

Strength in numbers

Small toolmakers team up to make big impact

DETROIT - The 16 tool and die makers that make up the Global Tooling Alliance first joined forces for a tax break.

But now they're finding more reasons to stick together, and finding ways to cooperate and help each other through a tough economy.

"The more we know each other, the more we find that we learn from each other," said Patrick Riley, president of injection mold tooling company Exceptional Mold & Engineering Inc. of Romeo, Mich.

The Global Tooling Alliance is one of 24 groups or individual companies that have been approved for a limited number of tax-free "recovery zones" for tooling companies. The zones, approved by the state of Michigan in 2004, are designated to help tool makers with 75 or fewer employees. The zones cover 218 companies in 31 counties, with some alliances [including GTA] still accepting members.

Some firms sought individual status for a renaissance zone. Others, like the tooling and tooling-parts companies



that make up GTA, worked together from the start, joining forces to hire a consultant who could walk them through the approval process. Once they won approval in December, GTA members found that cooperation has other benefits that go beyond tax breaks.

Sometimes they share ideas on best practices for operations or hiring. Alliance members are reaching out to other shops that can help with specialized equipment. Another tooling group, the United Tooling Coalition, has been developing ways to bid jointly on contracts, which will

allow groups of smaller tool and die shops to seek large contracts together -work they could not handle as individual businesses.

At SAE International's 2008 World Congress, held April 14-17 in Detroit, GTA members pooled resources to create and staff a booth and reach potential customers.

"We could probably never afford it individually," said Gary Kimmen, president of Top Craft Tool Inc., near St. Clair Shores, Mich., and current GTA president. "Together, between the 16 of us, it was \$300 apiece. That was an easy choice."

Michigan is unique in the U.S. for its tax-free zones that provide incentive for firms to work together, said Jeff Mengel, a partner with Chicago consulting group Plante & Moran PLLC. But there are similar zones in other countries, including Korea and China, that compete against firms. Landing a spot in a tax-free zone is not enough in itself to preserve a struggling firm and some local governments have rejected bids by toolmakers wanting to join alliances. However, the nature of the coalitions sets a framework for other cooperative efforts that potentially could add 5-15 percent to a company's bottom line from a variety of ventures, some of them as simple as renting out time to fellow members on idle equipment.

Mold makers collaborating

"The best benefit beyond the tax issue is that the small guy with limited resources can broaden his appeal," Mengel said.

Obviously, the tax break does have its own benefits. Mike Zacharias, president of injection molding toolmaker Extreme Tool & Engineering Inc., got his firm in Wakefield, Mich., into an earlier tax-free program. He then diverted money that would have gone to taxes into new equipment and improvements, he said.

"We grew our businesses because of it," he said.

The company recently expanded into an adjacent building in Wakefield and has invested in additional training for its 42 employees - building their skills and the company's ability to produce more complex molds. United Tooling Coalition is taking advantage of still other benefits. UTC has been working with the Center for Automotive Research, an Ann Arbor, Mich. based industry consulting group, to find ways to help each other. That could mean that one shop with experience in lean manufacturing gives tips to other companies or rents space on equipment that their coalition partners do not have.

The automotive research group also has set up formal systems that allow individual companies to bid on projects jointly.

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“Small businesses in general need to build up to an economy of scale, but they can’t always afford to do that,” said Laurie Moccief, president of UTC member Schmalz Tool & Die Inc., a 20-employee firm in Burton, Mich. “It affects everything from getting the best employees to purchasing power. But these days, your small business isn’t just competing with the guy across the street anymore. We’re competing against entire countries.”

Moncrief also is taking the lessons from UTC one step farther. Schmalz, which makes both dies and injection mold tooling, is now part of a new seven-business collaboration called Adaptive Manufacturing Solutions. The group is looking at ways to expand cooperation along the supply chain. The alliance includes companies that handle machining and build automated cells or hot-runner systems. Even some specialists in shipping and handling of large parts are members. “I would never speak to my customers about something like returnable shipping containers, but half of my customers need to know about this, about how we’re handling these,” Moncrief said.

Working jointly, the group can look at a wider range of products. That means members’ customers can go to one place and come up with a package that could include the tool, a specialized work cell, robotics and even the best way to package finished parts.

That arrangement makes it easier for customers that want to reduce their number of suppliers, and gives member firms an edge in winning contracts, she said.

Large toolmakers could provide the same package of services, she said, but the small companies within AMS aren’t on that same competitive level individually. The seven firms collectively employ 500 workers and bring in \$75 million in sales. Together they have more power, and that is power that extends beyond sales.

The group is exploring the potential to pool funds to reduce overhead costs in areas like accounting, payroll, employee training and purchasing.

Creating cooperative groups not easy, though. Historically, toolmakers are entrepreneurs who prefer to work independently. They are cautious about letting anyone else, especially potential competitors, inside their operations.

“The hardest thing is to find companies that can work together,” Moncrief said, noting she has been working on the AMS concept for two years. “There is trust level there that takes time. It takes years.”

But at the same time, collaboration is worth pursuing.

“People think I’m kind of crazy, but I think there are more opportunities out there than ever before,” Moncrief said. “It’s just going to take us looking at things in new ways.”

Mengel said he expects that if Michigan’s tooling alliances prove there is value in small shops working together, the concept will spread, even without government support.

“You don’t need tax incentives to make it work,” he said. “The tax incentives are [nice], but there are other benefits.”

“If Michigan can prove it works beyond that, then you could find coalitions forming elsewhere,” he added.