



Concrete ideas

Smith-Midland Corp. started with a single innovative idea and now manufactures, sells and licenses its precast concrete products around the world, with a licensing model that leverages global partnerships, as Keith Regan learns from president and CEO Rodney Smith

Smith-Midland Corp. got its start by creating an innovative solution to a vexing problem for ranchers and farmers: how to keep livestock from wandering off the property without having to open and shut a gate all day. The result was the Smith Cattleguard, a precast concrete grid that vehicles

can drive over but cows will not walk across. The product is still sold today, with some 20,000 of them installed in 40 states.

The family business—current president and CEO Rodney Smith worked with his father on the first cattleguards in 1960 and took Smith-

Midland public in late 1995—has continued to build a reputation for innovation over the past 47 years, creating precast concrete products that it makes in its own plants in Midland, Virginia and Reidsville, North Carolina, and also at some 40 partner plants in 32 states and seven countries that license Smith-Midland technology. "Like a lot of companies we got our start in a garage," says Smith, citing business legends such as Hewlett-Packard that sprung from humble beginnings. "Now we have a few products that are considered the best in the world in their category. It's pretty amazing to be from down on the farm in Virginia to come to a place where your products are being built in seven countries. It tells me we're doing something right."

Today, Smith-Midland's products include the J-J Hooks highway safety barriers, highway sound barriers used to control traffic noise, underground utility vaults that can reduce the amount of time it takes to do in-road construction as well as concrete building panels including the Slenderwall exterior cladding panels for mid- and high-rise construction—70 percent lighter than old fashioned heavy architectural precast panels. Slenderwall can be found on the first high-rise building constructed in Manhattan after 9/11, the Marriott Execustay, and on the just completed, tallest building in Virginia, the 38-story Westin Hotel in Virginia Beach. The company also makes standard, off-the-shelf Easi-Set precast buildings that range in size from 10x12 feet to 40x200 feet, and a line of agricultural products, earning revenues of almost \$30 million in 2006.

There have been plenty of challenges along the way, many of the same growing pains other businesses experience. Smith-Midland now employs 165 people and keeping the philosophies and culture of an innovative start-up company in place has not always been easy.

One early decision that has proven to be the right move was to add services by licensing many of its innovations to other precast concrete plants. "It enabled us to penetrate more markets without having to build precast plants everywhere," says Smith. "The precast concrete business is capital intensive. This was a good way to be able to get our products just about everywhere without having to build \$100 million worth of precast plants all over the country." Today, licensing

is handled through licensing firm Easi-Set Industries, a wholly owned subsidiary of Smith-Midland. Because the firms that license the products use Smith-Midland's brand names, the network of the partner can also be leveraged to raise brand awareness. "We can accomplish advertising and marketing on a scope that companies the size of our licensees' could never dream of doing on their own," Smith notes.

Innovation is continuing both in the precast concrete product lineup and also by adding services in some areas. The company's newest product is its Beach Prisms shoreline erosion control system, four-foot-high and 10-foot long triangular-shaped barriers designed to be lined up along shorelines. The devices have openings that allow water to pass through but absorb wave energy, protecting the shoreline, and Smith-Midland recently moved to begin aggressively marketing the product in the US and to license it overseas. It has also applied for a patent for a part of the precast wall fabrication process it calls H2Out, the first "in-the-joint" secondary drainage system which helps wick moisture away from concrete-clad buildings.

Noting that Jack Welch used services to dramatically boost earnings at General Electric, Smith is seeking ways to do the same with the precast business. For instance, rather than just building and selling portable J-J Hooks highway safety barriers one time, Smith-Midland now offers barrier rentals through its Concrete Safety Systems (CSS) division. "It's like selling the product 10 or 15 times. With one phone call, a highway contractor can say he needs 10,000 feet of barrier for a highway widening project and that work is going to start next Monday. Friday night after rush-hour, we can go in and set the barriers up and when our customer's project is completed, we take the barrier away. Our customers do not have to buy them, they don't have to store them and they don't have to have any specialized equipment to install them," says Smith. Smith-Midland has the barrier rental market nearly

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all to itself in its region of the country. The rental service has made the CSS unit one of the most profitable business units.

The strategic plan at Smith-Midland calls for the company to continue to grow and drive shareholder value by moving from a \$30 million a year company today to a \$100 million business. During its growth trajectory Smith-Midland has learned first-hand the importance of training—and that it often takes retraining and reinforcement to

keep a company on track. Today, one of Smith's specialties is forming a small team to turn ideas into products and other innovations that keep the

company growing in a way that will enable that culture to thrive. "I used to think we were in the precast concrete business, but we are actually in the people business and just happen to make a concrete product," he says. "Nothing can happen without good people."

Some geographically focused acquisitions will be part of the future growth picture, with a focus on the markets where the company does not yet have a presence. Smith, who has two sons working in the business representing the third generation, is confident that the penchant for innovation he has brought to the company has now been ingrained in the culture and will be sustained through the next wave of growth. "It's in the culture of the company now," he confirms. "We're always trying to do things better, we are diversified, and we do not rely on doing the same old thing." ■

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