

Legendary Integrity,
Responsiveness
& Flexibility.



**ELECTRONIC
SYSTEMS, INC.**

An ISO 9001:2008 and ISO 13485:2003 Firm

THE RIGHT PICK

By Gary Larson, President, glarson@electronicssi.com

While sharing with a customer recently that Electronic Systems, Inc. is celebrating 30 years of business, he asked, "What has Electronic Systems done differently from EMS companies that have closed their doors over those years?" The question caused me to rethink my typical answer which involves quality and cost and long-standing relationships with customers and suppliers. I realized Electronic Systems survives because we work hard to pick the right business partners. It's critical to our success.

Some businesses, especially during tough economic times, aggressively pursue any customer who comes across the sales horizon—whether or not they fit their business model. We elect to manage our risk differently. At Electronic Systems, we understand our core competencies and who we are as a company. We stick with a formula—even in challenging times—of selecting customers and products that are a good fit. Our intent is not to depend on any one company for our growth, but to be doing the right things internally—and look for customers who do the same—so that both of our companies can grow together. It works. During the business downturn in 2009, the EMS industry as a whole was down around 26% in sales. Electronic Systems wasn't immune. Our sales dipped as well, but only one-third of that amount.

Choosing business partners is never a cut-and-dried proposition. To help us partner effectively, we utilize a customer profile—a guide to help us select companies that best match our business profile and lead to a successful relationship. Here are a few factors we consider:

- What is the customer's market presence in their industry? Are they one of the main players? Most of our customers are leaders in their market area, better able to survive the downturns.
- Are we a good technology fit for a product and what is its expected manufacturing life cycle? Will it be a 'here-today-gone-tomorrow' item or have longevity with an evolving technology—providing opportunities for growth?
- Do the needs of a company fit our specialty? We typically build

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OUR CUSTOMERS SAY . . .

"We pick suppliers that want to grow with us, not because of us. Electronic Systems is one of those suppliers."

Director of Materials
Large Industrial OEM

1980-2010
30 YEARS OF LEGENDARY SERVICE
Electronic Systems, Inc.



QUALITY EXPERT

Lee Delange has been in the quality business since “quality” became a buzz word. Starting on the production floor of a Kansas City steel manufacturing company back in 1988, he witnessed the early days of ISO-certification and Ford Motor Co.’s popular catchphrase “Quality Is Job 1.” It’s then that this business graduate from a small northwest Iowa college found his calling. He went from supervising production to supervising quality, and he’s never looked back.

The Platte, SD native returned to his home state nine years later, working for a small manufacturing company before coming to Electronic Systems in 2007 as Quality Manager. “The EMS industry was new to me, but I understand production and quality systems and how they work,”



says Lee. “When there’s a quality concern, the key is to figure out the root cause of the problem. And we work hard to do that well at Electronic Systems.”

Keeping his fingers on the pulse of quality at Electronic Systems requires this Certified Quality Engineer and his team to monitor every aspect of the production process. He may be conducting external audits of a supplier’s production process, overseeing inspection of components as they come into the facility, or managing product audits.

Lee stays in communication with everyone from vendors to production staff and engineers to the ultimate judge of quality: the customer. “Last year we won a quality award, and that was very important to me,” says Lee. “The customer is paying the bills, and quality should be excellent. It’s just a given in today’s manufacturing world.”

That same sense of quality follows Lee in his personal life. Lee and his wife, Karen, have three teenage sons, with the oldest heading off to college. In 2002 they took on another challenge, becoming licensed foster parents. “Karen is very good with kids, and we’ve known for some time this was something we wanted to do,” says Lee. “It’s very time consuming but very rewarding.” In fact, one child they had from birth for several months is now back with his birth parents, and the Delanges have built a caring relationship with the entire family.

That family-like relationship and desire to do your best is what Lee likes about Electronic Systems. “This is a family-oriented place,” says Lee. “I really appreciate that. And, it may sound corny, but the company truly wants to satisfy the customer. It’s not about us, but about keeping the customer happy.” Quality couldn’t have a better home. ♦

Bowling for a Cause

Electronic Systems associates took their teamwork to the bowling alley in April to raise dollars for Big Brothers Big Sisters of the Sioux Empire. For several years the company has fielded a team as part of the Bowl for Kids’ Sake event. Participants are willing to give their time and dollars for a good cause. They also try to put their best bowling foot forward. This year, Chad Moe was our top bowler in a hotly contested race with Mark Vanderwoude, leaving the office staff in the dust. We appreciate the continued and excellent giving of our associates to all United Way programs. From left to right: Marty Westra, Information Systems; Chad Moe, Materials; Mark Vanderwoude, Production; Shelly Grotjohn, Production Management; and Jeff Tornow, Chief Financial Officer.



THE RIGHT PICK *Continued from Page 1*

low-to-medium volumes (from 50/Yr to 50,000/Yr) of products with high-complexity circuitry. The markets we seek require high-reliability and performance. Customers come from the medical, commercial, and industrial markets versus the consumer (throw-away) market. Often the products we manufacture must be able to perform in harsh environments, including outside weather and chemicals.

The customer who asked me what we did differently is the same one who said he respects an EMS who, after reviewing a project, declines it because it doesn’t fit their business

model. Occasionally we’ve been in that position, turning down a potential customer. Not because we didn’t want the business but because we knew it wouldn’t be the best match for Electronic Systems or the customer. It was the right decision for both of us.

In the end, it pays to be picky. We admire companies who practice this same philosophy when choosing business partners. We are also honored by each and every one who calls us their business partner because we know it’s a sign of respect and a relationship they take seriously. So do we. ♦

LEARNING FROM EACH OTHER

When you visualize a hospital surgical center, the production floor of an EMS company like Electronic Systems does not generally come to mind. There seems little connection between the places where people are sewn back together and circuit boards are assembled.

That is unless you're looking at how each business utilizes lean manufacturing principles to reduce waste—whether in materials, costs, or time. That focus is what's bringing a group of diverse companies together.

For almost a year, representatives from Electronic Systems have been joining with those from several other companies in the Sioux Falls, SD area. Called the Sioux Falls Lean Manufacturing Group, participants represent companies ranging from hospitals to ag processing, manufacturers to city government. They tour each other's facilities and talk about what does and doesn't work in their attempts to incorporate lean practices.

"Basically, the group provides an exchange of information," says Fred Ledwell, Electronic Systems' Director of Manufacturing. "The basic philosophy in lean is reducing waste, and you can find waste in any industry or profession—whether it's in the emergency room or on the manufacturing floor," he explains.

In addition, the group utilizes a shared-point Web site where they post articles, announcements, and discuss the agenda for their monthly meetings. They also post presentations made by the various members during visits at each participant's facility. Companies wanting to enter the group must be approved by existing members in order to avoid concerns with direct competitors.

Recently the group toured the emergency room at Avera McKennan Hospital. "The hospital used lean to layout their new emergency room so that the nurses and doctors could reduce waste and interface with the patients more efficiently and effectively," says Fred. On another visit they looked at how the hospital has incorporated lean into its brand-new cancer and surgical center.

Sharing Electronic Systems' lean journey

Earlier this spring, members of the Sioux Falls Lean Manufacturing Group visited Electronic Systems where they received a history of the company's lean journey and toured the production floor. Fred said Electronic Systems shared information that illustrated the progress the company has made in the last three years through implementation of lean. We've improved labor efficiency, internal quality, and on-time delivery and reduced work-in-process and manufacturing throughput time.

In addition, with modification of the company's suggestion program, the number of employee-generated suggestions for eliminating waste and implementing lean has increased 400% from last year in just the first three months of 2010. Participants were also able to see lean in action on the production floor, as well as discuss areas where improvements are still needed.

"They were very impressed with our results," says Fred. In fact, he says one of the best outcomes from the interaction with these advocates of lean is validation of what Electronic Systems has accomplished. "No one organization has all the answers when it comes to lean," says Fred. "Each one has things that work well for them, but everyone accepts that there's always room for improvement. We know we have progress yet to make on our journey, but the path we've taken seems to be the right one."

What makes the interaction with these lean advocates so beneficial? "When you go into a classroom setting or read textbooks about lean, it's pretty clinical. They make it sound easy," says Fred. "Here we're actually talking to people who are trying to implement lean everyday in their workplace. We're hearing their stories, their successes and frustrations. Lean doesn't magically happen, but it's worth the effort."

Electronic Systems President Gary Larson is one of the seven Electronic Systems' staff involved in the group. He likes what he sees. "It's a cooperative effort between local companies that are bouncing ideas off one another," says Gary. "We're all simply trying to get better at what we do." ♦



Electronic Systems representatives were part of this Sioux Falls Lean Manufacturing Group that met in May to tour the new Avera Cancer Institute and Surgery Center to see how the hospital is incorporating lean practices into the new facilities. The group, made up of a variety of businesses that use lean concepts, meets monthly to tour each other's facilities and talk about their experiences with lean.

YOU CAN FIND US...

SMTA Upper-Midwest Expo

June 9

Sheraton Bloomington, Bloomington, MN

MD&M Show

October 13-14

Convention Center, Minneapolis, MN

MATERIALS FORECASTS ESSENTIAL

By **Randy Bathke**, *Materials Manager*, rbathke@electroniccsi.com



Many OEM and EMS companies reacted to last year's market downturn by reducing their inventories, being more conservative with their forecasts, and ordering the minimum amount of product required. These actions triggered a set of reactions by the component manufacturers, contributing to today's component shortage issues.

Since the electronics industry is now experiencing increasing demand, this is causing allocation, controlled order entry, increased lead times, and price increases. Lead times on most commodities are stretching, as indicated on the accompanying

table, courtesy of Avnet Electronics. Many components are on controlled order entry and some, including Analog and Discrete/Opto/Logic, are on allocation.

Electronic Systems has programs in place with our strategic suppliers to ensure that we are sending the best information available to our suppliers. We are expecting extended lead times to remain a challenge in the near future. That is why it is critical to keep the product pipeline going with longer, more accurate forecasts from our customers. The best way we can help our customers is to provide our suppliers with improved visibility into your future demand. ♦

| PRODUCT GROUP | LEAD TIME | PRICE |
|---------------------|----------------------------|-------|
| SEMI | | |
| Analog | ↑ 8 weeks – Allocated/COE | ↑ |
| Communications | ↑ 12-18 weeks | → |
| Discrete/Opto/Logic | ↑ 15 weeks – Allocated/COE | ↑ |
| | ↑ 6 weeks – Allocated | ↑ |
| | ↑ 12-14 weeks | ↑ |
| Embedded | ↑ 10-26 weeks | ↓ |
| Memory | ↑ 8 weeks – Allocated | ↑ |
| Programmable Logic | → 4-12 weeks | ↑ |
| RF | ↓ 10-12 weeks | → |
| IPE | | |
| Electromechanical | ↑ 1-19 weeks | → |
| Defense / Aero | ↑ 1-14 weeks | ↑ |
| Interconnect | ↑ Stock-24 weeks | → |
| Passive | ↑ 1-23 weeks | → |
| Power Supply | ↑ 14-26 weeks | → |