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CRAIN'S DETROIT BUSINESS

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STAGE TWO STRATEGIES: Broaching Machine Specialties Co.

By Michelle Muñoz

Machinery and Equipment Exchange Inc. (dba Broaching Machine Specialties Co.)

Location: Novi

Description: Designer, manufacturer and servicer of new and rebuilt broaching machine systems



Egrin

President: Matt Egrin

Founded: 1946

Employees: 25

Revenue: \$4.4 million for 2010; projected \$6 million for 2011

Problem to be solved: When Egrin took over leadership of the company in 2004, he knew he wanted to make some serious changes.

He said the company was steeped in disorganization, costing time and money. Orders were not going out on time because of the lack of orderly procedures.

For example, workers who couldn't find a repair part might order it -- only to realize later that it had just been in a different place than where they were looking. There was no assigned space for tools or machines.

Solution: To solve the disorganization, Egrin used available cash to undergo a lean manufacturing transformation, setting up orderly, modern procedures designed to remove waste in the manufacturing process while adding control to inventory systems.

Egrin said the look and feel of the company now is bringing increased orders. When clients see the organization and cleanliness of the floor, they want to do business.

The change came just in time. With the downturn in the automotive industry in 2008, the company's revenue began to fall. In 2007, revenue was \$5.7 million. By 2009, it was \$3 million.

If the company had been as inefficient as it had been in 2004, revenue could have been much lower, possibly to the point of sinking the company. Egrin and the people at BMS were able to fall back on the new system to make it through the downturn.

"We were able to come out of it, and now, because we made those changes, that is all adding to our bottom line," Egrin said. "What we did in 2007 and 2008 has allowed us to be here today."

Risks and considerations: The transformation to lean manufacturing does not happen overnight, and it isn't cheap. Egrin knew both of these things before undertaking the change.

BMS had been working with the same process since 1965, Egrin said, and many employees had been around for decades. He knew getting them to do things differently for the "boss' son" was not going to be easy. He is the third generation to run the family business.

Cost was another risk. Moving machines into storage, reconfiguring the work floor, painting walls and other steps in the transformation all required money. Egrin was concerned about getting a return on his investment.

"I always tell people it was the best \$125,000 I ever spent," Egrin said.

Expert opinion: Dave Brudon is the director of business development at **Automotive Industry Action Group** in Southfield and has watched companies undergo a lean transformation.

A small company like BMS faces advantages and disadvantages when going lean, he said. It's easier for them to get all of their management on board, but they face time and money constraints.

He said companies must examine their problems and waste and decide what they want to change before undergoing a lean transformation, but they always benefit from the change.

"You want to say, "Here's the current state. If we had no barriers ... what would it ideally look like?" " Brudon said. "It's not that you ever get to the ideal, but when you go to the future state, it should be in the direction of the ideal state."