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## Small and Mid-sized Manufacturers: Flexible and Focused

By targeting niche products and staying nimble, small and mid-sized manufacturers prove they can play with the big boys.

*Saturday, November 01, 2008*

**By** *Jonathan Katz*

The behemoth 1950s-era hydraulic press and the grease-infused air that permeates inside Quality Float Works Inc.'s cramped machine shop hearken back to a different age of U.S. manufacturing. It was a time when craftsmanship and innovation were demanded as much as price and volume. At the company's only facility, tucked away in a Schaumburg, Ill., industrial park, you won't see cutting-edge robotic equipment or high-tech computerized machines going to work. Also absent are colored bins, kanban cards and other tell-tale signs of the lean manufacturing initiatives championed by "modern manufacturing" gurus.

Instead, this 93-year-old family business that spans four generations relies on its reputation for building sturdy ball-like metal floats used to control liquid flow in applications ranging from water desalinization to gas tanks. Owner, president and lead engineer Sandra Westlund-Deenihan proudly carries on the legacy her grandfather built in 1915, but says to be profitable in a global economy Quality Float Works had to create new niche offerings and embrace free trade.

"I talked with my son who said, 'If we don't look at some way to innovate, we're going to die,'" says Westlund-Deenihan, whose son Jason Speer is vice president and general manager. In response, Speer started a drive to develop new products in new markets by visiting more than 80 countries over the past two years.

During Speer's visits he found developing countries where water purity was a concern, so the company began producing water storage products and desalinization floats with priming valves to help create fresh water. Marketing the valves and the metal rods



*Quality Float Works employee Ramiro Bocanegra performs a trimming process using a lathe.*

that connect them to the floats was a major step forward for Quality Float Works. That's because many manufacturers already supplying the valves were focused domestically or on the verge of going out of business, says Westlund-Deenihan. "We created a niche market that increased our international sales," she says.

The company's global expansion has helped boost revenues 105% since 2003 to \$2.2 million, while international sales have grown from 3% to 20%.

Quality Float Works' success proves small and mid-sized manufacturers can compete with larger multinational companies by focusing on specialized products and continuing to be innovative and flexible.

These are some of the traits that author and small and mid-sized manufacturing consultant Michael Collins says are critical if such companies want to not only survive but thrive in a globalized economy. In his 2006 book *Saving American Manufacturing*, Collins outlines the characteristics of what he refers to as the "New Stars of Manufacturing." He cites the ability to offer specialized services and to emphasize customization and short product runs as two of these characteristics. Anytime a U.S. company can produce customized, low-volume products it gains a leg up over offshore competitors, says Collins. "They can't do that, and they can't do it quickly," he says, referring to overseas suppliers.

"We have a big advantage anytime we can customize our products to something that a plant here in the United States wants," Collins says. "It isn't economically effective [offshore], and it takes communication to customize, so they're not in a very good position in China to do that."

### **Thriving on a Low-Carb Diet**

Cheap competition from China nearly drove Marlin Steel Wire Products LLC out of business. When Drew Greenblatt bought the Baltimore-based company in 1998 the company had sales of approximately \$1.5 million and was focused on making wire baskets used in bagel shops. Business

was booming until a low-carbohydrate weight-loss fad known as the Atkins Diet came along. That, combined with a new competitor, nearly sank the now 40-year old company.

"At the same time I bought the company, China figured out bagel baskets are a good market, so they started selling bagel baskets cheaper than I could get them plated for -- let alone the labor, steel, the secretary in the front office, or any advertising campaign," remembers Greenblatt, the company's president. "We were decimated."

As a last-gasp effort to save the company, in 2004 Greenblatt took stock of Marlin's customers and noticed a small portion of the business served the customized basket market. Greenblatt realized if the company was going to survive, this just might be the type of niche service that would create demand. "I thought maybe we should focus on more of an industrial application where people value great engineering and quick delivery and quality," he says.

The plan worked. Greenblatt's move positioned the company for double-digit growth and pushed sales near the \$4 million mark. Marlin's customer list now reads like a who's who of [IW 500](#) companies, including Johnson & Johnson, Parker Hannifin, Anheuser-Busch, Dow and Eaton, which use the baskets to carry parts on the production line.

One of Greenblatt's secret weapons is speed. When he purchased the company, Marlin's latest piece of technology was nearly 50 years old, and it took about 18 workers to produce 400 baskets in a week. Since then, he's invested \$1.5 million in robots,

### **A Hint of Sun Through the Storm Clouds**

Most small and mid-sized manufacturers are cautiously optimistic about their expected performance for 2008, according to the National Association of Manufacturers' (NAM) Small Manufacturers Operating Survey for 2008.

Of the 314 people responding to the survey conducted in June, 56% of small and mid-sized manufacturers say they expect sales to rise at least 5% in 2008, and 16.2% expect increases of more than 10%. Fewer than 27% expect sales to decline at least 5% from 2007, with 12.4% expecting a decline of more than 10%.

In addition, most respondents (89%) say they expect to increase employment in 2008, and 91% expect it to increase in 2009, depending on their ability to find job applicants who are qualified to work in modern manufacturing. Nearly half of the survey respondents reported job openings because of a lack of qualified applicants.

implemented an ERP system and placed computers on the plant floor. Today, the company can ship as many as 2,000 baskets in less than a week with just four or five employees. "We have to stay cutting edge, and if we are, then we can ship fast, ship great quality and differentiate ourselves from our foreign competition," he says.

### **Cater to the Customer**

Once smaller manufacturers gain the confidence of their customers that they can provide service and quality that their larger counterparts can't, they need to keep tabs on their clients' evolving needs, says Collins. This means knowing customers' likes and dislikes by regularly contacting or visiting them, writes Collins in *Saving American Manufacturing*.

Potlatch, Idaho-based tooling mold maker D8 Inc. is one example cited in Collins' book of a small manufacturer that has remained competitive by listening to its customers, even though the company can't compete with foreign mold makers on price. During a customer visit D8's President Barry Ramsay might meet with the production manager to learn about his production goals, quality requirements and other needs not directly related to product price, Collins relates in his book. Ramsay may then pose strategic questions to his customers that help them realize how a D8 mold could improve throughput or productivity. At that point Ramsay might demonstrate how the molds can make plant operations more efficient and reduce costs in the long run, according to *Saving American Manufacturing*.

"There are all kinds of new services you can offer customers, if you know how to monitor them," Collins told **IndustryWeek**. "They have to get better at developing new products."

Without offering extra services, MBX Systems would be hard pressed to keep up with one of its biggest competitors, computer giant Dell Inc. The Wauconda, Ill., contract manufacturer with revenue under \$100 million makes server appliances for markets such as network security, video production, digital audio recording and archiving for software application developers. In terms of added options, MBX gives customers the opportunity to brand their appliances with their name and logo and offers logistics services so they don't have to manage the warehousing and delivery of their products, says Jill Bellak, chief operating officer. Additionally, the company has partnered with FedEx, which is providing warehousing facilities for MBX around the world.

"We have distribution facilities in the Netherlands with FedEx, which enables our partners to have fast product lead times -- not only in Europe but over to the Asia/Pacific region," says CEO Tom Crowley.

MBX also offers personalized service, including program managers and engineers for each account and 24/7 technical support for customers. "What's important to our OEM partners is the amount of flexibility that we offer," Bellak says. "One would be the services that we wrap around the product, which they just aren't getting from Taiwanese companies, and the second would be the personalized service that we offer, and that's something they're not getting from the bigger companies in the United States."

### **Continuously Improving**

The tailored services offered by MBX help put the company in a position to not merely survive but thrive in a globalized economy often dominated by multibillion-dollar corporations. Even so, these smaller manufacturers will need to continue refining their operations and services as pricing pressures -- from raw materials costs to regulations -- keep mounting.

One area where many small and mid-sized manufacturers often find themselves lacking is in the process of cost accounting, says Joe Vogel, senior staff executive at small and mid-sized business consulting firm George S May International Co. In some cases, small companies haven't invested in reporting systems that gather enough data from the shop floor to measure productivity, Vogel says. "When an operator is not doing something that's directly making parts, you need to know what that is, and not only measure what that is but monitor and manage that cost," he says. When Vogel enters small manufacturing operations he often finds them using low-level accounting software such as QuickBooks to manage their costs. His firm helps clients establish accounting systems that can categorize direct and indirect costs.

Another area that all manufacturers are struggling with is skilled labor. This means small and mid-sized manufacturers will need to be equally innovative with their job recruitment strategies as they are with their marketing tactics. Marlin Steel Wire tries to woo workers with four-day workweeks of 10-hour days, a family-friendly atmosphere -- the company bookkeeper is permitted to bring her one-year-old daughter into the office -- and bonus programs for plant-floor workers who meet their targets, which have been particularly successful, according to Greenblatt. "I've created 20-something entrepreneurs here, and they're all extremely focused on enriching themselves, and

because of that, they're pumping out a lot of stuff, and we're extremely productive."

For Quality Float Works, future competitiveness is etched in ingenuity. Seated at her desk, Westlund-Deenihan points to a cylindrical tank used in the space shuttle to monitor the air quality for astronauts as one of the company's more innovative accomplishments. The company president, who plans to turn the reigns over to Speer when she retires, says Quality Float Works may soon join the green revolution. The company is exploring the potential for its floats in biodiesel and other environmentally friendly applications.

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