Improving the Competitiveness of Montana Manufacturers

Forward Focus

Montana Manufacturing Extension Center
SUMMER 2004

Come REV UP Your Business

Compete SMART Montana Manufacturing Conference

Witness the triumphs and struggles of a truly global success story in “The Rise, Fall, and Rise of Harley-Davidson®,” at Compete Smart this fall when you join other Montana manufacturers to rev up your business at Montana’s premier manufacturing conference.

Yellowstone Harley-Davidson (www.yellowstoneharley.com) of Belgrade and the Montana Manufacturing Center will co-host the keynote address that launches the event at the GranTree Inn in Bozeman on Oct. 7 & 8.

Keynote speaker Ken Schmidt, former Director of Communications of Harley-Davidson Motor Co., will ignite audiences with lessons that are invaluable as he shares the story of the stunning turnaround of one of America’s favorite icons — the Harley-Davidson motorcycle.

Pete Smith, President of HCR Inc. in Lewistown, caught his presentation in Florida this spring and says, “His message is directly applicable to manufacturers. Do not miss the opportunity to hear this guy.”

The spotlight will also be on a conference favorite — three Montana companies in a segment called “Tuning Your Business Engine for Growth.” Experience the extreme when Sandra Schwarz, General Manager of Precision Lift, Inc. leads you through the obstacles, rewards, and opportunities of doing business from very rural Monarch, Montana. Sense the power of team-based problem solving and constant innovation at Bozeman-based Simms Fishing Products from leader K.C. Walsh and his Director of Operations Robert Gibson.

Learn the secret of effective cost reduction without sacrificing quality from Mike Al Deibert of Operations Robert Gibson. Learn the secret of effective cost reduction without sacrificing quality from Mike (continued on page 6)

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SAVE THESE DATES

Compete SMART Montana Manufacturing Conference Service
Oct. 7–8, 2004 Bozeman, MT

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Offshoring can be countered in the U.S. by raising educational standards, investing in research, improved training, and building a culture that reinforces innovation and high productivity, according to a recent study by global management firm AT Kearney. The study was authored by Paul Laudicina. It examined not only cost advantages but also labor skills, education, and infrastructure as attractions in the offshoring of jobs. It found that India, China and Malaysia ranked as our top three competitors. Canada, New Zealand and Singapore were among the top 12. Cost is not the sole influence.

Are the counting solutions a surprise? Not really. The U.S. has always competed successfully in the world because of its innovations and creativity. It’s no different today. We thrive on creativity and high productivity, we have put together a fall manufacturing conference with exceptional breakout sessions to help you rev up your toolkit. You will witness the strength of America’s creative, can-do spirit and how to ride its challenges when you hear keynote speaker Ken Schmidt’s story of the struggles and success of a true American icon – the Harley-Davidson motorcycle – as it traveled from near bankruptcy in the 1980’s to world-class competitiveness today.

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Run with your manufacturing peers and allies at Compete Smart on October 7 and 8 in Bozeman. Register on-line today!

Steve Holland
MMEC Director

Gloria Zimmer is retiring after 18 years with UTAP and eight with MMEC. This spring, she was roasted by Field Engineer Kreg Worrest (right) and the Center Advisory Board and presented with a cake by Field Engineer Mark Shyne (left). Gloria plans to visit family scattered across the U.S., especially two young grandsons. She will continue singing in church and community groups and expand volunteer efforts.
Building a culture of innovation and entrepreneurship is critical to the economic vitality of Montana. Global competition will demand innovation, and funds will be needed to fund that innovation.

A group of Montanans has been working for the last three years to grow capital resources in Montana. Our state ranks at the very bottom of early stage and seed capital investment. This, however, is not unusual in rural or “fly over” states. The vast majority of investment capital is concentrated in a few areas: San Jose, LA, Seattle, Boston and Austin, TX. Less than one-half of 1% of venture capital funds found their way into Montana in 2003, according to the Money Tree Report.

A working group of the Interim Committee on Economic Affairs of the state Legislature has heard testimony from entrepreneurs, economic developers, bankers, and investors during the first half of this year. What was learned is that there is a need for early stage investment in Montana. Bozeman and Missoula, in particular, are seeing growth in entrepreneurial ventures. These companies are seeking funding in the $250,000 - $500,000 range. With only one active fund based in the state, Glacier Venture Fund, the resources are woefully inadequate to support an entrepreneurial economy at this time.

In addition to the need for funding, Montana desperately needs a venture capital infrastructure. Due diligence is a critical piece of all investment decisions. There is no organized expertise to vet opportunities, particularly in the areas of technology, biomedicine and software. Potential investors want someone close to their investments who can monitor their capital. There is more expertise in consumer products than in the intellectual property sectors, but not enough.

The largest source of capital for business startups today is “angel investors”. Angels are private individuals who invest directly in a business. According to the Kauffman Foundation, angels invested $15.7 billion in entrepreneurial ventures in 2002. They usually follow the first investors, “family, friends, and fools.” Angels are becoming much more organized in
Red Oxx New PR5 Receives Recognition, Testing

By Deborah Nash

Just as Red Oxx Manufacturing of Billings was having its PR5 Safari Beano tested against a competitor’s at the Army Natick Soldier Center testing lab in Natick, Mass., the PR5 received “Gear of the Year” recognition in the spring issue of Outdoor Buyers Guide.

The PR5 is a rugged airline carry-on bag, one of 15 outdoor products receiving special recognition in the annual buyer’s review. Manufactured in Billings, Montana, it features locking pockets, an inner-locked compartment, and 12 color choices.

Lab data confirms that the Red Oxx bag has features superior to its overseas competitor. The lab used specialized equipment to grab, pull, and generally stress the complete PR5 and its broken out components. In tests lasting about 3 weeks, experiments covered design, materials, and construction of the gear.

Together, the trade magazine testimonial and positive hard test data about the bag’s strengths make a powerful marketing tool.

“The Buyer’s Guide honor was purely a lightning strike,” Jim Markel, Red Oxx owner, said, explaining that they had read about the bag on the website, www.redoxx.com, and it piqued their interest.

The Guide tested one by filling it with rocks, dragging it behind a car, and throwing it off a second story balcony in an effort to destroy it. It came back with just a small hole in it, the former Marine Corps parachutist noted.

While not surprised, Markel is still glad he moved forward with the lab tests that he learned about through the Montana Manufacturing Extension Center and its MSU TechLink affiliation. TechLink occasionally helps companies gain access to specialized government facilities for product testing and development as a subset of its mission to help high-tech companies find and obtain relevant technologies among the thousands of inventions that scientists in federal laboratories create. When a fit is established, TechLink can help with the process of licensing the rights to practice the invention -- an effort intended to help turn a technology into a product to be sold to the public or to the military. Through its role, it has developed a strong connection with many federal labs.

One of the biggest challenges Red Oxx faces is competition from the import of cheap “knock off” imitations. For that reason, the company works hard to differentiate its product and build customer relationships.

“We know our products are strong by the materials we put into them. But if I’ve learned anything from MMEC, it’s
You won’t see elephants roaming the wilds of Montana, but you will see a Red Oxx bag on safari.

“The test results have stimulated lots of things: Exploration of new thread, concrete numbers to help build business, and a nice add on to marketing. We’re going to make the most of it,” Markel said. “Soldier Center is working on a second phase of tests, as we have some thread issues. We have contacted thread companies about specifications, and they are sending samples for more testing.

“We want it even better so there is no question about superior quality. The numbers provide insight and are concrete – we’re not just saying it’s strong.”

Like other manufacturers, Red Oxx is learning it cannot take its materials and suppliers for granted.

“Thread used 15 years ago is not the same as today; I’d say I’ve seen a 15-30 percent decrease in quality over the years. I knew it, but now we’re going to try new thread to see if there are gains.”

Red Oxx has used the military gold standard in nylon sewing for a long time. It can go up a notch and test to see if there is a gain. Even then, any change must be carefully monitored. A statistic that did not go unnoticed by a rigger’s eye.

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Governor’s Excellence in Exporting Awards

With the dollar down over 20 percent against the Euro in the past year, today is a terrific time for companies to take a look at export markets – or expanding export sales, according to the Small Business Administration. SBA expects a recent boost in U.S. exports to continue as economic recovery around the world continues and demand increases for U.S. products and services. Additionally, new free trade agreements went into effect in January with Chile and Singapore.

HELENA, MT – Lieutenant Governor Karl Ohs recently announced the 2004 Governor’s Excellence in Exporting Award for Montana. Awards were presented to five business owners or advocates who have demonstrated commitment and dedication in exporting Montana products or services.

Holcim (US) Inc., a cement manufacturing plant was named Montana’s 2004 Exporter of the Year. The Trident, Montana plant ships approximately 47 percent, about 150,000 tons, of its cement production to Canada.

Omega II Inc., a hot tub manufacturer located in Stevensville, MT received the 2004 Export Marketing Program Award. Export sales for the company this year are nearing $750,000, and products are sold in eight countries.

Kaptain, Inc., the parent company of Sparky “Superior Roping Machines,” was presented with a Certificate of Appreciation for efforts in achieving an initial export sale. The Sparky Roping Machine was first developed and produced ten years ago to fill the need for a realistic team roping machine. Kaptain, Inc. currently ships to Canada, New Zealand, and Australia.

Renowned Montana artist Monte Dolack was presented with a Certificate of Appreciation for his innovative approach to exporting Art.

Dr. Fraser J. McLeay was presented with the 2004 Governor’s Export Advocate Award. McLeay is a Senior Manager of the Montana World Trade Center and Adjunct Assistant Professor of Marketing at the University of Montana. Through his leadership, the Rocky Mountain Market program is a national model.

The Governor’s Excellence in Exporting Awards are presented annually by the Montana District Export Council (DEC) and the Governor’s Office.

Rev Up

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Wier, General Manager of NorthWinds Publishing and Printing in Great Falls. Learn what his company has done to more than double revenues since 1998.

Breakout sessions will be offered to accelerate product innovation, torque daily management techniques and harness the power of value-focused teams. Rounding out the conference will be complementary exhibits, good food, and a special progressive dinner with Yellowstone Harley-Davidson followed by a vendor-hosted dessert reception. The conference will provide many opportunities to run with your manufacturing peers and allies as you scout the road to business success. Be watching for more details and online registration at www.mtmanufacturingcenter.com/Events.

In addition to co-host Yellowstone Harley-Davidson, event sponsors include First Interstate Bank, NorthWinds Publishing & Printing, Montana-Dakota Utilities, Microsoft, Dell, Montana Department of Commerce, MSU College of Engineering, The Montana Chamber/Manufacturing Council, IPark Darigold, and MT RailLink.
Innovation  

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The National Association of Seed and Venture Funds conducted an all day training session in the Flathead last fall for potential angels. Jobs Now, Inc. will be convening a group this summer that is interested in being angels. Angels are organizing to share risk, to access more comprehensive due diligence, and for camaraderie. Over time, these interactions will provide another funding opportunity for new business. The number of potential “deals” will continue to be a challenge, the “typical” urban angel group making one investment for every 100 opportunities. A key objective is to bring well-researched opportunities to the group for their consideration. Most investors like to invest side by side and spread the risk. Angels bring more than capital to an entrepreneur. They bring expertise in marketing, financial management, networks, and experience. All these elements add to a startup’s chance of success.

The legislature is looking at a number of options to encourage private investment in Montana companies. Building early stage capital and a due diligence infrastructure are long-term challenges, but we need to get started if we expect to grow high value job opportunities in Montana.

Fortunate are areas, like the Flathead, that have a regional banking center and healthy, community-minded bank corporations that have built significant expertise in lending for land, real estate and other assets. A variety of federal and state programs provide bank loan guarantees for businesses that need to grow and might be unable to receive financing. If you haven’t checked into these, take a look: The Small Business Administration; the USDA; the state, through its community development block grant programs; the Montana Department of Commerce, through its Regional Development Officers; and the SBA Small Business Development Center regional service centers. All are tremendous resources for business finance packaging and assistance.

Our banking communities will benefit greatly from the availability of early stage investment capital. It will grow the pipeline for traditional debt lending as businesses grow and mature.

(Liz Harris is executive director of Jobs Now, Inc, Kalispell lharris@flatheadport.org)

Red Oxx  

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thread change may create production problems.

“If the gain is significant, it may be worth the trade off; the numbers help make the decisions. That’s another take away from MMEC learnings,” Markel said. “Measuring things is important in business -- financials, strength, throughput, and capacity. You can see how to break them down and manage them.”

Connecting with the Natick Labs was a real opportunity for a small company to get world class testing, Markel said. MMEC Field Engineer Al Deibert helped Red Oxx with the application and throughout the process. His office is at MSU TechLink to develop a more synergistic relationship between the centers. Deibert made the initial contacts and compiled the resulting data into Excel charts. This enabled Markel to clearly visualize important data for business and marketing decisions. The company sells direct to the consumer using its website, trade shows, and its own retail floor space.

Meanwhile, the Buyer’s Guide publicity has taken on a life of its own. Red Oxx has been interviewed for a product review in a men’s health magazine; the PR5 was featured on “NBC In the Morning” in early June and in local media. Sales bumped up by about five percent in one month, after the Guide hit newsstands. The magazine stays on the shelf through the summer, and Red Oxx owners project more sales as word of Gear of the Year and superior quality ratings spreads.

“We’ve already had more web and phone traffic,” Markel said, “and a huge difference in walk ins to the manufacturing/retail storefront at 310 North 13th in Billings.” “Not a tidal wave, but nice flow.”
Yellowstone Harley-Davidson, located at the Belgrade I-90 interchange, is Montana’s premier destination dealership for Harley-Davidson enthusiasts. The dealership has been at its location in the heart of the Gallatin Valley since 1987. The facility was expanded in 1993 and again in 2001. Stop in for a visit; you’ll be pleasantly surprised.

Although Harley-Davidson motorcycles are the core of Yellowstone Harley-Davidson’s business, the dealership also offers a full selection of parts and accessories, protective riding gear, fashion wear, and collectibles. Harley-Davidson Motor Co. recently named Yellowstone Harley-Davidson the Dealer of the Year for the Western United States for service excellence. In addition to performing routine maintenance, the service department specializes in performance upgrades and custom work.

Other services provided by the dealership include rider training, rentals, and one stop shopping for financing and insurance on the purchase of a motorcycle. Check out the website at www.yellowstoneharley.com.

The rider training program at Yellowstone Harley-Davidson provides group or private lessons with Motorcycle Safety Foundation curriculum throughout the season. Courses are designed for both beginning and experienced riders and teach individuals the skills to ride safely and with confidence. The courses allow participants to earn their motorcycle endorsement for their driver’s license. The dealership employs a full time instructor certified by the Motorcycle Safety Foundation.

Yellowstone Harley-Davidson has a rental fleet of 20 motorcycles with an extensive selection of models. These motorcycles may be rented for day trips or extended touring. Helmets and rainwear are also available. The dealership is currently developing a fully guided tour through Yellowstone Country which will be available beginning in 2005.

At Yellowstone Harley-Davidson, the mission is to fulfill dreams for every customer. The focus of the entire staff is on providing great customer service, a major factor in the dealership’s award-winning success.