

As offices cut down on paper, one office-supply company is reinventing itself.



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Roxie McCoy prepped and moved paper to the folder-cutting machine at Smead Manufacturing Co. in Hastings. The company was founded 100 years ago.



Carol Hauge, a 28-year Smead veteran, collated file packs as a machine counted, stacked and sifted. The company now also has a record-keeping software business.

Smead's still filling the need for order

By DEE DePASS
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As a child, Sharon Hoffman Avent played hide-and-seek in her parents' office-supply plant on the riverbanks of Hastings.

Today she's the sole owner and playing a game of a different kind — charting the next 100 years of Smead Manufacturing Co., one of the largest woman-owned manufacturers in the United States.

For a century, Smead has made file folders, labels and expandable files for bankers, lawyers, insurance and health care firms and thousands of other businesses. But it's a shrinking industry: today's offices are using less paper and more electronics, and officials

concede that they must change with the times.

"What we do and do well is help people organize," said Avent, 60. "I think we could help them organize their spice rack if we really wanted it to be. We are innovators."

Smead's record-keeping software business, which launched in 2003, is now roughly \$5 million in sales and growing. But Smead isn't giving up on office products. Its line of 6,000 products now includes waterproof expandable files, paper folders with edges that can't cut fingers, scrapbook organizer kits, antimicrobial files for hospitals and file kits aimed at tax planning, home buying and disaster preparation.

SMEAD MANUFACTURING CO.

Makes folders, labels, software and other office products.

Headquarters: Hastings
Founded: in 1906 by Charles Smead. P.A. Hoffman bought the company.



CEO, president & owner:

Sharon Hoffman Avent (granddaughter of

P.A. Hoffman)

Sales: \$548 million

Employees: 2,700

Operations: 14 plants in the United States, Mexico, Netherlands, Estonia, Finland and Norway

Products: 6,000 products used by banks and law, insurance and accounting firms

Source: Smead Manufacturing Co.

Smead Manufacturing Co. was started by Charles Smead in 1906 and later bought by P.A. Hoffman and passed on down the family.

P.A.'s widowed daughter-in-law, Ebba Hoffman, drove sales from \$4 million in 1955 to \$313 million in 1998, the year before she died. In 1998, her daughter, Avent, succeeded her as CEO and president after 33 years of rising through the ranks.

Smead now has 2,700 employees worldwide and operations in Hastings and in six other states, as well as in Estonia, Finland, Mexico, the Netherlands and Canada. Under Avent's leadership, sales have grown by 75 percent to \$548 million. She recently was named Minnesota Woman Business Owner of the Year by the National Association of Women Business Owners. Customers see why.

"She is a very bright woman and is very well thought of in our industry," said Frank Tschida, president of national dealer S&T Office Products Inc. "I can't say enough about them. They are a wonderful supplier to us."

Low-profile brand identity

Smead's reach is greater than its name might suggest. The firm mainly advertises in trade journals and through its suppliers.

"When people think of Smead, they don't get it. They don't recognize the name," said manufacturing manager John Behrens. "But once they see a file, they say, 'Oh, I use those.'"

Smead's products are sold through Office Depot, Staples, S&T Office Products, Corporate Express and other channels. It also makes private-label products for Office Depot and S&T and manufactures color, number and bar-code labels for medical record rooms throughout the country.

Officials are quick to pounce when a new product works.

Consider Smead's new antimicrobial folders, which are made with germ-resistant silver. When sales popped sixfold



Al Trap, celebrating his 50th year as an employee, is fleet coordinator for Smead's five semi trucks.

after their introduction two years ago, Smead launched 30 more antimicrobial products in a rainbow of colors and configurations, said Jim Riesterer, vice president for marketing. Schools, clinics and flu-prone offices like the idea, he said.

Smead is also determined to enter your home. It recently launched M&O Inc., a line of colorful and heavyweight folders, notepads, files and portfolio cases geared toward the home office.

Louise Kurzeka, co-founder of the Minnesota Chapter of the National Association of Professional Organizers, remembers when she received her supply of the test products.

Artists, graphic designers, interior designers and other small-business clients snatched them up, Kurzeka said. The color coding makes it "impossible to misfile," plus it's pretty, she said.

Kurzeka, who teaches organization and wrote Smead's new book "100 Ideas for Better Organization," said Avent is not afraid to try something unusual or to solicit input from the association's 4,400 members.

Avent likens Smead's approach to that of J.M. Smucker Co., another 100-year-old company that started by making strawberry jam and survived by diversifying into frozen, crust-free PB&J sandwiches and jars packed with stripes of jam and peanut butter.

"Strawberry jam is still a

commodity, but now it's ... so convenient," Avent said. "Now we are becoming more of a convenience player [too]."

Riesterer agreed. "Our next conquest is to go beyond our traditional outlets. The world of retail means you can buy anything anywhere. ... The big Office Depot-type stores don't have lots of shelf space. One of our challenges is, how do we educate [customers] on the ways our products can help them be more productive?"

Going global

It's a question Smead is asking globally.

Acquisitions in 1998 and 2003 led Smead into the Netherlands and Norway. In 2002, Smead started making office folders that were uniquely Canadian in an attempt to break into a tough market that doesn't use traditional Manila folders. It worked. Some dealers liked Smead's fast response time and signed on, despite Smead's well-entrenched competitors.

Future expansions and acquisitions are a possibility, but Avent doesn't see the company headed to China, a route taken by many other manufacturers to cut production costs. The company's roots are in Hastings, and that is where Avent is content to remain.

Regardless, Smead is committed to cutting costs. Workers who retire or leave are not replaced. Employment at the

Hastings plant has dropped from 900 in 2001 to 600 today.

At the 300,000-square-foot work in Hastings, employees plant three shifts, five days a week. Huge purple, pink, green, yellow and blue paper rolls are stacked to the rafters like giant tiered birthday cakes. Suppliers now rail in and store their raw-material paper right inside Smead's shop, speeding up production.

In the old days, Smead made and warehoused products hoping someone eventually would buy them. Now most products are made to order, which slashes inventory costs by about 40 percent, said Wally Glashan, senior vice president for operations.

Workstations and processes have been revamped to speed production and slash unneeded steps. Material represents about 65 percent of Smead's total costs, so managing it better is a necessity. To counter the waste, workers now bale the end tabs of every roll of paper and sell them to scrap dealers, who convert them into egg cartons and other products.

On a recent snowy Thursday, the robotic chop, chop, chop of card stock thundered across the cavernous factory. It took seconds for a rail-car-size machine to unfurl, die-cut, fold, pile and shuffle freshly minted office folders into boxes that rattled along shiny conveyor belts and into the arms of workers.

At another station, 29-year machine operator Pam Fox slipped yellow Smead folders into a rapid-firing beast that quickly punched metal fasteners into a stream of passing files.

Just yards away sat a new snaking workstation that now combines folder making and Fox's fastener implantings. It ditches the need for two sets of pallets, material shifts and forklift hauls across the plant.

"We are on a journey toward lean [manufacturing]," Behrens said.