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Duo-Gard's tricky strategy made a big job manageable

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Photo by DUO-GARD Duo-Gard built this polycarbonate wall, illuminated with LED lights, for a parking deck for Chesapeake Energy. Duo-Gard set up a special unit for the build.

Duo-Gard Industries Inc. makes bus shelters, walls, canopies, covered walkways and other architectural products, putting special attention into materials and working closely with suppliers.

The company has been in business since 1984, having started out by developing a cellular polycarbonate panel — with translucent cells that insulate well — which was popular with owners of old factories who wanted to let more natural light into their shops.

Problem: Consultants warn businesses not to bite off more than they can chew. It's the "know when to say no" axiom: It's all right to turn down work when taking it likely will cause more harm than good. Taking a new, big customer might cause the business to overextend itself, go too far into debt, accept bad terms, overburden workers and damage relations with longtime customers.

Duo-Gard wrestled with this decision in 2011. **Chesapeake Energy Corp.** in Oklahoma City wanted a big polycarbonate wall, illuminated with LEDs, for a new parking deck it was building. It was a \$7 million project, larger than any it had done.

That may not sound like a problem, but it is when the company doesn't have the resources to do the job. This project would span more than two years and require 130,000 square feet of curtain wall.

Duo-Gard Industries Inc.

Location: Canton Township

Description: Manufacturer of architectural products

President: David Miller

Employees: 80

Revenue: \$14.7 million in 2014

Duo-Gard needed more space, people and equipment. All of that investment would hang in the air while Duo-Gard waited for a payday that would take years to arrive.

The project engineers asked Duo-Gard President David Miller, "Can you do it?"

"I'm rarely ever going to say 'no' to that question," he said. But he knew it might have been the wise answer.

Solution: Many companies at this point build or buy a new factory and stuff it with equipment for one big project and hope more work comes along to soak up the added capacity once the big project is over.

Miller instead set up a "M.A.S.H. unit," a special team at a separate location assigned solely to handle the Chesapeake job. In a span of three weeks, Duo-Gard got a short-term lease on a building in Livonia, hired eight full-time production workers, and set up air compressors, metal processing equipment and any other machinery needed.

While the unit was not a separate entity, Duo-Gard in practice treated it like one by maintaining separate account records that wouldn't alter the financial picture of the company's regular business. It kept the big numbers off the regular books, helping to ward off outsized decisions for the main business.

"It's keeping yourself from fooling yourself," Miller said. "Over the course of two years, it's easy to start drinking the Kool-Aid."

Duo-Gard did have some leeway in that it would receive payments throughout the course of the job. It explained this to two key suppliers and negotiated a delayed payment schedule to match their own payment schedule. This relieved some cash flow pressure; the company's bank relieved it some more by extending Duo-Gard's line of credit by \$1 million.

Production started in 2012 and wrapped up at the beginning of 2014. Everyone got paid.

Risks and considerations: Duo-Gard spent \$3 million on materials to get the job started. Having that kind of money hanging in the air left the company exposed.

There also were engineering considerations for a major job consisting of all custom work. The polycarbonate had to be tinted to meet the customer's specifications. Some of the materials hadn't been used by Duo-Gard before. Redesigns and prototypes were done to make sure things came out as needed.

Expert opinion: "This strategy was spot-on," said Mark Lundquist, president and CEO of second-stage business consultancy **Fulcrum Edge Inc.**, based in Bloomfield Hills.

Short-term leases are ideal for this situation when they can be found, and the team's separation from headquarters gives those employees a chance to develop their own culture and sense of ownership around the project.

If work from the big customer turns out to have a degree of permanence, the business always can still look at building and owning an expansion to its main facilities.

"I'm a big believer in controlled expansion," Lundquist said.

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