

YOUNGSTOWN STATE UNIVERSITY

ORAL HISTORY PROGRAM

History of Industry in Youngstown Project

Youngtown Sheet & Tube

O. H. 493

ROBERT FERRO SR.

Interviewed

by

Janice Cafaro

on

August 24, 1986

YOUNGSTOWN STATE UNIVERSITY

ORAL HISTORY PROGRAM

History of Industry in Youngstown Project

INTERVIEWEE: ROBERT FERRO SR.

INTERVIEWER: Janice Cafaro

SUBJECT: Management, Training Program, CPA Experiences,
Business Climate

DATE: August 24, 1986

C: This is an interview with Mr. Robert Ferro for the Ohio Historical Society and Youngstown State University Oral History Program, by Janice Cafaro at 3642 Starr's Centre, in Youngstown, Ohio on August 24, 1986 at 2:00 p.m.

Mr. Ferro, could you tell us a little bit about your background, where you were reared, went to school and what it was like growing up?

F: I went to school at Jackson School in Browlee Woods. I used to walk to school. There was no transportation or anything like that. It was about a half of a mile or a mile walk. I came home for lunch and walked back to school. After Jackson School, I went to Woodrow Wilson High School. My childhood was happy with no exceptional events to highlight. My parents were of Italian descent. My father came over from Italy. My mom was born here. My dad could not read or write the English language, but my mother could. They always emphasized education, education, education, to get a good education and go on. I did not participate in any sports in school. I started working when I was about nine years old. I had a paper route; then after the paper route when I was sixteen, I was a grocery clerk until I started college. My job as a grocery clerk financed my college education and the purchase of a new car.

C: Why did your father choose Youngstown to settle?

M: A relative was here. My dad came over to this country and lived with a relative in Washington, Pennsylvania, where he found work in a tin mill. The tin mill closed down and his cousin was living in Youngstown so my dad came over to Youngstown and got a job. I believe it was with the General Fireproofing

Company. From the General Fireproofing Company, he went to the Republic Rubber Company from which he retired after working for them about twenty years.

C: Why did you choose accounting as a profession?

F: I was going to go into a scientific type of a field, but for some reason I took a bookkeeping course in high school and I had a teacher that I really enjoyed and he really stimulated me. I really loved it and I hit something that is really liked and that is why I chose accounting.

C: Where was your first job as an accountant?

F: My first job as an accountant was for Swan Rubber Company in Bucyrus, Ohio. I was in the cost department figuring out the cost of the material and labor costs of rubber products.

C: Was that during the late 1950's or early 1960's?

F: That was in 1959.

C: Where did you go from there and why did you leave?

F: I left because I didn't enjoy doing cost accounting and I didn't enjoy being away from home and the pay was less than I had been making as a grocery clerk. I found a job at Reese Hardware and Supply in Warren, Ohio. I was office manager there. I was responsible for all of the accounting functions of the company. The company was small with about twenty employees.

After that I went into the Army. There was a period of time when during the Berlin War Crisis they were drafting a lot of people and I got my draft notice so I joined the Army reserves. I went into the service for six months. After I served the six months, I went back to my job in Warren and worked there for several months. I next got a job as a field auditor for B. F. Goodrich Company.

C: When was this?

F: This was 1961. Then from there, I did come back to town because I had met my future wife and I was going to get married and the job I had with B. F. Goodrich was as a traveling field auditor and I didn't want to be on the road all of the time trying to be married at the same time. I was able to find a job with a small public accountant in Youngstown. I worked for him for two years. After that particular period of time, I tried to go on my own. I was on my own for about six months and I just couldn't hack it. After that I found a job with Youngstown Sheet & Tube in their management training program, where I worked for two

years. At the same time I was working there, I was working on my master's at Case Western Reserve in Cleveland, Ohio. Once I got my master's, I was offered a job at Youngstown State as a instructor in accounting and I took that particular job in 1965.

- C: From your experiences with Sheet & Tube, was there any indication that the company was in financial trouble?
- F: At that particular time there was no indication from what I saw that the company was in trouble.
- C: They should have been doing well at that time?
- F: Yes, but what I did see was the fact that their operating practices seemed to be rather poor from the standpoint that it took ten men to do a job that I would think that five could have done at that time. Again, I had been used to writing for smaller corporations and companies and I wasn't used to that many people working in a company and it taking so many people to do a job. That was really my only indication that they could have gotten into trouble. Also during that particular time, I worked in an accounting department part of the time and they never replaced any equipment. The types of calculators that we used were the old Marchand calculators and some of the people even used a hand calculator that was from about the 1920's. You wouldn't believe what it was; it was a little hand job that you would move along with the digits and so forth. I felt that just as a generalized opinion it didn't seem that they were a forward looking corporation at that particular time.
- C: You would also say perhaps there was somewhat an efficiency problem?
- F: I don't think it was any different from any other large corporation, but there did seem to be a great deal of inefficiency. I would say that was one of the downfalls of the steel industry in general. There was a great deal of inefficiency.
- C: And lack of modernization?
- F: Right.
- C: Do you have any reason why there wasn't an update in the office equipment during that time?
- F: No, I really wasn't high enough to be involved in those types of decisions.
- C: Basically, what were you dealing with when you were in the accounting department at Sheet & Tube?

- F: I was really in a training program and all I did was to go around from department to department and just observe, study and write up what the particular department did. I had gotten my master's degree at that particular time. I asked them if they had any particular place for me. They didn't at that time and I really felt that maybe I had too much education for the particular area that I was in. That is how the teaching came about. Again, I had been teaching part-time in previous years at the university so I was already involved there somewhat and I was offered a full-time position at the university.
- C: How long did you teach full-time at the university?
- F: I taught full-time from 1965 through 1970.
- C: What were the students talking about? Was there talk of staying in the area, or did they speak of relocating? Were there companies to absorb accountants or were they more interested in private practices?
- F: At that particular time, it was very difficult to tell because of the fact that many of the students were at the university just to avoid the draft. It was during the late 1960's and many of the people were just really not too interested in college. They were there for a reason, but it wasn't for an educational reason. As far as the ones who were serious, I would say that most of them would have just loved to stay in the area. They would have liked to have gotten their degree at Youngstown State and then stayed in the area and worked in the area either in private industry or public accounting. It depended upon the particular student. Many of the students that were in my classes are placed in organizations around town and most of them in public accounting. I still run into them once in awhile. I would say that a majority of them have left the area.
- C: They have gone as the economy has gone?
- F: Yes, I would think so. Again, even when I went to school at Youngstown State, the idea was always to try to get a job here but if you couldn't you left the area. I really don't think it is anything new. There have been various periods of time around here that the students just haven't been able to find work here so they have left. I know when I got out in 1958, it was pretty much the same way. There was a lull in the steel industry at that time and the general economy. It was very difficult to get a job when I got out in 1958. For anybody that hadn't had any military service, it was almost impossible to find a job.
- C: Why did you leave teaching?
- F: The reason why I left teaching is because I was building up

my practice at the time I was teaching. It got to a point where it could economically support me and I went on my own to earn more money.

C: During this period of time in the late 1960's and early 1970's, how large was your practice?

F: Do you mean volumewise or a number of clients, or number of people? Basically, it was myself and my secretary. We probably had about twenty-five or thirty accounts and volume-wise when I started out I was doing a gross of \$28,000 a year.

C: Were your clients varied or were there particular industries from which you had more clients?

F: When I first started out, I had less clients and I was doing more work for them and most of them were in construction work. I had some very large contractors when I started out. Most of them have fallen by the wayside at this particular point in time. As far as the building industry, the history that I have seen has been an up and down type of thing going along with the economy. When I got out of teaching and into the practice, there was an up period. It probably died in 1973 and 1974 and 1975. It started back up again and it died again in the early 1980's. It seems to be about now in this valley that it is back up again. Residential construction is still a little low as far as number of units being produced, but we are losing this idea of having large developments with a lot of houses being built. It is more spot housing where one house is being built in this neighborhood and another one in another neighborhood and you are not getting the big plat developments anymore. Part of the reason is that we are running out of land around here. In Youngstown city there has been almost no residential building. Commercial building is in the area of government work, hospital work, and remodeling work. In residential, outside of some remodeling work, there has been one or two houses built in the last four or five years in the city of Youngstown. The outlying areas are doing much better. There is very little in the way of apartment building right now. Again, it is due to the money situation and lack of the demand for rental apartments and so forth. Condominiums are very popular right now. I probably have three or four clients right now who are building a condominium.

C: How about the commercialization of Boardman and the subsequent build-up of both commercial and residential? This has happened within the past twenty years.

F: I would say that it has been the last twenty years. It has just been a constant thing. It started with the Boardman Plaza and worked its way up from there. Again, in the last three or four years, we have seen the large commercialization of Route 224. You can see every fast food restaurant and

and almost every type of retail establishment. It has been a growing situation here in Boardman and a growing situation in Liberty and Austintown. These are the communities that have promoted the building. Canfield has not promoted much building activity. Poland also has not promoted much building activity. It is very difficult to build anything in Canfield because of local regulations. Canfield Township is something different than the city of Canfield.

C: Has there been economic prosperity in the suburbs?

F: I would say so. One thing that I have noticed in the last couple of weeks is a great deal of help wanted signs around. If you go to the mall right now, there are signs in the windows looking for stock clerks and sales clerks and so forth. These are lower paying jobs. You are seeing that a lot of the jobs have gone from a high paying manufacturing type job to a lower paying service type job. This is one thing that has been affected. There are still a lot of people involved in the medical areas, the insurance areas, and the finance areas. These types of jobs are a little better paying than the retail type jobs. Surprisingly, I think our economy has held up very well in that area.

C: During the 1970's and even today, were there a lot of small contractors or were there several large ones that dominated the Youngstown construction industry?

F: Again, as you know, there are two very large contractors that are nationwide in our area being DeBartolo and Cafaro. There are a large number of regional type of contractors. There used to be more residential home builders where a man might go out and build eight or ten houses, in this area. This is the market that has really dropped off. You had people who would build eight or ten houses a year and now they build two or three houses a year and that is considered a good year. There are still a lot of subcontractors around as far as plumbing, heating, drywall, plaster, acoustical and electrical. What some of the contractors might have to do is spread out a little bit on their area. I have clients who have done work in Cleveland and Pennsylvania where previously they wouldn't go out of the Youngstown area. They have to spread out their market area because the demand wasn't here.

C: Has there been a decreasing demand for owning homes?

F: It has been a fact that a large number of young people are moving out. Plus, we have had that high interest rate there for a few years where the interest rate was 14%, 15%, or 16%. As far as residential mortgages, no one could afford a home at those rates, but now that the rates are coming back down people are interested again. I have one client building a

- house that he is able to advertise for under \$40,000. It is a new house. It is not a big house. It is a basementless house, but it is a new house. The prices of houses have not gone up much in our area. In fact, that is one of the bargains of living in this area. The housing costs are much more reasonable than other areas.
- C: It is one of the lowest in the country.
- F: Yes.
- C: How did your business start to grow once you became established? Did you start branching out and diversifying during the 1970's?
- F: I would say that it was mostly diversification. In fact today, we are handling a lot more accounts. We will probably handle about 125 accounts, but they are smaller accounts. We don't have as many larger accounts as we used to have so we now have to handle a lot of smaller ones. This is our thing that we are seeing in this particular area that there are so many people starting their own business. In the last three months, we have picked up eleven new clients. They are generally people who have either lost their jobs, have taken early retirement, or decided that they don't want to work for somebody else, so they decided to start their own businesses. Most of them are service-oriented businesses or sales-type businesses. None of them are in manufacturing. With manufacturing in my particular practice, I probably only have three manufacturers. Everybody else is either a service or retail type of business or construction. This is an area that I think is weak, attracting manufacturers. Although we are starting to see more and more of the small plants employing ten, fifteen, or twenty people approximately.
- C: You would say we have become more service-oriented in the economy?
- F: Yes.
- C: The small businessman is taking the lead in it?
- F: I would say so. I don't think the small businessman has really made this any type of a project. It is just a matter of survival and doing something. The man who is starting to look to the future is starting to say I can't depend on the big organization anymore. I can't go into the steel mill and work the rest of my life. What can I do that I can build for myself and at least provide my own type of security?
- C: What are the sizes of these businesses? Are they more of a home type business or are they more of a retail type business?
- F: I would say that most of them are of a home type business where they are not really employing many employees. It is usually the owner and one or two employees. Retail businesses are

starting which may employ five or six people. Generally speaking, no one is coming in and saying that I am going to go out and hire 100 people. Maybe at some point in time they will have that many employess, but you are not seeing that type of program happen.

C: Are many of your clients now of the small business type?

F: All of them are because the largest one that I have does approximately eight million dollars a year in sales. All of my clients are of the small business type. Again, being a small firm myself, I could not service a larger organization at the present time.

C: Have you actively sought small businesses?

F: I would say that to a certain extent. It is through the contacts that I have had, talking with people, previous clients, and our own reputation and referrals. We have been getting clients from all these sources. Surprisingly, a lot of it is just a matter of somebody calling on the phone and saying I am going into business and can you help me out. Somebody recommended you to me. This is basically where we are getting a great majority or our new business. In the accounting practice literature they say referrals are not a good source of clients anymore. You cannot depend on referrals alone but once you get enough people out in the marketplace talking, that is one of your best and most extensive source of new business contracts in the service industry.

C: What are some of the problems that you have noticed small businesses are having in this area?

F: Part of the problem is their lack of knowledge of the business. They have the attitude that they can go to the bank and borrow money to get started. It is very difficult for a new business to get money from a bank. They have a lack of knowledge of sources of where to get money and it is just a growing process that they have to live with.

C: Have many of your clients relocated in the past ten years or have they stayed in the area?

F: I would say that most of them have stayed in the area. Some of them have gone out of business although a few of them have gone to Florida and are doing work in Florida. One home builder went into North Carolina. As a general rule, though, most people have stayed in this area if they could. People like this area. They want to stay here. We just have to be able to provide work for them. That is the whole key to the success for our area.

C: So, they still have managed to survive the general slowdown?

- F: I would say that there have been jobs available through most of the slowdown. The problem is somebody that is used to working for \$10 an hour doesn't want to work for \$4 an hour. I don't blame him because he has established a \$10 an hour standard of living.
- C: How has your practice grown over the years?
- F: We have probably enjoyed, as a general rule, a 105 growth each year. This year we are projecting a little larger growth because of the addition of my son as my partner. With the fact that there are two of us now we have to work a little harder and take an interest in trying to grow a little more. When I worked by myself, I didn't have that need.
- C: What have you done? What sort of adjustments have you made?
- F: We came out with a company brochure. That was one thing. We are doing mailings to all new businesses that are incorporating or have obtained a vendor's license. We are talking more to people. We are doing a little bit of advertising in the charitable type magazines and in the Home Builders magazine and things of that type. Again, it has been more of a talking situation where we are telling people that we are able to accept more business now.
- C: Has your growth been steady?
- F: Not always. There has been a couple of years that it had evened out or dropped slightly. I would say that as a general rule what you run into in a small accounting practice is that you have your biggest growth at the beginning times and then when you do something in your accounting practice it stabilizes, such as if you make a move to a new location, you buy a new computer, or add another person. Generally, instead of getting a growth situation you get a little bit of a stagnant situation and then you get the growth again. There was one particular period of time where, for example, I was doing twenty-seven fast food restaurants and they went out of business. That affected my practice. Again, I recovered from that in about a year. I had one client that was providing me with probably 1/3 of my income at one time and they went bankrupt and it took me about a year to recover from that. Generally speaking, it has been growth all of the way. It has not been rapid growth because I have been working by myself for many years. I have tried to keep the lid on growth because there was only a certain amount of work that I could handle. I didn't really push it. Now as I am saying, I am pushing a little harder.
- C: How have you modernized?
- F: How have we modernized? We have been in computers since 1970. We are on our third computer. Other than that, I wouldn't say

that we have modernized a whole lot more outside of just updating our typewriters and adding machines and so forth. We are not in a situation where we are using a lot of heavy equipment. We update copying machines and so forth. Mainly it has been the area of computers in our practice that we have updated probably every five years.

C: You felt it was necessary to get into computers over ten years ago. Why? Was it because of your volume or for more efficiency?

F: We were able to just do more with a small practice by having a computer. We do a lot of client write-up work and financial statements. When we first started out in 1970, we got our first computer, which was a Litton 1231. We were able to do that type of work for our clients. This has been a strong point in our practice.

C: Did you have any final observations that you have made or noticed through your working with small businesses or the Home Builders Association and how it has changed over the years or what it has to do to survive?

F: One of the big problems in our area is attitude. I think we have to change our attitude and realize that we do live in a good area. There are good people here and we can make it here. It is just a matter of each individual businessman having to work a little harder and put a little more effort into his work. The problems that they do encounter is, again, that we are experiencing rapid technological change and you have to watch that you are not building a product that is obsolete or offering a service that is obsolete. I think this is one of the things that businessmen today have to watch out for. Things are changing a little bit faster than they changed back in the old days.

I think that they have to watch their costs. What I find with most small businessmen is they don't realize how much things cost as far as rent, insurance, wages, payroll taxes, employee benefits, et cetera. I think they have to be very careful in those particular areas. They have to price their product properly. A lot of small businessmen when they first start out don't put a high enough price on their product. I have had several of them to work with and I tried to get them to increase their price, but they wouldn't do it and they never made it because of that.

C: Is there a fear that it will no longer be marketable if it was raised?

F: Not necessarily. Some of them were in retail businesses. To throw out one example, a grocery store tried to operate like a large supermarket chain instead of a convenient store. They

just couldn't compete in that market because they weren't big enough and couldn't buy a big enough volume. Those are the types of things that you run into.

A lot of businessmen think that the more you sell the more money you are going to make. If you want to sell more, you will lower your price. If they can't make an adequate profit on one unit, they can't make it on one hundred units.

C: Unless you are in a mass production?

F: That doesn't always work because your costs go up directly too, plus you have to have the finance capability to purchase heavy equipment to do that kind of thing or new technological types of equipment.

C: Do you think that Youngstown is headed for a comeback?

F: Yes. I am very optimistic about the Youngstown area. I think we have a nice weather climate. We have adequate water and we have a good labor force and university. We have a good hospital system and good shopping areas. We also have reasonable housing prices and a good park system. I think we have all positive things going for us. It is just a matter of attitude. I think there is a little too much of political fighting that creates a lot more problems than are necessary.

We have the basic things here and it is just a matter of getting away from our bad image from past years. We have always had the image of being a crime town and so forth. I remember back in the 1960's, when I was a field auditor, I was asked where I lived. I said, "Youngstown," and they said, "Oh, you mean "crime town" or "little Chicago," or something like that. Some of that attitude still exists around the country even though we have had no major crime problems over the last few years. The attitude is still out there. Then again, I think we have to overcome the high cost of the labor image that our valley has too. That is another reason why I don't think we are doing as well as we could. I think we have more positives than negatives.

C: You think that the union heritage is a positive or negative feature which might influence big industry to relocate here.

F: It is negative to a point, and yet it has been one of our benefits also. We have a high standard of living around here. The fact that a man with very little training or education could go out and earn as much money as he did and was able to buy a nice house and spend the money in the community is both good and bad. People can go down to Columbus, Ohio, and the labor rate is \$3 or \$4 less an hour than Youngstown, Ohio. If you had a choice to relocate, which area would you pick? That is a problem. I think our union people have to recognize

that fact. Again, why should they want to give up anything that they already have. It is very difficult to do that. I wouldn't want to do that. The labor image of the area is going to have to be changed to attract the heavy manufacturing companies.

C: What do you think would be the key to a comeback?

F: I think it is going to be diversification. I don't think we are going to see anymore steel industries in the valley or anymore General Motors plants. For example, I saw in the newspaper yesterday Weatherbee Coats is reopening and they have gone from fifteen employees to a potential one hundred and thirty employees. That is going to be the type of industry that will build the valley up again. We are going to need a lot of those 130-employee plants around here. Those are easier to handle. They are easier to attract and finance. That is going to be the key. We are going to have to provide our young people with places to work.*

C: Perhaps you see a repackaging of Youngstown's image?

F: Yes. I think that is starting to happen. I think the Chamber of Commerce is doing a good job in that area now and the businessmen are more positive now. Again, it goes back to attitude. If we can get our attitude to a positive situation, we will see progress in this area.

I think people are not experiencing the hard times that they did for awhile. I think that everybody that survived the bad times are the survivors and are wiser because of it. All of the rest have dropped by the wayside as far as business is concerned. The businessman is a little more smarter today and a little more cautious today because of some of the things that have happened.

C: Thank you very much.

F: Okay, Janice.

END OF INTERVIEW

*After this interview Weatherbee Coats experienced very serious labor management problems. The company's success is in question at this time.