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Fighting the brain-dead

Do you compete with companies that sell product an unbelievably low prices, barely making a profit or perhaps even losing money, just to stay alive? Unfortunately, such companies exist in may sectors of the plastics industry. I call them "brain dead" companies.

These are companies that do things that just don't make business sense, except for that they're trying desperately to stay out of bankruptcy. Most competitors would prefer they just fold.

Ron Kirscht, president of injection molder Donnelly Custom Manufacturing Co. in Alexandria, Minn., touched on the problem in a recent [letter to the editor](#) that he wrote to *Industry Week* magazine. Kirscht's letter was in response to an IW article, "Do's and Don'ts in Pricing," which was critical of manufacturers or suppliers that are willing to operate below the break-even point, "in a misguided attempt to feed their top line."

Kirscht writes about the problem, and how Donnelly deals with it:

Desperation erodes the connection between price, quality and value -- but discipline allows us to deliver value and negotiate a fair price for customers and our company. This strategic willingness to define and commit to what we do well has kept us focused on improvement, service and success.

Desperation and the low-price promises it spawns, presents a challenge to customer retention for all manufacturers. Nonetheless, the best counteraction to these empty promises is to commit to a strategy built around added value, an appropriately narrow focus, and strong customer relationships. These actions provide for the healthy continuation of a business (i.e., leadership's first priority) and serve as the foundation for bringing the industry into a new era, that of discipline.

On a final note, strategic and organizational discipline does not create drudgery in the workplace. Indeed, it promotes innovation and a culture that is fast, fun and friendly. Why? Because folks are freed up to make decisions and take action to achieve a vital mission - one that is well articulated and understood (leadership's second priority).

I think Kirscht is speaking for many processors, and I applaud him for [once again](#) taking a public stand on this issue.

Posted by Don Loopp on June 12, 2007 4:59 PM | [Permalink](#)

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