

by Andrew Tellijohn

Confidence, commitment to change pulled Permac through difficult period

TIPS

- 1. If you are not willing to take a risk** your chances of getting into a new market or making a major change decrease.
- 2. It was a conscious decision to change what we were doing.** Sometimes when you are backed into a corner you have to think a little more deeply.
- 3. Show confidence.** Employees see the look on your face. Show everyone you believe and they'll believe too.
- 4. Be willing to take the time to learn how to do the change the right way.** Sometimes being willing to forego revenue for a period pays off in the end.
- 5. In a crowded industry,** it might pay off to seek your niche in a complex, difficult segment found undesirable by competitors.

When Darlene Miller appeared in Upsize back in 2009, Burnsville-based precision parts manufacturer Permac Industries Inc. was struggling. Most of her clients were suffering through the downturn, some having lost as much as 50 percent to 75 percent of sales.

But Miller, president and CEO, was boldly optimistic.

"We're in survival mode, but we ARE going to make it," she told the Editor Beth Ewen at the time.

She was right. It wasn't easy. Permac's own sales dropped about 40 percent at the bottom of the recession. But the company also used the recession as a chance to retool the business. When Miller spoke to Upsize in 2009, Permac had just started work on a new contract in the aerospace and defense industry — a market that required much more complex work than the customer base the company typically worked with prior to the downturn.

The aerospace, defense and medical device markets became Permac's new focus during the downturn. Commodity work, such as making simple parts for basic hydraulic equipment, motorcycles and similar products, used to be the company's core, but that share has fallen to around 20 percent of its sales.

"We totally had to retrench ourselves," Miller says. "When the downturn happened, we were serving a lot of different industries. ... It really dried up. They're great customers, they're still customers. But we've still seen a downturn from them."

The other 80 percent of Permac's business comes primarily from those new industries that provide steady,

complex work in stable industries less affected by volatile markets. The change took place after Permac's management team gathered during the worst of the downturn. Those officials made a conscious decision to shift gears and to start seeking more complex projects, for clients in those new industries, that require the use of exotic metals like Monel, Inconel and titanium.

"They call them exotic metals because they are very hard to machine," she says. "We decided we were going to take on tough stuff - stuff that people did not want to do, that my competitors would look at and say 'no way.'"

Eight years later, the company isn't just still here, as Miller predicted. It's thriving.

Revenues are slowly catching up to the level where they were pre-recession. Growth is steady. Machines are running pretty much around the clock, even on weekends.

It didn't come without pain—and further dents to sales when the management team decided the company should pursue the certifications necessary to prove its mettle in the new areas of expertise, Miller says. The process for earning the AS 9100 certification that proves the ability to work with aerospace components took a significant amount of time and documentation, but it has paid off in better processes and well-trained employees.

"That took us a good couple years to get through that certification and training," she says. "You have to re-train all your people."

The most difficult part of the transition was convincing employees that company management was aware

Permac Industries Inc.

Description: Custom manufacturer of precision parts for customers in many industries, including medical, aerospace and defense

Founded: 1966

Headquarters: Burnsville

CEO/President/Owner: Darlene Miller

Employee count: About 30

Web: www.permacindustries.com

there would be a period where sales would drop as workers learned the new skills.

"It was so hard for the guys in the shop because they would say 'we don't want to disappoint you,'" she says. "It was a real mindset of consciously saying 'we know that and it's going to be a hard learning curve, but if we don't do that we're never going to excel and we ARE going to excel.'"

While the company had high-technology equipment before the shift, it has added more. That includes three Swiss machines often used in aerospace and defense parts. That added to the learning curve, Miller adds.

Another sign that the change paid off, however, was the hire of a salesman with an aerospace background who travels the world making sure Permac is on the radar of the industry internationally.

Perhaps hindsight helps, but Miller now can say the pain was worth it. Had the downturn not taken place, she thinks the company eventually would have made a similar transition, but she can't say for sure.

Because it's hard to make significant changes when you're busy, it's likely such a move wouldn't have made as much sense and had the same level of commitment it did during the recession.

"This was such a leap of faith," she says. "I'm not sure we would have done that. It's really hard to know. It was a totally conscious decision to change. I would hope I would have. But when you are forced into a corner, sometimes you have to think a little deeper."

But it has definitely been a positive move.

"We got through it. We're so much better for it today," she says. "So, to be perfectly honest, I'm kind of glad we had to go through it."

And the best part, she says, is that the customers Permac now serves are likely to be a bit more recession-proof than its primary targets from the past.

"Prior to this we had fewer customers who had a higher percentage in our business than we do today," she says. "We have a much more diverse base today. That makes a huge difference. Medical devices are going to continue. Aerospace is going to continue. And as much as we hope defense is not needed, it's obviously going to continue, so those are three industries we feel really good about."

Now the focus is on continuing to grow, training employees to keep up with technology shifts, considering the addition of new machinery and finding the right people to help pick up the pace even faster.

"We are busy," Miller says. "We are thrilled. We wish we could find more skilled and talented people to join our team. We keep trying to do that because the growth is there, we just need the talent to help supplement it."



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Permac Industries Inc.