

Case Study

This monthly feature shows how business experts have helped entrepreneurs address specific issues that face small businesses.

Father, son team rebuilds after flood

By Dorothy de Souza Guedes

Acme Graphics owners used to imagine that if they could take everything out of their southwest Cedar Rapids plant and put it back together differently they'd have a much more efficient company. After June 2008 flooding severely damaged the its building at 201 Third Ave. SW, owners Emmett Scherrman and Jeff Scherrman got the opportunity to do just that.

But to their surprise, a new layout and equipment did not increase production the way they had hoped.

Now, the company is being reinvented with input from Van Meter Industrial and ongoing work with business coach K.P. Persaud of ActionCOACH. The goal remains delivering

products within tight timelines, but with more outsourcing and limited inventory to realize a greater return on investment and minimize risk.

"Before the flood we were busy. We didn't have time to think that things were going wrong because things were going great," said Jeff Scherrman, president of Acme Graphics. "I think the flood exposed every problem."

About nine years ago, Emmett Scherrman and his son, Jeff, bought the company. Acme Graphics creates and prints highly customized funeral stationery under The Regal Line brand. As the 97-year-old company grew and adapted to changes in technology and client demands, new equipment and offices were cobbled together.

The company was known for meeting deadlines and business was so good that the Scherrmans were considering buying smaller competitors in 2008.

Then, unexpectedly, they faced two major challenges record flooding that shut down production and then the economic recession.

The flood wiped out the company's presses, other equipment and inventory. Van Meter Industrial "adopted" the company post flood, acting as consultants to help the Scherrmans plan for rebuilding its physical site.

Acme Graphics sent out its next order on July 9 — just three weeks after the flood.

Customer orders were produced in house before the flood. After the flood, production had to be decentralized — some work was even sent out of town.

With the help of Van Meter Industrial staff, the Scherrmans realized that Acme Graphic's strength was as a specialty publisher, not as a printer.

Post-flood, Acme Graphics has a small press, but higher quality work is completed elsewhere at companies that have better, more costly technology. The Scherrmans had to explain to customers that not all work is done in house for safety and security.

They rebuilt the plant knowing regular customers were waiting for them, but the opportunity was short-term. With a new plant and new equipment, they actually had more backlogs, Emmett Scherrman said. Either it was the systems or the people, or both.

"It was Dad that figured we needed help first," Jeff Scherrman said. "I was too stubborn ... I figured we could fix it because we always had in the past."

Emmett Scherrman, chairman of Acme Graphics, likes to say that he hires people smarter than himself so that he doesn't have to work as hard, so they hired Persaud as a business coach.

"There is really nothing wrong with asking for help. If you have a weakness, the worst thing is to try to hide it," he said.

With Persaud, the Scherrmans developed an action plan that includes short-term and long-term plans. To get at the root of the company's problems and develop the plans, they have evaluated systems, processes and people.

Cash flow, which becomes much more critical in difficult times, was one of the first things Persaud reviewed with the Scherrmans. That led to looking at inventory. It seemed that no one had a clear understanding of how long it took to resupply inventory. Business was good pre-flood and with the focus on on-time deliv-



Jeff Scherrman, left, president of Acme Graphics, and his father, Emmett Scherrman, chairman, right, with General Manager Peg Schmitz stand in their newly renovated building at 201 Third Ave. SW, Cedar Rapids on Feb. 11. Liz Martin photo/EdgeBusiness

ery, more paper inventory was on hand than was needed. Not only did that create more of a risk for loss through obsolescence and disaster — about \$300,000 of paper inventory, stored in large trailers, was destroyed during the 2008 flood — but investment in product was as a significant percentage of the company's working capital.

Part of the problem was that they didn't know how to measure what was happening in the plant. Staff didn't measure because they didn't feel they had to: pre-flood, sales were up, so they assumed everything was fine.

"When you have that kind of volume, problems tend to be masked," Persaud said.

So the Scherrmans and employees learned how to measure different aspect of the company's production and processes.

In the past, measurement and review of four parameters was centered on achieving on-time delivery, and all employees were awarded profit-sharing based on that one goal. Annual employee reviews were done, but there was no weekly measurement.

Now, actual productivity is being measured hourly. Once employees knew they were being measured, production went up 10 percent. Pre-flood they had 22 employees, post-flood it's 20, but with the changes they've made, production is up.

To move the company forward, the owners

realized they had to spend more time on the business and less time working in it. They reorganized and in January hired a new Peg Schmitz as general manager to run day-to-day operations. She hires, fires and manages staff — something that used to fall on the Scherrmans.

Under the new structure, employees have become "mini owners of the business," Schmitz said. Communication has improved and there's less focus on the details of an issue and more on fixing it and working toward a resolution.

"We tell them we want their input," she said. "I'm here to teach everybody to function as if I'm not going to be here."

Jeff Scherrman said he didn't want to after new markets until he could handle his core business, but with Schmitz in charge, he said he is now ready to expand.

"We've built a better team. We've got a lot of smart, energetic leaders here," he said.

If everything goes as planned, they'll increase volume — despite the flood and the recession. Jeff Scherrman can now focus on connecting with customers and growing into parallel markets, Persaud said. They can recognize other opportunities because they work on the business not in it, he said.

"It's big for a small company what we did (taking a) 97-year-old company and changing drastically everything we're doing," Jeff

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Scherrman said. "We've already seen a marked change."

And the Scherrmans are not done yet.

"Our goal is to double our business in three to four years," Jeff Scherrman said.

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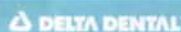


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