



EdisonReport
Executive Series:

An Interview with Glenn Grunewald, President & CEO, Simkar

*"Simkar: A Business in
Transition"*

Ed: First of all, how does one move from Roanoke to Philadelphia?

Glenn: Easy. I grew up in the Northeast, starting my career with Hubbell in New York City, so I've lived in this area before. The kids are grown, so the move is quite easy.

Ed: I view you as an HID Man. Do you really know the fluorescent business?

Glenn: Absolutely. Industry wide, fluorescent is larger than HID. You can't be in the lighting industry and not understand fluorescent. Hubbell is primarily an HID company with a secondary fluorescent business. Simkar is primarily a fluorescent company with a secondary HID business. It's a question of...

Ed: leveraging?

Glenn: I don't know that leveraging is the right word. It's more a question of utilizing strengths in one segment to improve performance in another. We are building on our strengths and we will continue to enhance some of the non-core elements. Simkar will always have a fluorescent orientation; we are just going to make it better. Understanding the fluorescent business and having the ability to be more responsive to customer needs is a capability we possess but we haven't implemented it well. We are moving back to a C&I orientation and away from DIY. As anyone who has done business in the 'big box' sector understands, there are upsides and downsides. The upside is tremendous volume. The downside is A/R, rebates, and pricing issues. It is especially difficult for a company our size to be good at both.

Ed: How is it going from a large conglomerate with plenty of resources to a smaller company with limited resources? I would think at Hubbell, you would be like a General. You could give orders and, with the structure in place, your plans would be executed.

Glenn: I went to Hubbell Lighting in 1989. Simkar, today, is a larger entity with regard to revenue, than Hubbell Lighting was in 1989. Obviously, the situation here is

a bit different than being part of a large public company. I think there is a misconception that working for a large profitable business like Hubbell provides access to unlimited funds. While that may be true in concept, in practice you must make a strong case for access and then commit to provide an acceptable ROI. I certainly agree that Simkar doesn't have the resources of a large public company but what it does have is a strong focus on lighting and the backing of owners who understand where we are going and are supportive of our efforts. But at the end of the day, you invest with the expectations of a return and today we believe our greatest returns can come from investing in service.

Ed: What are some of the issues with Simkar?

Glenn: One of the issues at Simkar was a lack of successful transition from primarily a DIY business to primarily a C&I business. As a result, the business floundered for a period as it tried to reestablish a direction. I think we are past those issues and are moving ahead aggressively into the commercial and industrial segment. As part of that effort we need to do a better job of education and promotion. Adjust-A-Bay is a prime example, a great product from which we have received some excellent business recently, but is still relatively unknown.

Ed: Speaking of promotion, what is going on with your Marketing Department?

Glenn: The Marketing department is a work in progress. We didn't really need marketing in DIY (laughter). We need one if we are going to be successful in the C&I sector and in pursuit of an enhanced position with the Electrical Distribution community.

Ed: As you move from DIY to ED, are you increasing your specification effort?

Glenn: Right now we aren't spending time on specifications at the consultant level but rather with specific end users. Our primary focus today is getting back the service equation. We must improve performance of the operations to the business that currently exists. We have implemented kaizen and other lean manufacturing techniques into the operation. Additionally we have what we call SWAT Teams that are pursuing improvement in other areas of the business. We want to get back to the point of being easy to do business with and offering the best customer service. It is taking a lot of work. We're changing how the operation has to operate. There is some pain involved in the process.

Ed: How is service at Simkar?

Glenn: Well it's not where it needs to be but we will do what is necessary. Service, like Marketing, is a work in process. Our goal is to make Simkar synonymous with service. That's how we will compete. We are not there yet, we are far from there, but we are making continuous improvement every day. Thankfully, we have customers who continue to want to do business with Simkar--many of them long term supporters. We are committed to providing them the service they deserve.

Ed: You attended Harvard's Strategic Marketing Program. We hear a former CEO of a competing lighting company is now attending a similar program at Harvard. How helpful was that course?

Glenn: Harvard takes a Socratic, case study approach; you ask questions, which generate other questions, which generate still other questions. This case study methodology was used to study a breath of industries: retail, food, banking, distribution and obviously manufacturing. What it provided was an understanding that all businesses share some of the same issues and challenges regardless of what product or service they are providing. And yes, that discipline is being used here to attack some of our issues.

Ed: You were personally strong with NAED and NEMA, do you plan to get back involved with those organizations again? Are both organizations as important to Simkar as they were with Hubbell?

Glenn: Initially we will be focusing on NAED. There is just so much time and resources available and we believe reconnecting with distribution is time well spent. The distribution community is very important to the continuing success of business, thus NAED is quite important.

Ed: We are told that you were brought in to turn-around the company. Clearly the Board of Directors was unhappy with the former direction of the company. What is your relationship with the Board and do you think they will support you?

Glenn: Yes. Absolutely! They want to grow and improve this business. When I began discussions with the company this past summer, I met with the Board and was impressed by their desire to not only support the company financially but also give me the latitude to do what is necessary to make the business successful.

Ed: What is happening with Kalco? That's not really a core business is it?

Glenn: It is a totally different business, but it can be a contributor to the profitability of this business. You know it is the high end of decorative line of products with an excellent reputation. We simply need to enhance its overall performance. We have really cleaned up the operation in Vegas and are currently working on some expanded product offerings.

Ed: Any talk of moving it here.

Glenn: None!

Ed: We are told the CEW purchase did not go well. Perhaps Simkar overpaid for the business, perhaps the business was not as strong as Simkar was led to believe.

Glenn: I don't know that that is true. Regardless, CEW has given the business a range of HID products. Some are very successful, some are less successful. We're doing a line rationalization of all the products and looking at some of the holes in the line. As

time progresses, we'll get better and expand the offering. Obviously, I like the HID business and would like to see it succeed.

Ed: We are hearing of a price increase. In public comments earlier this month, Genlyte indicated they were considering raising prices. We hear the ballast guys are also looking at a price increase.

Glenn: I hazard to say that there is a requirement or need to pass on some of the extraordinary cost we are absorbing such as material increases with steel and copper and certainly with transportation. There is no doubt we are a material driven business. When material goes up, there is no choice but to pass it on. Realizing price increases is a constant battle. So much of our business is quoted, and the price increases get lost in the hunt for business. But to your question, I think a price increase is justified.

Ed: I see you have a map of China on the wall. What are your plans in China?

Glenn: We have plans in China, or to be more specific, the Far East. Sometimes we bring in components, sometimes fully assembled product. However, our strategy is primarily component oriented. We don't have a die casting facility and turnaround time on tooling is very cost competitive.

Ed: Well, Glenn in closing, look forward and tell me what kind of company Simkar will be a year from now.

Glenn: Ed, I firmly believe Simkar will be a profitable business, a business that will provide a solid range of high value products, a business noted for service and a business that takes a creative approach to meeting the lighting needs of both the distribution community and the end-user.