Michelin's recovery is underway

Tire manufacturer is hiring and sales are growing

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Michelin North America is rapidly recovering from the recession, said Dick Wilkerson, its president and chairman, who took over leadership of the Greenville-based company about the time the economy turned south.

But the company endured some tough times, he said.

"The end of 2008 and the first six months of 2009 were as intense a period in my career as I've ever had," he said. "2010 has seen a rebound in the market but not to 2007 levels. Things are not simple now, but we can see a future that we can plan for."

Each of his experiences with the company helped him do the job he now has, said Wilkerson, who has a civil engineering degree.

"When I visit a plant, I know what a plant does. On the floor, I know what workers do," he said. "I wouldn't trade any of those."

"For companies to survive these difficult times, there is a certain amount of luck. Even good companies can run into difficulties," said Scott Baier, associate professor of economics at Clemson University. But companies with lean inventories or those who sell outside the U.S. market could survive more easily as this recession "was uneven around the world."

Although companies can use recessions to prune unprofitable businesses, "there are certain areas you can't cut back. For Michelin – known as a high-quality company – had to continue their research and development. They expected demand to come back strong" and had to be ready for that growth.

Year-to-date global sales for Michelin are up 19.8 percent, Wilkerson said. While geographic units don't release sales numbers, "sales in North America were up similar to worldwide results."

Also, all Michelin's plants are running full out, 24 hours and seven days a week. Productivity is up, but the company is hiring both production and professional employees. To date, it has hired 1,450 production workers throughout North America. It also is hiring employees to help with startups of Michelin plants in China and India. The company is completing its Norwood, N.C., expansion. And other projects to expand production are under consideration, he said.

"When a Michelin reports more hours and hiring it means a more sustained payroll, more money coming into the region," said Ben Haskew, president of the Greenville Chamber of Commerce. "It will have a direct economic impact as well as an indirect trickle-down effect."

Michelin is one of the Upstate's largest employers and the "best part of the news is the psycho-

See MICHELIN on page 4E

MICHELIN

FROM PAGE 1E

logical effect. Some major companies, such as Michelin and BMW, are doing better" and that bodes well for the rest of the economy, he said. "It's an indicator that the economy is doing better overall."

The tire manufacturer, with about 21,000 North American employees and 18 major manufacturing facilities in 16 locations, came out of the recession in pretty good shape, Wilkerson said.

One major factor in Michelin's ability to weather the recession was planning.

"There was a sense there would be a downturn," he said. "We saw by September of 2008 that this was going to be more significant than we had seen before. I don't think anybody thought it would be as rapid and as severe as it was."

Wilkerson, who's worked with Michelin for 30 years in manufacturing management, business management and human resources, said he's been through four recessions with the company. "You have a bookcase full of what you've done before" and you try new ways to handle such a drastic downturn in demand.

He credited cost reduction as a major reason for the company's successful navigation of the recession. "We were cost conscious," he said, adding that the company continued to spend money on celebrations. "The biggest impact was in our plants where we found ways to become more productive with a lower production load. That's difficult. Every person found a way to make a difference to our results last year."

Of the cost-reduction focus, he said, "We had been doing it, but we brought a new rigor to it." Michelin's Executive Committee set up nine teams to come up with ideas to fight the recessionary effects.

Michelin did close its

Opelika plant, which produced Uniroyal and Goodrich tires, primarily because of the declining demand for the mass market passenger and light truck tires, but the recession also played a part in the decision, he said. Some employees were offered positions at other Michelin plants, some retired and others were given severance packages and help finding jobs. Michelin Development Opelika was establishing and has providing financing for companies that have created about 400 new jobs.

In addition, Michelin reduced hours at some of its plants for a couple of months. When financial results were better than expected, the reduction was ended and employees were awarded financially for their assistance, he said. That's important because it lets employees know they're important and some people "were hurt by a pay cut of 12 to 20 percent."

The decision to include employees when financial results improved also helped, he said. "It made a difference in the rest of the year in people's energy and their commitment to meeting goals."

Also, "a large part of the market fled to value instead of fleeing to price," he said. That was a boost for Michelin and "I'm not sure we predicted how beneficial it would be to us." The value emphasis is not particularly unusual for commercial customers, because they have measurements that show how value helps them. The company, however, was pleased that consumers also followed the same pattern.

Michelin's management was always optimistic about the economy.

"We believed the market would come back," he said. "Our plan was based on a more moderate growth."

The company's North American market began turning in the passenger/light truck sector in late 2009 and in the commercial truck sector in April, he said.

But when any company bets on the future while in a recession, it's not good to take big or unnecessary risks, Wilkerson said.

Still, Michelin was well-positioned as demand grew, he said. "We didn't lay people off. We keep our experience and our talent so we can rebound quickly."

All the plants are running seven days a week, 24 hours a day. And "we've been hiring and training people," he said, adding that each plant has hired about 100 or more employees this year while the Spartanburg truck tire plant has hired about 200 new employees. Currently, Michelin has 7,720 South Carolinans employed, compared with just under 7,500 at the end of 2009.

Also, the company is in the midst of hiring across North America, up from the normal 250 to 300 people hired and considerably more than last year when hiring was down.

Three factors are boosting Michelin's hiring. New employees are needed to replace employees – Michelin is the midst of a surge of workers reaching retirement age. Also, the company is catching up with hiring that was not done last year. And Michelin North America has been requested by Michelin Group to help start up tire manufacturing plants in China and India.

Michelin's advantage in hiring is not bigness, he said. "I think the quality of the product matters. I think efficiency matters. I think belief that demand will come back matters. Michelin is a well-run company and the demand for its product is growing. That allows expansion."

Besides the hiring, other growth is possible, Wilkerson said. Plans are in the works to "optimize" existing plants in North America, he said.

"We see demand continuing to grow and we want to expand our production to meet it," he said, adding that no final approvals have been received for projects. But Wilkerson said those projects don't include any new plants.