

viewpoint

EMPIRE ELECTRONICS

Empire Electronics in Troy, Mich., is one of the auto industry's fastest-growing tier two suppliers of wiring harnesses, molded components and PCB assemblies. One key to the company's success: a growing production base in Central America.

Chairman, CEO and owner Steven C. Doman discusses what makes his 25-year-old company different.

How would you describe Empire Electronics?

We're a fast-growing, TS 16949:2002-certified supplier of wiring harnesses to the automotive industry. We have more than 1,400 employees and 200,000 sq. ft. of manufacturing space in Honduras. We also have 75 engineers, sales and administrative staff in our Troy, Mich., facility to deal with our customers' daily requirements. In December 2004 our Troy and Honduras facilities achieved TS 16949 certification with zero non-conformities for the second year in a row.

What is your definition of "fast growing"?

We launched 60 new part numbers in 2004 with a 100% first-time launch success rate with our customers present and are on pace to launch an additional 26 part numbers in 2005. Through this period, we have maintained a PPM rate under 25. We are fast growing because we focus on customer service, on-time delivery and quality.

How are your company's products used?

Typically our wiring harnesses connect a vehicle's central chassis. This includes harnesses for engines, instrument panels and subsystems such as lighting, airbags, sunroofs, throttle controls, audio equipment and more.

We also have become more vertically integrated by designing and building our own molds for electrical connectors and other related plastic and rubber components. A couple of years ago we developed a new manufacturing process called "potting" specifically for the automotive lighting arena. Potting provides a low-cost alternative to traditionally sealed lamp sockets. Potting is gaining popularity among tier one suppliers and OEMs, primarily because of dramatically improved costs and quality. Our customers say Empire is the benchmark for this technology.

What is driving your recent rapid growth?

Empire has achieved world-class manufacturing status in its industry. We have a 100% sales success rate with

companies that audit our manufacturing facility in Honduras. Our operation speaks for itself.

Our philosophy is that the more vertically integrated we become, the more competitive we'll be. We made the decision a few years back to make vs. buy whenever there's a business case for it. This makes us more competitive, especially against the multi-billion-dollar companies.

Did something trigger that philosophy?

Yes. We had several good years until our largest customer pulled its business in 1996 and moved it to Mexico. That was a wake-up call that we needed to change. We began to rethink our approach and consider the steps we needed to take to bring Empire Electronics to the next level of growth. That's when the real renaissance began.

What did you do first?

We spent eight months looking at possible production sites in various locations, some as far away as India. We were ready to move everything to Mexico when a colleague suggested Honduras in Central America. I was skeptical at first but figured it was worth a visit.

What we found was a stable government that was eager to attract new businesses. We made a decision to locate there and began shipping product in 1997. Today we have a highly skilled and very diligent workforce in Honduras with a cost of operation that makes us very competitive globally.

What about competition from China?

We win more than we lose. Labor costs in China are typically a little lower, but the savings are offset by higher transportation and logistics costs. Empire guarantees savings on transportation and logistics in addition to providing constant productivity improvements.

Another big advantage for us is turnaround time. China's 13-hour time difference can cause costly delays and errors. Communication with our Honduras plant is fast and efficient, with only a one-hour time difference. Travel time is much shorter too. If you need to address a problem at the plant, it could take you 24 hours to reach China. You can catch a plane in the morning and be at our plant in time for a 2 p.m. meeting the same day.

To learn more about Empire Electronics, contact Steve Doman in Troy, Mich., at sdoman@empireelect.com or (248) 585-8130 or visit www.empireelectronics.com.