

## From A Different Mold

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It was not so long ago that someone with a strong throwing arm—so the expression goes—might hurl a rock from the front lawn of Hansen Plastics Elgin, IL-based facility and hit half a dozen other plastic injection molding companies.

But times have been tough and this industry—while still highly competitive, even just domestically—is thinning out in Northern Illinois; fewer, over time, have been able to hang on.

So what is it about Hansen Plastics that has allowed the company to not only survive, but thrive to the point where it's doubled its sales in the last three years?

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“We have to compete on price, obviously, but we’ve also created a new market niche for ourselves,” says Lee Shawback, business development engineer. “We’re not just another commodity supplier.”

### **Not Just Another Commodity**

Emerging from the pack as a different kind of company has made Hansen Plastics what it is today, and it was company founder Elmer Hansen who laid the groundwork with a tradition of “do it right the first time.” Over the years, doing it right has meant re-investing in company employees and in top-of-the-line technology in order to grow the business without sacrificing the long-term employee success record.

What’s interesting about Hansen Plastics is its approach to growth: While the company places a huge emphasis on the well-being and retention of its employees, it hasn’t let that cloud an ultimately smart growth strategy. As they’ve expanded, Hansen has invested heavily in technology, in order to reduce additional labor, all the while cross-training existing employees. “As much as our sales has grown, and our number of presses has grown, we have not grown in terms of number of employees on the floor,” says VP of operations Tim Bayer.

The use of scientific decoupled molding has allowed Hansen to represent a beacon of quality in a sea of custom injection molders. A source of pride, says Shawback, is being able to tell a customer, “We know whether a part is going to be good or bad before the mold even opens.” Other technology endeavors include a comprehensive ERP solution, from vendor IQMS, that takes an order all the way from the quote stage to when they do their payables—and everything in between. “When one of our customers calls in, having real-time information allows us to give them all the answers right away, rather than having to call them back,” says Hansen’s national sales manager, Steve Doty.

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Roy Lilly, CEO of Hansen Plastics, sees long-term employees like Richard Reece as “our first line of quality defense.”

### Employee Ownership

Technology is not the only way the company stands out from the pack. Part of company founder Elmer Hansen’s exit strategy was to reward the employees who had worked so hard in putting Hansen Plastics on the map. His decision was to do this through employee ownership, and in 1991 the employees bought their first third of the company through an ESOP (employee stock ownership plan). By 1998, they had bought out Elmer Hansen completely, and the company was 100 percent employee-owned.

Some might tell you that how you run your business financials is totally segregated from what your customers see, but Hansen Plastics president and CEO Roy Lilly would not be one of them. According to him, ESOP is a big part of the reason for Hansen’s overall success.

“We don’t run the company as a dictatorship; we run it as a team,” explains Lilly. “Rather than the management sitting down and deciding what we’re going to do, we’ve created a customer resource planning team made up of all different areas of the company. We go in and we challenge them and say, ‘These are the issues that we see. What do you guys want to do to fix this?’ And we allow the team to come up with the solutions. We get buy-in that way because they had say-so. They created the monster. Personally, I think it’s the only way to run the company.”

“Usually it’s just the owner or salesperson who really want to get each job. For everybody else, it’s just more work,” adds Bayer. “For us, we want to get every job

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because the benefit is for all of us. We pull in as many people as we can to come up with ideas on all jobs, not just big opportunities, because every job adds to the bottom line, which adds to our retirement.”

While gunning for each job is important to Hansen, the company takes a very methodical approach to managing its capacity in order to maintain a certain level of service for it’s current customers. For example, the company never works at 100 percent capacity, and when production reaches 70 percent capacity on any given press range, they buy a new machine. “Our customers will always have an ‘oops’ in their systems when it comes to ordering,” says Doty. “Our philosophy is: If we have raw material on the floor, within 24 hours we’ll clear a press and at least get them a partial to get them out of trouble. We work really hard for our customers.”



### Diversification

Working hard for your customers can also come down to dedicated planning to ensure your company’s long-term viability. As we’ve seen countless times throughout the recession, losing suppliers to business failure can cause enormous ripple affects, so you certainly want to align yourselves with a company employing a sensible approach.

Hansen Plastics took great care to remain as diverse as necessary, and avoided some of the trauma their competitors felt who worked densely in automotive. “Part of our plan is to remain as diversified as we can,” says Lilly. “We don’t want to be strictly medical or automotive. We want to be as diversified as possible so, when the automotive industry goes down, we’re only holding 7 percent. It hurts, but it’s still just 7 percent of our business.”

Adds Doty: “One thing that Mr. Hansen taught us was not to let any one industry dominate us by more than 25 percent, nor customers in those industries by more

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than 25 percent. So as we get a larger consumer product job in and it starts pushing that percentage up, we need to go find an electronic or a medical job to help offset that.”

### **Coming Back Home**

All of these things combined have worked to ingratiate Hansen with its customer base, but it’s also coming at a good time for potential customers who are becoming disgruntled with their overseas molders. To be a molder with a reputation for high quality—and with the technology investments in place to prove that quality—Hansen is in a good position to gain some rebound market share from the outsourcing boom.

“Over the last couple of years, we’ve been seeing some customers coming back from China,” says Doty. “They’re realizing that, instead of focusing on that individual piece part costs that drove them over there, you have to look at the lowest total cost of a program. This has to take into consideration the logistics, quality... Most recently with the devastation that’s happened in Japan, the OEMs that have a lot of product over in Asia are finding out that this is a huge risk. Because we’re all running on such lean and mean profitability models, they can’t afford to have the supply chain not coming through.”

Lucky for Hansen, its ESOP program has nurtured a dedicated and motivated base of associates who are ready for as many jobs as the company’s ever-expanding footprint can handle. “For our people,” says Lilly, “my challenge is to continually offer them challenges. I have yet to put forth a challenge that they haven’t met. We really have a special group of people.”

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