

Winter 2002 Focus on Interlake

Playing it safe: Accident rate drops by 45%

Congratulations to us all! Interlake set a new record for safety in 2001, with just 89 recordable accidents across the company. The incident rate—or number of accidents per every 200,000 hours worked—dropped 45%, from 14.3 to 7.9.

“The safety of our people is very important to me,” says Rich Ruebe, VP-Operations. “We had excellent results at all of our locations. But what I’m most proud of is the fact that safety is becoming a way of life for all of our associates.”

The improvement in our safety record is no accident. It’s the result of a commitment from management and associates alike to make Interlake a safe workplace. While all associates are involved in promoting our safety culture, it was Sumter where the first company-wide safety manual was born, back in 1999.

“You could say that I have a passion for safety,” says Sumter Plant Manager Chip Stokes. “I believe that one of the best ways to develop work relationships built on trust is to demonstrate that you have a genuine concern for the other person’s well-being. And I do.”

Running a safe operation requires a dual focus. Obviously, keeping the equipment in safe working order is critical. Ruebe estimates that Interlake spent over \$1 million to replace or repair unsafe equipment in the past two

years; another \$3 million was spent in upgrading paint systems from both safety and environmental standpoints.

Equally important, however, is the way we incorporate safe practices into our daily work routines. Sumter associates’ work on the safety manual provided an excellent foundation.

“Our task force reviewed three years’ worth of accidents, breaking the data down by department, shift and function. It was grueling work, but it allowed us to define the behaviors that led to various

types of accidents,” Stokes explains. “Once we identified the behaviors, we began to change them.”

Stokes offers the example of how a simple change helps prevent accidents in the wiring area. “We found that puncture accidents tended to occur when two welders worked together on a single piece,” he explains. Further study showed that the welders’ protective helmets hampered their peripheral vision as they worked from each end toward the middle of the piece. “Now, the welders start in the middle and work toward the ends. This gets them out of each other’s line of fire.”

The task force evolved into an associate safety committee. The 25 members participate

(Continued on page 4)



Sumter plant and associates

Feature Story

Interlake President and CEO Mike Gonzalez shares his



views of the past year and his thoughts about the company’s future. Look inside for his candid answers to some important questions.

INSIDE

- 1 Playing it safe: Accident rate drops by 45%
- 2 Pontiac prepares to raise ISO flag
- 2 Matamoros: On time, every time
- 3 We’re ‘Vendor of the Year’ at Peach State
- 3 New customer ads make their debut
- 3 Lodi makes the switch to powder
- 4 Automation & Services Group

Pontiac prepares to raise ISO flag

If all goes as planned, Pontiac will soon be the first Interlake facility—in fact, the industry’s first rack manufacturing plant—to achieve ISO 9001/2000 certification. Pontiac has just received word that they have been recommended for this certification,

but it will be another four weeks until this certification is registered.

The registration audit, held Jan. 28–30, was the culmination of more than six months’ intensive effort to identify, correct (as needed) and document all work procedures, calibrate all tools and train all associates. “Our ISO consultant told us we had a very aggressive schedule, especially for a facility this

size,” says Business Unit Manager Matt Mavigliano, ISO project leader. “But we knew we could do it.”

The decision to pursue certification was a direct follow-up to Pontiac’s work on Interlake’s “Quality 2000” manual. Released late in 2000, the manual includes documentation and manufacturing specifications for all Interlake products. “It took a lot of effort from associates around the company, but we now have a standard set of procedures, as well as best practices and conspicuous standards,” Mavigliano explains. “Every associate in every facility has access to it, so everyone knows what’s expected.”

After the manual was released, Pontiac associates saw what they’d hoped for: a drop in quality incidents (QIs). In 2000, the plant averaged 4.5 QIs a week; this dropped to 2.5 last year.

“With a good record-keeping system and a good calibration system, you’re more likely to get the product made right the first time. You’re also more likely to identify things that are wrong before they leave the facility. That’s what ISO has helped us do. We’re all more aware of what we’re doing, and what we should be doing.”

Quality Technician Al Goetsch

To keep the momentum going, Pontiac decided to go for ISO certification. Mavigliano estimates that 60% of the necessary documentation was complete, thanks to the manual, but there was a long way to go. “You have to document each process, keep track of revisions and know exactly where each document is within the facility,” says Quality Assurance Technician Al Goetsch, a 16-year associate who along with Quality Assurance Technician Keith Bachman helped lead the effort. “We had a lot of help from everyone on the floor.”

Calibrating the plant’s 1,200-plus gauges to meet ISO standards was another major effort. “Any tool that’s used to measure final product must be kept calibrated,”



ISO committee: Keith Bachman, Karen Huckabee, Matt Mavigliano, Dave Hanson, and Alan Goetsch.

Goetsch explains. “We’ve also developed a database that ensures all measurement equipment is calibrated.”

Another challenge was associate training. Scheduling was an issue, but buy-in was critical. ISO’s process for identifying non-conformances and requiring corrective actions went a long way toward changing skeptical attitudes. “I think associates were impressed with the commitment they saw from the top on down,” says Dave Hanson, a rollform operator in the beam cell and member of the quality committee. “People here take a lot of pride in their work, and I think most folks see this as a tool they can use to make the best possible product. We’ve seen the positive effect this focus on quality has. We’re seeing the drop in QIs. That just makes the commitment from the floor stronger.”

As this phase of the certification process comes to a close, Pontiac associates take pride in their achievement and look forward to the next exciting phase of their journey. “We—the folks here, and our top management—have a vision of producing the best product in the industry, and we made a commitment to do that,” says Plant Manager Paul Adkins. “There’s been an incredible amount of teamwork among associates to put this together in what must be a record time frame of six months. That’s been very satisfying.”

“We may not see the results right away. We’re in a very competitive market, and price is important to everyone. But with this certification, we’ll have something that no one else has. We’ll have demonstrated that we have a superior product. I think going forward that we may see some of our customers begin to require ISO,” Adkins says, “and when that happens, we’ll be there.”

Matamoros: On time, every time

Our Matamoros storage rack facility is quickly coming on line and up to speed. As of December, the plant—located just over the Texas-Mexico border, in perfect position to serve our southwest region customers—has achieved a 100% on-time delivery record. The 52 associates working at the 143,000 square-foot facility are meeting all of management’s performance expectations. In May, they’ll celebrate their first anniversary as part of the Interlake family.



Matamoros storage rack facility

‘Our values and beliefs will lead us toward better things’

Mike Gonzalez speaks out about Interlake’s past, present and future

Mike Gonzalez became Interlake’s president and chief executive officer in June 2000, five years after joining the company as VP-Sales and Marketing. When Mike came to Interlake, he brought almost 20 years of experience from his work with IBM, where he served in many marketing positions, and as a senior vice president at XL/Datacomp. Mike has a bachelor’s degree in finance from the University of Illinois at Urbana-Champaign and an MBA from the University of Chicago. He loves the game of golf, saying it’s been a passion of his since he was a kid. He’s on the board of the Chicago District Golf Association and spends time teaching the game’s rules and etiquette to junior players. He also claims to be a pretty good pool shooter. Mike and his wife, Janet, have two daughters in college. We asked Mike to share his thoughts on many elements of Interlake’s business. Here’s what he had to say...

Q. What do you consider to be Interlake’s strengths?

A. I think there are plenty of reasons to feel good about what is going on at Interlake. We are still the undisputed leader in our industry. We are clearly number-one and you can ask our customers, you can ask our competitors, you can certainly ask our distributors. Our record is undiminished and we are number-one in our industry.

We have a tremendous distributor base. About 150 organizations represent our products every day. Last year, this distributor organization delivered more than \$100 million worth of business for us. It’s the best in the world.

We also have the world’s best rack plants. We have a suite of products and services unmatched by our competition around the world.

Along with everyone else, I’m tremendously proud of our safety record.

Of course our biggest strength is the quality of our associates. It is the people of this organization who will lead us to better things going forward.

Q. What’s being done to make us even better?

A. We are looking at all the ways we can create incremental demand for our products. This includes new marketing programs, some unique and successful new business prospecting initiatives and additional training and support for our sales force.

We’re seeking innovative ways to improve productivity across our business. We are constantly looking into how we can be the low-cost supplier. This includes significant improvements at all plants.

Through our ASG business, better known as “systems,” we are leveraging our skills in the design and customization of solutions for customers. The closure of the Shepherdsville plant in October freed ASG to purchase conveyor and other products from more efficient sources as required by our customers. We want to continue proving our systems integrator model and we’re doing a lot to make this happen. We want to provide solutions

➤ *Continued*



Mike Gonzalez

“We want to provide solutions to customers so they don’t feel a need to take the work into a bidding process that includes our competitors. Customers are trying to consider options other than price...and we want to provide these options.”

to customers so they don't feel a need to take the work into a bidding process that includes our competitors. Customers are trying to consider options other than price...and we want to provide

"The Wal-Mart organization has continued to trust us.... We've done several stores, and also successfully completed the first "walmart.com" distribution center. The Home Depot is another very important customer for us.... We've already secured some \$30 million in orders that will carry through this fiscal year...."

these options. We will continue to come up with creative solutions to their storage and order fulfillment requirements.

In addition to stressing the quality of our product and design engineering, we are proving to clients and the marketplace that they can count on Interlake to deliver on time

and on budget. We can and will meet their timetables and other needs. We have the ability to ship product from four strategically located plants. Most of our competitors are regionally based and it's difficult for them to go outside of their regions. We have the scale and flexibility that customers can't get from our competitors.



Photos from previous i-LEAD sessions

We've also made a big investment in distribution centers to support our retail channel. With our expansion into Interlake Express, we can help our distributors provide 48-hour, sometimes 24-hour, rapid delivery.

We will focus on communicating better throughout the organization. We currently have monthly communication meetings at all facilities to talk about what's going on in the business. Our managers are learning through i-LEAD that it is their job to keep the lines of communication open. Associates should see a marked improvement in the timing and the quality of communication around Interlake.

Q. What exactly is i-LEAD?

A. This is an intensive five-day training program that focuses on developing leadership skills among our managers, supervisors and team leaders. Participants learn how they can help build the Interlake culture, the basic principles of teamwork, our commitment to safety and quality programs, ways to develop a respectful work environment and much more. I expect these managers to be able to explain our company values to anyone who asks. These values are:

- Demonstrate care for our associates
- Operate with quality and excellence in all we do
- Contribute to the communities in which we operate
- Show respect for our environment
- Conduct ourselves with honesty and integrity

We also have expectations for our associates. Working toward these expectations will help us build a culture that makes Interlake a place where people want to work and a company that customers want to work with.

Q. What would you consider some of our successes?

A. We have some significant stories to tell. The Wal-Mart organization has continued to trust us with its distribution center business. In fact, we have a commitment for this work through the end of 2002. We've done several stores, and also successfully completed the first "walmart.com" distribution center. The Home Depot is another very important customer for us, particularly on the west coast. We've already secured some \$30

million in orders that will carry through this fiscal year—the largest commitment we’ve ever received from The Home Depot.

Q. *What can we say about 2001?*

A. Our business results for the year were disappointing. We are in the midst of a difficult economy. We have seen a significant drop in demand for our product. We have had to make some tough business decisions relative to reducing operating expenses. We sold our Shepherdsville manufacturing operation. We reduced shifts in our plants and head-count across the organization. The reductions we made in 2001 were difficult, but they were necessary for the longer-term health of the business.

But while the economy is sluggish, many companies are going through the challenges we’re facing. I think this creates an opportunity for us because the survivors are those who have good customer relationships and good track records, those who continue to drive profitability and maintain a competitive

“Relatively speaking we’re doing fine in a very difficult business world. While we are down from our record high, we are still the number-one supplier. We have a loyal base of customers and distributors who hold us in high regard and have a lot of confidence in us. All of this will sustain Interlake in these tough times.”

edge. We need to remain focused on these strengths. We should come out of this better and stronger relative to others in the market. Relatively speaking we’re doing fine in a very difficult business world. While we are down from our record high, we are still the number-one supplier. We have a loyal base of customers and distributors who hold us in high regard and have a lot of confidence in us. All of this will sustain Interlake in these tough times.

Q. *You’ve mentioned the economy, but what are some of the other factors that brought us to where we are today?*

A. Weak demand in the market has led to margin pressure because each project in the market is strongly contested by a number of competitors. There also continues to be quite a lot of “like new” racking on the used market as a result of the dot-com



failures. We must compete with this discounted product until it is absorbed into the market. We’ll continue to be constantly challenged to find the most cost efficient methods of satisfying our customers.

Q. *In August, Interlake became part of Brambles. What does this mean for associates?*

A. For the past two-and-a-half years, we’d been part of the industrial services group of GKN. In August, we—along with Meineke Muffler and a few joint venture holdings such as CHEP and Cleanaway—came out of the GKN group and became part of Brambles. The “new” Brambles is comprised of high growth, high opportunity companies, and we are one of those. I think this change presents growth opportunities for us going forward. We have the same executive management team in charge

“But while the economy is sluggish, many companies are going through the challenges we’re facing. I think this creates an opportunity for us because the survivors are those who have good customer relationships and good track records, those who continue to drive profitability and maintain a competitive edge. We need to remain focused on these strengths.”

that we had at GKN. Sir C.K. Chow and David Turner both moved to Brambles. They know us and they have been supportive in providing the resources and capital we need to grow. They actually helped us shape our strategy.



There are no real visible changes in the way we operate our business; this has been a very smooth transition. We adjusted to operating on a fiscal year that started July 1 and we moved from GKN's associate benefits

plans to ones sponsored by Interlake or Brambles North America. We will look for synergies with our sister companies within Brambles, but it's incumbent upon all of us to perform well, as individuals and as a business.

Q. *What is Brambles' vision for Interlake in the coming year...and beyond?*

A. We are viewed as a performance business. This means that as market leaders, we are expected to deliver sustainable growth in profitability. I think we'll continue to be storage-centered in our focus. Ninety percent of our business is storage, and I think it will continue to be our main source of revenue going forward. We will focus on organic growth, building market share in the U.S. and Mexico. I think there will be some limited opportunities for acquisitions, but none will be of the size

and scope that we had contemplated a couple of years ago in our strategy.

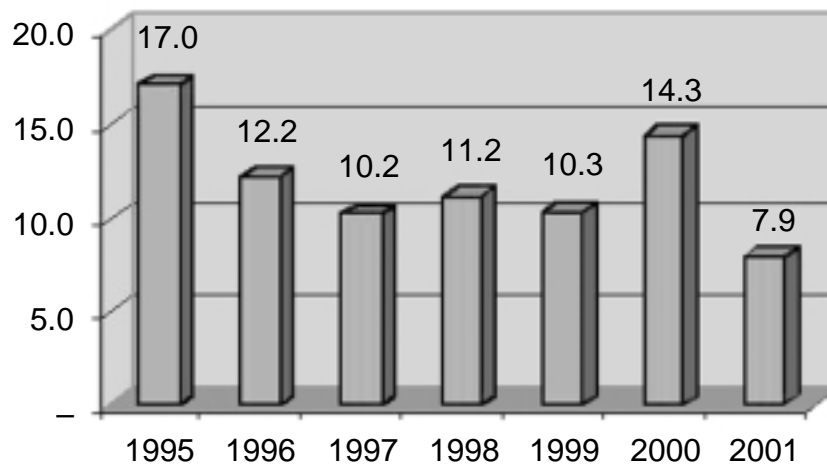
Q. *Looking to the future, what do you want everyone to keep in mind?*

A. I suggest we continue to nurture the culture we have been trying to build. This will form the basis for our business going forward. The values and beliefs that we have at Interlake will lead us toward better things in the future.

It's important right now that everyone maintains a very positive attitude. It's easy to get down on yourself, to get down on things because of the tough business climate. But remember, everyone in the country is operating under the same tough economic conditions. We need to make sure we come to work every day bringing a positive attitude for ourselves and for our co-workers.

Associates can—and should—help. Be sure to challenge everything we do. Keep the Theory of Constraints in mind. Right now the constraint is sales, not manufacturing. The constraint is no longer at our plants...while we remain focused on productivity in the plants, we need our sales team to be focused on generating more prospects for our business. And each of us should be doing whatever we can to help focus on the sales constraint. We all need to be out there talking about what a great company Interlake is and supporting the sales effort on a daily basis.

RECORDABLE INCIDENT RATE An Interlake Safety Record for 2001!



We're 'Vendor of the Year' at Peach State

For the second consecutive year, Peach State Integrated Technologies has named Interlake its Vendor of the Year. The award was presented to the Director of the Distributor Channel Keith Gelinas during Peach State's holiday party on December 14.

"The neat thing about this award is that Peach State's employees vote for the vendor that they feel adds the most value to their company," says Interlake District Manager Jeff Stebell. "Receiving this recognition really tells us where we stand with the people in the trenches—the Peach State employees who bring our product to the end-user."

Interlake's relationship with Peach State dates back about 20 years. We provide an array of storage products that Peach State then integrates into complete rack systems for customers such as Henry Schein, Anda Generics and McKesson General Medical.

Stebell manages the account with what he calls a "terrific" support team, which includes Senior Distributor Support Representative Rachel Allway and Structural Engineer Katie Wise. "We take each order personally, and try to put our best foot forward," he says. "Our team here, and those who support us at the plants, are always willing



(From left to right) Keith Gelinas, Linda Demke, Rachel Allway, Katie Wise and Dan O'Reilly with the 'Vendor of the Year' award from Peach State.

go above and beyond. It's nice to be recognized for that effort, especially by the employees who handle our product."

New customer ads make their debut

In our quest for revenue growth, Interlake is aggressively seeking advertising placements in key industry publications. The first of our new full-page ads

appeared in *Modern Materials Handling* and *Material Handling Management* in January, and the ads are slated to run several times throughout the year. Our ads are also scheduled to appear in the quarterly *MHEDA Journal*.

"We haven't done much advertising in the past few years, but that has to change. If you think about the

Theory of Constraints, our constraint has shifted from operations—where we've made huge strides—to the marketplace. We have to focus on generating demand, identifying more opportunities and closing more deals," says Mike O'Reilly, VP-Sales and Marketing.

The ads reinforce Interlake's leadership position in the storage industry, and re-introduce us as a key player in the systems integration world. Additional ads are in the works, as are editorials, case studies and other promotional materials that can be published throughout the year.

"These ads will help us reach some targets, but they're not the only way to promote Interlake solutions," O'Reilly says. "Everyone can help advertise.

Talk up our company with your neighbors, friends, relatives, associates and acquaintances. Look for referral opportunities. Maybe we can help someone you know solve their business problems with Interlake solutions."

Lodi makes the switch to powder

Associates at Lodi are getting accustomed to the new Nordson quick-change powder paint system installed on the frame line in October. Powder paint brings many advantages to our customers, including increased coverage and a glossier, more scratch-resistant finish. Our associates benefit from a safer, more environmentally friendly process that eliminates VOCs and reduces the risk of fire and other hazards. The switch to powder continues throughout Interlake, with Sumter installing their second line now, and work planned for Pontiac in the future.



Lodi's new Nordson quick-change powder paint system

Automation & Services Group: Systems Integration, Engineering, Design and more...

In March of this year, Interlake proudly introduced to the world of material handling solutions a new name: Interlake's Automation & Services Group (ASG)--headquartered at our new Cedar Grove office/warehouse facilities near Louisville, KY, with a controls engineering group in Lexington, KY. ASG is an innovative integrator of custom engineered material handling and automated solutions.

Its products and services are used to implement unique solutions that reduce our customers' costs, improve productivity and leverage



Cedar Grove Office and Warehouse

their assets to increase revenue. David Suica, the VP heading up this group, explained that "customers come to ASG for systems engineering, controls engineering, project management, industry leading supply partners, installation and ongoing service. What

differentiates us from our competitors is that ASG has its own controls engineering and material handling expertise in-house, and we can therefore provide customers with solutions to all their automation and material handling needs." The two major market segments they are focusing on today are distribution and factory automation. One key to their rapid growth and success will be to build a services network for parts and maintenance for customers across the country. See our next issue in the spring when we interview David Suica and learn more about the present and the future of ASG.

Playing it safe *(continued from page 1)*

for six months, then rotate out—going back to the floor with a renewed commitment and valuable training. "I got involved because I thought it was the right thing to do. I also wanted to get outside my department and learn

more about the shop floor," says Systems Support Specialist John Hoffman. "I have a lot of perspective about safety and about our processes that I didn't have before."

Hoffman's been involved in developing procedures for the behavioral safety audits that now take place daily at Sumter.

He also helped create the forms and database that allow for additional study of safety trends and behaviors. To him, the level of associate participation is amazing. "It's 110%," he says.

"If we see a fellow associate doing something that appears

"It's my job to ensure that improving safety continues to be a major focus for Interlake. I know that each of our Plant Managers is personally committed to improving safety as well."



VP-Operations Rich Ruebe

unsafe, no one thinks twice about approaching that person. And that person usually says 'thanks' for the reminder. It's very positive."

While accidents are down at Sumter—and around the company—the work continues. Stokes says his facility is about five months away from having a new, safer look. "Under the 5-S program—which we've modified to include a sixth 's' for safety—we've completely changed from a dark, gray work space to a freshly painted, brightly lit one. We upgraded our exhaust system and spent thousands on repairing equipment and installing guard-rails."

"Associates seem to have a great sense of pride in what we've achieved," Stokes continues. "We know that improving safety has helped drive improvements in productivity and other areas. And we know that this is a continuous improvement process. Tomorrow will bring a new challenge, but every associate in this plant participates in strengthening the culture here that will help us meet that challenge, safely."

Our safety vision

We have a vision of zero accidents, and we believe all accidents are preventable. We believe in accident elimination and prevention, associate safety awareness and participation, and full compliance with all regulations. Furthermore, we believe that everyone has a responsibility for health, safety, environmental and other risks... and is expected to demonstrate leadership and act with integrity.

Interlake Material Handling, Inc.

Focus on Interlake is published for and about Interlake associates. It is produced by the Human Resources department and distributed quarterly. Please send comments and ideas to Editor Maureen Finn (finnm@interlake.com).

Thanks to this issue's contributors:

Paul Adkins	John O'Donnell
Keith Bachman	Mike O'Reilly
Al Goetsch	Rich Ruebe
Mike Gonzalez	Jeff Stebell
Dave Hanson	David Suica
John Hoffman	Chip Stokes
Matt Mavigliano	Katie Wise

Interlake Material Handling, Inc.
1240 E. Diehl Road, Suite 200
Naperville, Illinois 60563
630-245-8800 • www.interlake.com