Anderson Dahlen Inc

Shaping bright ideas into brilliant results

TAKING RISKS to Foster New Growth

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Risk: a popular board game and a double-edged sword, particularly in business. While it is tempting to remain in one's 'comfort zone,' especially with shareholders and many other variables to consider, the act of taking risks is essential to bring forth new ideas and growth. In Ramsey, Minnesota, just north of Minneapolis, Anderson Dahlen is embracing risk while engaging in custom manufacturing that helps its clients overcome barriers with precise solutions.

Written by David H. Caldwell

Anderson Dahlen dates back to the 1940s when it focused on commercial and residential heating, ventilation, and air conditioning (HVAC) products. A change in ownership in 1978 led to a transformation, as Richard Knoll oriented the company toward industrial and stainless steel manufacturing to build components for food processing equipment.

More than forty years later, it has over three hundred employees in two Minnesota facilities and offers precision manufacturing to clients in multiple industries. Director of Sales and Marketing Perry Henderson describes the company's model as "partnering with our customers to provide customized solutions that range from the design and build of turnkey systems to the manufacturing of component parts and assemblies."

The company built its name on precision-manufactured components and machinery for the food processing industry and still has significant business in this area. This segment, prevalent in Minnesota and the Midwest, involves processing for pasta, cereal, snack foods, meat and poultry, requiring robust machinery with critical sanitary requirements. Anderson Dahlen's involvement in this area has earned it a reputation for accuracy, adaptability, and expertise in working with stainless steel for sanitary applications.

But the company also maintains strong business ties in the pharmaceutical and life science sectors, which also require its signature precision and hygiene. "Although the applications are different and the companies are different," Henderson says, "many of the requirements which we need to provide are the same."

And Anderson Dahlen has an increasing role in industrial manufacturing, which often requires stainless steel components and equipment, but for different reasons. Henderson relates that the company manufactures machines for processing

- industrial powders, which may be abrasive or corrosive and, therefore, require higher-grade alloys to hold up over many years of operation. In this industry and others, the company uses its experience in precision manufacturing to create superior equipment for its clients. "We find niches with the industrial market where the attributes that we leverage tend to be of value and importance."

In a more recent development, the company also expanded into high and ultra-high vacuum processes. Anderson Dahlen acquired Applied Vacuum Technologies (AVT), also based outside Minneapolis, in 2013. While this subsidiary maintains its own dedicated facility, Anderson Dahlen provides engineering and manufacturing support for larger scale projects. This partnership enables Anderson Dahlen to apply its sophisticated custom manufacturing techniques to design vacuum chambers and equipment for research as well as industrial use.

The company's work in these sectors showcases the degree of precision and professionalism with which it designs and builds its products. But it is now going even further, providing custom-engineered and fabricated process equipment to resolve unique customer challenges. Henderson describes a current project of designing and building an industrial blender capable of processing thousands of pounds of highly perishable product per hour. The company is now working with the client to install and test this initial unit, which may potentially lead to follow-on versions. "That's something that, without our long experience, would be quite risky to venture."

In the business world, where risk can be disastrous, it is tempting for manufacturers to shy away from custom work and see it as an untenable short-term project one that presents too many unforeseen complications with not enough time to iron them out. Anderson Dahlen, by contrast, embraces risk, though Henderson is quick to caution that the company is not reckless. In his view, many clients come to them for expertise, design experience and problem-solving capabilities that many companies lack.

"We're actually finding that most of our larger clients… don't have the engineering resources that they once had," he comments. "This is an opportunity for us to partner with these clients, collaborate to derive a suitable design solution, then deliver a well built and high quality product that meets their specific needs."

"Their expansions and improvements are going to necessarily involve things that haven't been built before. We're going to be working with them and leaning into that risk."

Anderson Dahlen mitigates risk by using its expertise in developing unique process equipment across a variety of industries and its significant manufacturing resources to help clients experiment and push the boundaries of production. The company has found that many clients appreciate it accepting the risks involved and are increasingly working with it on custom manufacturing. "We specialize in that, and we're actually pushing further into that," Henderson states. He notes that, where other manufacturers prefer to remain in their own sectors rather than risk custom manufacturing, Anderson Dahlen views that "as an opportunity."

Other opportunities are currently presenting themselves in the form of new technologies, such as automation and three-dimensional (3D) printing. Custom manufacturing cannot be wholly automated; however, Anderson Dahlen has already automated several internal processes and is actively engaged in improving efficiencies for "repeat builds" as Henderson describes it.

"If we build twenty-five pieces of a given type of equipment, they may be configurable and each slightly different, but there are numerous components and sub-assemblies that are common," he explains, elaborating that at least some components can be assembled autonomously. Three-dimensional printing does present the possibility of rapidly producing complex components and prototypes in the future, and so the

company's management team remains engaged with technological advancement. "We keep our eye on what's there," Henderson comments.

Closer to home, Anderson Dahlen also takes its community obligations seriously. "We employ quite a lot of welders and machinists, which are trades that are becoming harder and harder to find," Henderson says, elaborating on the company's close relationship with local technical schools and community colleges that allow it to introduce students to skilled trades. This community activism has enabled the company to add almost one hundred new local jobs over the past eighteen months, earning it the City of Ramsey's business of the year award for 2019.

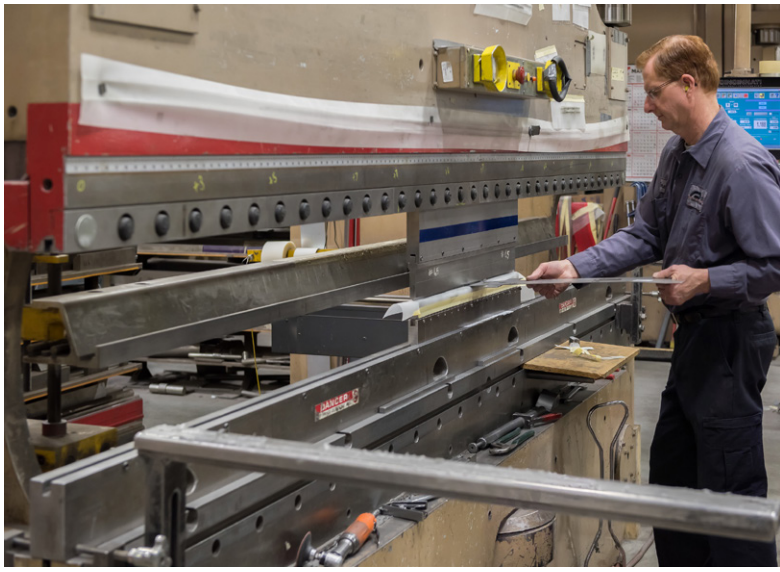
This close relationship between the business and its community is rewarding, but Henderson admits it is also self-serving. Recruitment continues to be an issue, even as the company continues to grow. As there is a smaller labor pool, Henderson and his colleagues must work all the harder to recruit new talent. "People are recruiting all the time," he relates, referring to competitors.

The company recently published a blog that profiles various employees to discover the motivations and personalities of its workforce. "The blog explored why certain people started with us three decades or more ago, and what they thought was important in a job," he says, adding that it also features "some recent hires and their perspectives."

Although the company embraces business risk, it takes a preemptive approach to employee safety and is a proud member of the Minnesota Safety And Health Recognition Program (MNSHARP), a state-wide agency of the Occupational Safety and Health Administration (OSHA). "Instead of waiting for audits and fixing things that auditors find as problems, we work very proactively and openly with the OSHA people that are in Minnesota to not just fix things that are out of compliance but look for how to improve what we're doing, beyond the letter of the compliance laws," Henderson explains.

This approach to safety and productivity has given the company over six hundred accident-free working days for an uninterrupted 650,000 hours of productivity. "It's a little bit of a quiet thing, in the background of what we do," Henderson admits, but "safety is paramount. That's something we certainly are proud of."

Anderson Dahlen's revenue has doubled approximately every eight to ten years. "We're working on trying to stay in a steady range," Henderson affirms, elaborating that this growth has remained steady even through the company's more recent expansion and hiring. The company is now looking more toward



the short term, with clear one-year, three-year, and ten-year goals written by management and approved by shareholders. The company counts several mergers and acquisitions among its long-term goals, with the acquisition and integration of Applied Vacuum Technology proving the success of this strategy.

Many clients are now building new plants and upgrading existing facilities, so the company is working closely with them to make sure it can meet both immediate goals and those of the next three to five years. "Their expansions and improvements are going to necessarily involve things that haven't been built before," Henderson remarks. "We're going to be working with them and leaning into that risk."

Anderson Dahlen has proven its willingness to assume risk on behalf of its customers, ensuring its trademark precision for all projects. The company has traditionally been quite regional, relying mostly on word-of-mouth to entice new business. But as it continues to grow outside Minnesota, it will undoubtedly retain its standards and bring new solutions to its clients. ■

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As featured in ***MANUFACTURING IN FOCUS*** *Dec 2019 - Jan 2020*
A ***FOCUS MEDIA GROUP*** *PUBLICATION*

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