NEW MANUFACTURING RULE: ADAPT OR DIE ECONOMY, COMPETITION HAVE FORCED INDUSTRY TO CHANGE

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Adapt or die. That has been the mantra of many Holland area manufacturing companies the past few years. With a stagnant economy, increasingly demanding clients and incessant competition from low-wage countries such as Mexico and China, standing pat is not an option. “In terms of world markets, it’s a smaller world in that more countries are now players. They are willing to play a much lower wages game,” said Thomas Smith, professor of management at Hope College.

Manufacturing jobs in the Grand Rapids-Holland-Muskegon area have dropped from 166,700 in December 2000 to 133,500 in December 2003, according to the state’s Office of Labor Market Information. Although their strategies vary, local companies acknowledge the need to adapt. “We have been hit really hard. The last two years have been really tough,” said Larry Kooiker, president of the Holland metal-parts producer, Agritek Industries. “You are very vulnerable to (customers) moving on a whim to another place on the globe,” said Kooiker, whose company line includes exhaust pipes for cars and steel plates in office furniture chairs.

Agritek has responded partly by increasing its production of more complex parts that foreign suppliers would less likely make. By welding various parts together, the company also can compete better against other American metal parts producers. “We just kept kind of graduating up the food chain,” Kooiker said. Plus, the company provides smaller orders, since customers would not be willing to pay international shipping costs for lighter loads. “As a smaller company, you can react better. You can change directions faster than a large company,” he said. The 40-employee company had record sales last year, but saw profits at just 1 to 2 percent of sales because of foreign competition and pricing demands from its customers. “We have seen that drop 10-fold in the last couple years,” he said.

Enhancing technology is one way to compete with overseas production, many business owners said. Primera Plastics added automated robots to its production line in 2000, but did not drop staffing levels. “We’ve added technical workers at a higher ratio than standard operators,” said Pete Wagenmaker, vice president of administration at Primera. He said the company often pays for workers to take technical classes or earn their degrees. Staff training in such topics as effective group management and leadership classes during the lean years of 2001 and 2002 at Bradford Co. helped lessen the economic blow, said President Tom Bradford. “It went on for months at a time. It wasn’t just like here’s your feel good seminar and let’s move on,” he said.

Primera, which makes parts for numerous industries such as automotive and furniture, moved into a new 66,000-square-foot Zeeland facility last summer, moving from two rented building. Since then, it has added 35 employees, increasing staff to about 110. With many customers demanding lower prices, the need grew to produce more as the profit margin for each piece diminished, Wagenmaker said. “You have to grow to survive,” he said. And when customers demand sharp drops in prices? Primera works to lessen their dependency on those clients. “We don’t want a company that is 10 percent of our business and 95 percent of our headaches,” Primera President Noel Cuellar said. But the company also adapted for customers.

Primera began sewing operations for one customer, a task it had never done before. “You have to do everything to keep your customer,” he said. Bradford made similar moves, adding repair work to its packaging. Approaching customers in a different light helped Midway Machine Technologies in Zeeland, said Terry Geertman, who owns the company with his brother, Jerry Geertman. Midway produces specialty machines for manufacturers such as food conveyers and molding equipment. But in 2001 and 2002, companies shied away from buying new equipment, Terry said. “We knew the capital equipment (other companies’ purchases of capital equipment) was going to go away. We knew corporations were not going to spend money on something like $100,000,” he said.

So Midway emphasized the repair and maintenance side of their business, which fit more readily into its clients' budgets. "When it comes down to the end, you just spent so much time and effort trying to get that justification through and you still don't get that sale," Geertman said. Sales fell about 10 percent during 2001. "It would have been way worse. We could have been 30, 40 or more percent down," he said. The following year, the company made up the sales, and as other businesses bought new machines last year, Midway's sales jumped another 15 percent. Can manufacturers in Holland compete with foreign operations?

Bradford thinks so. His company has had a Mexican facility for six years, one in Malaysia, plus a plant in Brighton, Mich., and Tennessee. But Bradford said despite having facilities elsewhere, he expects the company to stay in Holland, where it has been based since the 1960s. "I think there has been a great entrepreneurial spirit in West Michigan," Bradford said. "My belief is a new generation will be born." Thomas Smith said companies should consider the price of leaving the country that could wipe out the lower labor costs abroad.

And beyond measurable costs like transportation and extra shipping times, other factors are harder to gauge. "There is a certain amount of stored knowledge and wherewithal," he said. Cuellar said it's his "gut feeling" that manufacturing will continue in the area. Primera has rejected strong offers from other states because it wanted to stay in West Michigan, he said. "We grew up here. We want to work here," Cuellar said.