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Competing In A Global Market

Wisconsin Companies Are Increasing Profits As World-class Manufacturers

Wisconsin State Journal :: CAPITAL REGION BUSINESS JOURNAL :: 2

Sunday, February 1, 2009
By Ellen Williams-Masson

Don't tell Keith Peterson that Wisconsin manufacturers can't compete in the global market.

Peterson, president and CEO of Humane Manufacturing in Baraboo, has increased sales 250 percent since buying the company in 1997. The manufacturer of molded rubber mats and rubber flooring products generates \$12 million in annual sales, with almost a quarter of those sales shipping outside the United States.

"Most of my competition comes from overseas, so we had to go try to beat them on their turf," Peterson said. "You have to broaden your scope and change the way you think."

Peterson credits their speed-to-market strategy for giving the company an edge in an industry where cheaper goods in emerging foreign markets can seem daunting. Remaining agile in response to customer demands requires keeping the warehouses stocked with inventory, a downside Peterson said is more than compensated for in customer satisfaction and demand.

"You can buy a container-load of product from us, and we can ship it generally within 3 to 4 days," Peterson said. "If you need a container-load of product from China, you can wait a long time because of the transit times. In a nutshell we are carrying inventory for our customers, but since we are willing to do that, our customers are very much willing to pay us a premium because we cover their carrying costs."

Humane Manufacturing is more an exception than a rule among Wisconsin manufacturers, who showed a weakness in international sales, according to a Next Generation Manufacturing (NGM) survey conducted by the Manufacturing Performance Institute.

The online survey of more than 500 Wisconsin manufacturers found that 77 percent of manufacturers reported less than 25 percent growth in international sales during the past three years. Only 3.1 percent of firms met the world-class benchmark of more than 100 percent growth.

World-class benchmarks were defined based on the performance of leading manufacturers in each area as well as the results of previous studies.

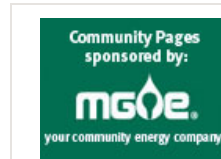
"We actually had 20 percent of manufacturers across Wisconsin say that global engagement was not an important part of their strategy going forward, which is a little bit of a concern when you look at what is happening in the economy and what successful manufacturers in a variety of areas are doing," said John Brandt, CEO of MPI.

"Sixty percent of the world-class manufacturers in this area had seen their sales increase outside the United States by over 25 percent over the last three years, and 14 percent had more than doubled their sales."

International sales are critical for Standard Imaging in Middleton, which makes radiation quality assurance instruments and serves a limited market of about 7,000 radiation therapy centers worldwide. The company has experienced a steady growth of 10 percent to 15 percent a year since 1993 and sells globally "in order to maximize the potential" of their investments in research and development, said president and CEO Ed Neumueller.

Almost a quarter of Standard Imaging's sales come from products developed in the last two years, so synchronizing innovation with consumer demand is also important. "In a sense, we are trailing the capital equipment manufacturers with their innovations in order to be able to provide the quality assurance products when they become mainstream," Neumueller said.

AUTOMATION



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When Troy Berg bought Dane Manufacturing in the village of Dane in 2001, he knew a shortage of labor could be a challenge in ramping up productivity at the precision metal fabrication and stamping company.

"Don't let anybody tell you manufacturing is dead in America and all the jobs have been outsourced, because that's just not true," Berg said.

Technology and highly automated equipment proved key in fueling the company's double-digit annual growth, which has averaged more than 25 percent for six years in a row and felt "pretty painful" at times for the company of 42 employees. The company has made the distinguished INC 5000 list as one of the fastest-growing privately held companies in America in 2007 and 2008.

"(Double-digit growth) gets harder and harder to do because we are getting pretty big," Berg said. "Manufacturing is a capital-intensive industry to grow at those kinds of rates."

A wireless extreme Information Technology makeover by Inacom in 2005 brought the company into the 21st century, allowing Berg to track the process of manufacturing from raw steel to finished product via bar coded parts and bar code scanners at each work station throughout the plant.

"You garner a lot of manufacturing intelligence and information," Berg said. "You keep capturing all that information every time you build the product, and that becomes your virtual intelligence, the company's basic understanding of how these parts get built and what the costs are. Up to 7-10 years ago, you couldn't do that at a company my size, but now we have the same tools the big guys have."

Using on-time delivery as a differentiator, Berg also focuses on "a mantra of driving out waste and getting lean" and plenty of "eyeball-to-eyeball communication" with his work force.

"Execution really comes down to people, and 'people' really comes down to leadership," he said. "Whatever way you want to cut it, you have to have very clear directives and not let anybody get confused, because when people get confused they slow down, and when they slow down they become unproductive. Everyone needs to stay on the same page and be clear what it is you are trying to do every day if you are going to win in the marketplace."

Talent management was one of the key tenets for global competitiveness included in the NGM survey, which identified a worker-training deficit across the state. Only 10 percent of manufacturing firms met the world-class benchmark of 40+ annual training hours per employee, and 29 percent provided workers 8 or fewer training hours per year.

"When we look across all the studies we've done since 1997 in manufacturing, the strongest correlation that we see between an input measure and improved performance going forward is the number of hours of training per employee per year," Brandt said.

RETENTION

Retaining experienced staff provides a competitive edge for Pete Herb, president of Fristam Pumps, USA . Fristam makes stainless steel pumping, mixing and blending equipment for the sanitary industry. The German-owned, fourth-generation family business has facilities in Europe, Asia and North America, including a Middleton plant that handles all manufacturing for North and South America.

"We have a lot of long-term people that have worked in the industry for a long time, so they are really knowledgeable about the processes that our pumps go into," Herb said. "If somebody has a problem, we can offer a solution with a new type of pump or a modification to a pump that will help them get longer life and better value (from the equipment.)"

Having a pool of workers he can go to in the clutch is crucial for Gregg McArthur, president of McArthur Towel and Sports in Baraboo. The sports towel manufacturer holds professional and collegiate sports licensing rights and is poised to respond within days after the game whistle is blown.

To help his firm respond rapidly in a seasonal market, McArthur outsources production to Chippewa River Industries , a center for developmentally challenged people in Chippewa Valley. His company shipped more than 2 million of the popular "Terrible Towel" rally towels when the Pittsburgh Steelers won the Superbowl in 2006.

"If the Green Bay Packers had made the playoffs and we needed to print 70,000 pieces and have them delivered by next Sunday, we are in a position to do that," McArthur said. "We have a staff of about 150 people at our beck and call at all times when we get super busy in a hot market situation for sports."

McArthur Towel and Sports also manufactures towels for institutional and promotional use and is turning up the marketing volume and taking strong inventory positions in the weakened economy. This approach paid off recently when the company was able to "jump through hoops" to fill a last-minute holiday order from Kohl's department store.

"One of the strengths we have in a down market like this is being able to be very responsive, more of a just-in-time approach with our manufacturing, to be able to respond quickly to customer needs," McArthur said.

"When you are importing from offshore, many times you have a 90- to 120-day lag lead time. More and more customers in today's markets and this economy are hesitant to pull the trigger 120 days in advance, but when they need something tomorrow, that is where we really shine."

GETTING LEAN AND GREEN












Streamlining the manufacturing process can help companies make headway in a time of global economic crisis. The Wisconsin Manufacturing Extension Partnership (WMEP), which commissioned the NGM survey, is a nonprofit organization dedicated to helping small and mid-sized manufacturers boost profits and productivity.














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Capital Region manufacturers reported an \$85 million economic impact in FY 2008 from working with WMEP, including \$24.8 million in increased/retained sales; \$6 million in cost savings; and \$54.3 million in investment. WMEP-assisted companies reported a statewide economic impact of \$226 million.

A complete retooling of the manufacturing process at Fristam Pumps, USA, beginning in 1999 changed the company from a "design and assembly" business model to one of more self-sufficiency. President Pete Herb said working with WMEP gave them a whole new way of looking at their business.

"Our methods of manufacturing used to be to make batches of things and try to guess at what the customer would want, but now we manufacture to order," Herb said. "We brought all the manufacturing in-house that we could for all the major components. From the Lean side, we are literally manufacturing today what is going to ship out tomorrow."

For Troy Berg at Dane Manufacturing, "tightening of the systems" is part of working toward designation as an ISO 9001 company. Formalizing the continuous improvement process will involve working with an outside consulting company to document operating procedures and improve consistency in the manufacturing process.

"A little of it is taking out some of that individualism that we love so much in America, but to standardize the work that we do, that's the best way," Berg said.

Dane Manufacturing also recycles 100 percent of its steel, trash and roughage, including a program the company initiated with their steel suppliers to recycle wooden pallets that were formerly discarded in landfills after a single use.

"Everything you do that is green has an economic ramification," Berg said. "There are some soft costs that are hard to measure, but when you really peel back the onion, you find that you always save money."

Michael Klonsinski, executive director of WMEP, said that "green and sustainability is becoming a business imperative as much as a social imperative" as consumer and regulatory demand for green products increases around the world.

Wisconsin manufacturers across the board have been hesitant to jump on the green bandwagon, with 84 percent of companies reporting less than 5 percent of their employees dedicated to developing, distributing and packaging green products.

"Those companies that make that investment in green technologies or production methods or business processes are going to not only reap the benefits of having customers who want that, but also they are going to be saving money in their production or process methods," Dick J. Leinenkugel, secretary of the Wisconsin Department of Commerce, said.

Leinenkugel believes the key to competing in a fast-paced, dynamic global market is to "engage our technical colleges, our universities, and our K-12 system to train the workers of the future.

"We will have to help companies get on the forefront of innovation and be able to retool and retrain their workers to produce new and more innovative products at a more rapid rate than ever before," Leinenkugel said.

For Keith Peterson at Humane Manufacturing, replacing antiquated, labor-intensive operations with a more highly trained work force has allowed for the conversion of more than 35 million pounds of recycled rubber a year into high-quality rubber matting, while also padding the company's bottom line.

"People keep complaining about foreign competition and the impact that China has had," Peterson said. "We just finished shipping two large container-loads of product back to China, so you can compete. You just have to quit your whining and do it."

