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# Ready for recovery

## *Companies find ways to prep for success*

BY NANCY KAFFER

About two years ago, Richard Wallace got nervous.

"People used to kid me: 'Get rid of that *Wall Street Journal*, quit reading this negative news,' but I sensed that something was going wrong here," said Wallace, president and owner of Clawson-based **ND Industries Inc.**, an adhesive manufacturer founded by his father in 1955. "In the old days, we were assured that the market share was still there, it was just a downturn."

This time, Wallace suspected, the downturn wasn't temporary. When the fog of recession lifted, he thought, business owners would be left scrambling to make sense of a new normal.

So Wallace took a long, hard look at the family business—sales in Detroit were down 50 percent, and all signs indicated that the auto industry's woes were just beginning.

And then, Wallace decided it was time to expand.

ND is one of a growing number of businesses planning to outlast the economic downturn by streamlining, diversifying, and finding efficiencies or new markets—a group of businesses making the right moves, says Ed King, director of small-business services in **Wayne State University**'s department of professional and executive development.

"The problem is we assume all cycles are bad," King said. "When times are good, we're all slapping each other on the back, drinking champagne and eating caviar out of each others' shoes. When times are bad, that's when you have to start looking at your business."

As orders at ND decreased, Wallace dug into every aspect of the business.

"I was motivated by fear of poverty," Wallace said. "I was scared out of my mind about what was ahead, so I got busy. As you can delve into these things, there's more than you can ever imagine hidden in the company."

His team worked to streamline company operations, making small changes from eliminating the receptionist at corporate headquarters to large initiatives such as practicing more efficient scheduling.

"When auto suppliers are really busy, they're behind all the time," he said. "If you don't have enough equipment, you could be setting up a job that takes two hours to set up, then you get a red-hot call, so you spend two hours taking down that setup."

Without a constant demand on limited equipment, the company was able to schedule jobs in a way that made sense for ND.

"A lot of our plants are running better because of less work," Wallace said. "We're doing almost better to our surprise than the banner days. The chaos has been wrung out."

The business opened offices in China and Taiwan and got into custom adhesive blending for aftermarket products. ND even launched **Wallace Designs**, a giftware arm that created and manufactures a candy box for the **Neiman-Marcus** holiday catalog.

Jason Teshuba

But the company's innovation has fared best when ND has stayed close to its core, Wallace said.

"Instead of throwing our net out into crazy areas, we're going after things that are incremental technical increases as opposed to something that's totally far afield," he said.

Wallace's efforts have yielded results: Since the recession began, the company's held steady, with $40 million a year in sales in 2008 and the same expected for 2009, down about 30 percent from ND's peak years.

While revenue is flat, he said, profits are growing, thanks to internal shifts.

For **First Preferred Mortgage**, the only path through the crash was up.

Hale Walker is a senior vice president at the company, founded by brother Mark Walker in 1992 in Port Huron as a mortgage brokerage.

As the housing market crashed, the Walkers found that normal business practices were sharply changed.

"There has been such enormous change in the mortgage industry after the meltdown," Walker said. "(The U.S.) Congress right now, in act after act, is trying to point fingers at what the problem was. A lot of changes are going to affect independent, non-depository mortgage bankers."

As lenders have experienced increased difficulty securing lines of credit, so too have mortgage bankers, Walker said.

"Our lifeblood is our lines of credit," he said. "Availability has dropped over last 24 months more than 90 percent. There were 150 warehouse lenders, now we have probably 12."

And lending requirements have changed dramatically, Walker said. But that's created opportunity for First Preferred Mortgage.

"It used to be that a company would have to have a net worth of $1 million to $2 million to be sponsored by government agencies. Today it's more like $6 million or $7 million," he said. "So what's happened is that companies that didn't keep the net worth in the company, a lot of them have just gone away."

That means more market share for First Preferred.

"With our retail (mortgage operation), we're originating business in two manners: traditional—through a relationship with Realtors, suggesting that their clients do business with us—and through the Internet," he said. "What that has done for us is expanded the market. So if we see if Michigan is slow, we can step outside and go into North Carolina or another state."

The company works in 20 states via the Internet and has recently added a call center in Southfield and a wholesale operation in Bingham Farms.

"When (competitors) are going down the tubes, you want to expand your business, because you can suck up market share at a much cheaper price than when times are good," King said.

Walker said the company expects to add 50 employees in the wholesale operation in the next year, a move made possible because of the availability of qualified workers on the job market—another product of the credit crash.

The Internet has helped that arm of the business, too, expanding the company's market share in multiple states.

First Preferred is on track to close $1 billion in loans in 2009, Walker said, with the goal of closing $1 billion a month in seven years.

Jason Teshuba launched Farmington Hills-based **Mango Languages** in August 2007, months before the recession began.

Mango started as an educational language marketing company, Teshuba said, but quickly realized that marketing its own product would be a more effective business.

Things were rocky at first, he said, then Mango embraced a nontraditional market—libraries. Now, Mango software is in one in five U.S. libraries, including some of the nation's largest library systems. And the company's hiring. This time last year, Mango had six employees. Now the company has 35, and plans to hire 60 by the end of the year.

Teshuba said Mango's expanding into U.S. defense and homeland security contracting, and adding voiceover work to its offerings.

Companies that want to expand in the downturn must first make tough choices, said Gino Wickman, founder of the Livonia-based **Entrepreneurial Operating System**.

"They must have made all the necessary tough, right decisions to make sure the company is as lean and mean as possible going forward," he said.

Once the company is as efficient as possible, it's time to grow.

"This could be an investment of time and or money, or really both," he said. "But as they go forward, I would suggest that they focus on and strengthen their core and their customers."