intuitive, individualistic decision. I have to say, however, I think I made more good decisions than I made bad decisions.

RH- What kind of changes have you seen in the market and the business in the last twenty years?

SP- Our business has just revolutionized. Where as for the last eighty some years, we've always thought of ourselves as

processors of recyclable materials and with the object of making a profit. Today a great deal of our trade is done by people who are not profit motivated. There is a great emphasis, all of a sudden on recycling, as though this were something having been created in the last couple years. In my family, we know better than that. Perhaps we're less altruistic than many of the people who are do-good recyclers, I must add, at the expense of the public. We've always looked at recycling as an opportunity to make a profit. The present mode of interest, in the public's mind, is to recycle at any cost, but any cost means who pays? Generally speaking, the taxpayer.

RH- So has that hurt your profits at all?

SP- Some of the business, obviously, we've given up because we're not a charitable cause. Nobody is underwriting our expenses. To the degree that governments have gone to underwriting the costs of recycling, obviously that's an area where we didn't fit. Even much more than that there has been huge changes in the industry, the mechanization of the industry, the advent of the automobile shredder. In the early 1970's, there was an abandoned automobile problem. Automobile were beening left along the highways and on city streets. People just walked away from them. That's not the case of fact anymore. The automobile has sufficient enough worth in the recycle of the scrap, the ferrous scrap part of it, and non-ferrous scrap part

of it, to more than off set the expense of removal and destruction. That was only one step our industry took to mechanize, in terms of the use of handling equipment and highway equipment. It's just been a huge change. There's been a great deal of consolidation. There's just hardly any room for the little operator anymore. The small time operator can't afford the kind of mechanization to be competitive. So the bigger firms have gotten bigger. They've either been acquired or merged with lesser sized firms, that's what's happened.

RH- What kind of area do you pick up in?

SP- We think that we cover an effective area all the way to the Straights, to the state line south of us, and as far as Lansing on the East.

RH- Have you ever considered building another scrap yard in another part of the country?

SP- Oh, we have several. We have an operation in Ludington, Michigan, which is about ninety miles north. We have two very large operations in Grand Rapids, and another very large operation in Lansing, one in Hastings, one in Ionia. Then we have a retail operation in Holland that handles the door trade, and that sort of thing; which we try to avoid in the major yard here in Holland, which is primarily a wholesale operation.

RH- Do you ever have problems finding companies to take the metals or other recycled products?

SP- We suffer depressions in this industry just as everyone else does. There are times when we, we call ourselves market makers, when we are forced to make a market in scrap for the reason that there is no compensatory market available to us to sell the material. There have been times when we piled up large inventories, which are often times mistakenly presumed by the public as voluntary speculation or whatever. The real facts of the matter are that we are gambling by creating a market for the recyclables at the retail level. We take a risk that the wholesale market will someday be able to sufficiently absorb all the material which is available at a price sufficiently high to bail us out.

RH- Do the foundries that take raw metal like iron ore, do they also take recycled metals? Or are there special plants that take recycled goods?

SP- That's a big argument that we have with the environmental protection agencies. We protest that recyclables should be given the same kind of consideration as virgin raw materials are given. Yes, it's absolutely true that recyclable do replace virgin raw material in many cases, and we compete for the same markets.

RH- Have you seen many changes in the business climate in the Holland area as Holland has grown and developed?

SP- Most remarkably so, the industry that has developed in and around Holland has been very good for our kind of business. By the same token, I like to say, that the local industry has had the competitive advantage of being able to dispose of their output at very competitive prices because we are a strong competitor in that market place. Whereas an industry, for instance, that might be located a hundred miles north of here would suffer a considerable disadvantage because of the fact that there is distance and a much lesser competitive market place. So the local industry serve us well, but we serve a very important function in their operations.

RH- Has the business turned out the way you originally envisioned it?

SP- Yes, it really has. I, many many years ago envisioned having a wharf where we might ship by vessel or by barge. I saw that come to happen. I envisioned the ability to manufacture a product by mechanizing with equipment, and I've seen that happen. We have grown to be a sophisticated business entity. In much the fashion that Dr. Dimment taught me back at Hope College some forty years ago, and I've lived to see that happen.

RH- What size are you compared to other businesses in this industry?

SP- We're probably one of the major firms in our trade in the United States. When I say that, that might include fifty or sixty firms of comparable size, some of them are larger.

RH- If you could go back and change any of your business decisions, would you change anything?

SP- I don't think so. That's hindsight. I think that 20/20 hindsight is great. I think that we maximized on our opportunities.

RH- What course do you see the company taking in the future?

SP- That's a good question. It's hard to answer that. I think there will be additional consolidation of factors in our market place, that is scrap processors. I think that, somewhere down the road, plastics are going to become a more significant part of the scrap for recycle. Perhaps, at some point and time, recycled plastics, assuming that the price of oil won't remain at sixteen dollars a barrel, that the value of recycled plastics will then attract more attention than it's getting now. Mostly what we're seeing today, in my opinion, are public relations ploys by people who use plastics, in one way or another, to give the impression

that there is a substantial recycle market.

RH- Do you ever see the business possibly getting into actual recycling of the product, instead of just simply just collecting them and selling them?

SP- There are people in our trade who actually are scrap processors and steel mills, as well. That's not new, that's being done. Some of our acquaintances have gone from paper stock packers to paper mills. That's also a possibility. One of the people whom I knew in my early years who was in scrap rubber is now a very large factor in recycled plastics and virgin plastics. So, vertical integration is not a new phase. It's been done. I don't see Padnos doing that. I think that we are very good at what we do. I see lots of opportunities of growth just doing what we are presently doing. Undoubtedly with better and more sophisticated processing equipment, but that will come as the industry providers, people that manufacture our kind of equipment, make it available to the trade.

RH- What advice would you give to a young entrepreneur?

SP- My advice is, I've seen very few successes make large accomplishments quickly. I think persistence and hard work, and diligent attention to the field in which you propose to enter are better answers than wishing for world-winning successes. I think

that that's...

RH- You favor more of a prudent approach.

SP- Yes, I think that there are always exceptions to that, but the exception are always the minority, the small minority.

RH- A lot has been said about the work ethic in West Michigan. How do you feel about this?

SP- I think there is a great deal to be said for that. I think that the nature of this community's background has been a major contributor to the local business' successes. Particularly small manufacturers who have grown to be large international or national firms. A good deal of that can be attributed to the ingenuity and the dedication of the local community.

(phone rings, pause)*

RH- Okay, we were talking about the work ethic in West Michigan. Is there anything more you would like to say about that?

SP- I just think there is a great deal to be said for it. I think it's outstanding. Our house keeping, the maintenance of our equipment; people come in from all over the world and look us over, and marvel at how we're able to do this in such a disorderly business such as the scrap business; where you hardly

ever do two things the same, two times in a row because of the lack of uniformity in the material that we're handling. Visitors are overwhelmed. One of the reason we can do that is because we established the policy, but you have to have the people to implement it. We have the kinds of people who establish the benchmark, not everyone has the same ethic, ...what is the word I'm trying to think of...they lead by example. I think that we're unique in the industry for the orderliness and the ability that we demonstrate in that regard.

(phone rings, pause)*

RH- Has your company ever been involved in any community service projects?

SP- I think we get involved in more than our share of them.

RH- You want to describe any of them?

SP- Oh, I don't really want to go into detail about that. We're very PR conscious by nature of the business we're in. The public perception of what we do is completely...we're misperceived by the public, as to the function that we perform and what we do. We're not a junk yard. The very nature of the word junk yard connotes a negative image. We're very sensitive about that. I've been sensitive about that since I was in high school and the kids would talk about the junk business. I knew better, but I

wasn't able to show. So, we have been appearance conscious. We've been community conscious. I must say that it hasn't all been one way. It's been a two way street.

RH- If you could give a mission statement for the company what would it be?

SP- We just want to be the best there is.

RH- Just one last thing I'd kind of like to do. I'm just going to go through the decades and if you could kind of recap what were some of the major things that happened with the company.

SP- That would be very difficult. A lot of things have happened.

RH- You want to try? Like the sixties, how would you...

SP- If you go back to the fifties. The fifties were the emergence from a war time operation. The building of a business. The sixties, we acquired new fleet equipment, new materials handling equipment, new processing equipment. Equally so in the seventies, there are some outstanding example of that. We created here in Holland, in about 1980, the very first automobile shredder to be placed in a small community of 25,000 people. We were the thirty-sixth shredder in the United States of which

there are like 250 today. We've just been front runners all along the way in providing ourselves with processing equipment, and materials handling equipment. Every step of the way was an improvement. I just can't put that all into context for you, chronological context.

RH- Did the Vietnam War have much of an effect on business?

SP- Yes, there were price controls imposed again. No, I'm sorry about that, that was the Korean War which succeeded World War II. The Vietnam War was traumatic for everyone involved, however, it was a war that wasn't a war. Nationally or as an industry we never found it necessary to convert to war time mentality or philosophy.

(phone rings, pause)*

RH- We were talking about the Vietnam War.

SP- It's pretty much as I had described. There was a greater call for raw materials, but it wasn't a chaotic situation as had been previously known in World War II or in the Korean War.

RH- Well, I think that about exhausts all my questions, unless there's anything else you think I've missed.....Well, thanks a lot.

*Phone interruption due to absent secretary.