

Nomination Essay for RBB Systems **2011 Business Growth Awards Program** **Cascade Capital Corporation**

Background on RBB's business

RBB was founded in 1973 in Shreve, Ohio, by three visionary men: Barry Romich, Dick Beery, and David Bayer. Their original concept was to offer design, assembly, test and installation services for industrial controls throughout the region. Later, that idea progressed into printed circuit boards and related devices. RBB always prided itself in finding creative ways to say “yes” to any technical challenge. Like all businesses there were peaks and valleys, but RBB grew and performed reasonably well over the years as its customer base expanded and stabilized.

When the tech bubble burst in the fall of 2001, RBB faced urgent, intense financial challenges. Virtually overnight, demand from its largest customer plunged 90% and Beery asked Bruce Hendrick to step in as president.

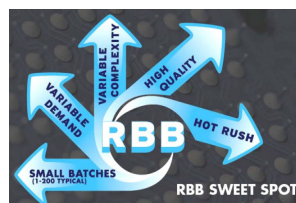
Hendrick quickly stabilized the situation. He reassured its creditors while focusing on quality and service to customers. And it worked – RBB slowly but steadily recovered its financial footing, attracting new customers and serving the existing base well.

Bold moves

By 2005 RBB's growth had begun to stall and Hendrick, now the CEO, asked himself the difficult question: “Is the business model that we've been applying for over 30 years still valid?” The honest answer was “not so much.” And so began a transformational process that touched every aspect of the business.

After polling key customers, the feedback was, “When volumes are high there are many other firms we can go to. *We call RBB for low volume work because you guys do that best.*” This was the market's perception but it was not what Bruce and the RBB team wanted to hear! Yet if they could find the courage to listen, it held the key to RBB's emergence from the pack.

So in the summer of 2007 Hendrick made a bold decision: RBB would henceforth focus **exclusively on small batches** of custom electronic assemblies. Much like Kimberly Clark in Jim Collins' *Good to Great*, Bruce made the conscious choice to “sell the mills”. RBB would no longer provide the systems integration and design services on which it was founded. Bruce committed RBB to transform itself from a contract manufacturing “one stop shop” into a laser-focused offering that satisfied a very specific market need.



we're big in
small.

The playing field was wide open; no one else focused on satisfying this specific need in the marketplace but, as many entrepreneurs attest, the decision to “claim” a niche is easy... the tough part is delivering on that vision.

Dramatic changes were required to optimize the operation around small batches. Hendrick brought in experts in LEAN manufacturing techniques that are specific to job shops. In short order costs came down, capacity was uncovered, responsiveness was improved and competitiveness jumped. New branding was created and more importantly Hendrick personally introduced this “new” RBB to the supplier and customer communities.

RBB’s sweet spot now includes everything “old school” manufacturers abhor such as:

- Small batches (1-200 pieces is typical)
- High quality, mission-critical assemblies,
- Variable complexity,
- Unpredictable volume demands,
- Usually in a “hot rush” environment

Today RBB’s uniqueness is clear and their boldness has paid off. In 2010, RBB’s highly flexible workforce produced well over 800 unique assemblies in over 2,200 batches, with an average batch size of only 40 pieces. In fact, 90% of the batches produced are for less than 100 pieces (an unparalleled statistic in the industry).

Customers have found great success by sending their large batch demands to others while tapping RBB to build their unpredictable, difficult, and/or hard to forecast items such as prototypes, qualifying runs, second-tier product lines, legacy systems, product conversions, spares, and repairs. The future looks bright as RBB continues to invest in small batch excellence. Since new electronic products are constantly being conceived and introduced, the long term climate for small batch work is very healthy.

RBB has even created partnerships with several former competitors! By moving selected small batch work to RBB, they enjoy increased productivity on their high speed equipment, while still satisfying their customer. As the batch size increases all parties benefit when RBB moves the business “back” to its partners.

Some key numbers

Operations: Improved productivity by 22%,
Reduced lead-times over 50%,
Reduced work-in-process inventory over 70%,
Improved component yield from 95.2% to 99.8%,
Implemented scheduling and capacity systems,
Reduced average quoting time from 5-6 weeks to 4-5 days,
Improved operating income by over 40%, and
Dramatically strengthened the balance sheet.

Employment: As with most companies, RBB was hit hard by the recession with sales dropping over 30% in 2009 vs. 2008. Painful personnel adjustments were made both in overhead and direct labor positions. However, by early 2010 RBB had already begun to rebound. RBB has grown its workforce by 33% above its low point in the recession.

Product Mix: Optimizing around the small batch niche has helped RBB grow its customer base substantially, even in the tough economy. Almost 4 “first time” batches are rolled out every week – this is an amazing amount of product diversity – and one that is likely to continue to grow as the economy picks up momentum. In fact, RBB’s ability to absorb new, technically challenging assemblies has been a major reason for customer loyalty and an ongoing focus for our continuous improvement efforts.

Sales: Sales are once again up to pre-recession levels. It is only through willingness to face the facts of the global manufacturing marketplace combined with RBB’s tenacious application of LEAN techniques that allowed them to weather the economic storm so well. RBB has emerged from the recession with a larger and more diverse customer base, a stronger brand message, and a healthier set of financials. They are positioned extremely well to profit from and greatly assist NEO technology firms as they expand and grow their businesses.

What it’s like

Naturally, as a result of these results, RBB’s confidence as an organization has jumped dramatically. Not only is there less waste and better operational organization, RBB-ers are having more fun, becoming more and more competitive, and accomplishing business goals more reliably.

From the beginning, founders Romich, Beery and Bayer encouraged a culture of customer service, openness, inclusion, and respect. Their legacy still thrives today. “Progressive” HR policies such as tuition reimbursement, flex-time, and an honor system for time-cards have remained intact since 1973. RBB-ers are friendly and helpful; they pitch in no matter the task at hand. From a safety standpoint, RBB’s one and only lost time injury happened over 10 years ago.

The RBB daily dashboard of company performance (including profitability) is shared with all employees. Leaders have worked hard to earn trust and preserve RBB’s special mojo as the Company has risen to its economic challenges along the way.

Another Chapter

To share the skills, lessons and methods that get results beyond the reach of RBB, Bruce Hendrick founded a new company in 2008 called Organizational Development Services, LLC (ODS). Leaders and future leaders of all walks of life are now learning from Bruce as he offers custom designed programs for commercial organizations, not-for-profits, and individuals as well. Taught from experiences over Hendrick’s varied and

successful career, ODS' most popular program is an intense 2-day workshop called Building Trust through Improved Interpersonal Communications.

With Appreciation

With sincere appreciation, RBB acknowledges the following people and organizations that have contributed most to their story:

- Foremost is Dick Beery, whose trust, leadership, and encouragement have made all the difference,
- RBB's fantastic customers, employees, and suppliers – without whom RBB could do nothing!
- RBB's Board of Directors of the past and present, for their gloves-off and constructive guidance,
- Vistage International and the members of CEO Group 320, for their ongoing wisdom, honesty, and concern,
- Ruth Ann Church and The Great Lakes Trade Association Assistance Center, who provided much needed advice and resources in our transformation to a premiere job shop,
- The SBA and Huntington National Bank, who worked together to refinance RBB to help make the above possible,
- The State of Ohio's Department of Development, for much needed workforce training funds,
- Definity Partners, our highly talented continuous improvement consulting team,
- To God above, for guiding us all!

Respectfully,



Bruce Hendrick
President & CEO
RBB Systems, Inc.
The Premiere Electronics Job Shop
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