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## The Latest Worry - Industry Employment

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by **Rob Kirkbride**

When Kimball International announced recently that was cutting jobs, a shudder went through the industry.

With new evidence emerging daily that the nation is in a recession, the industry is bracing for a slowdown, and with it, the potential for more job cuts. But Kimball's cuts, although still difficult to stomach for an industry that saw so much carnage just seven years ago, have little, if anything, to do with the current economic situation.

Kimball spokesman Marty Vaught said the decision to eliminate positions is part of a strategic vision to realign and streamline operations. And few of the jobs had to do with the company's furniture operations.

"This is not your typical layoff," he said. "It is not your typical shop floor reduction."

The cuts stem from Kimball's ongoing reorganization. Last year, the company realigned production to its specific brands. When the company completed that process, it found some of the jobs were redundant, Vaught said. The company is moving some white collar jobs right into the plants to create a closer link between the office and the line.

Most of the cuts come from the electronics segment of Kimball International's business. Other cuts came from redundancies in corporate functions such as its global supply chain, information technology, finance and quality control functions.

"It is a changing business," Vaught said. "It really is a holdover of a different era of our business. Customers are not willing to pay for some things. The 150 positions are those that simply no longer will be needed.

"Our goal is to reduce complexity. The outcome of that will be reducing cost." Kimball won't say if the cuts are over or if there are more to come. Vaught said, "Everyday, everything is under review."

But he emphasized that the current round of cuts were not made because of the economy.

"We're all about being streamlined going forward. Our focus is growth. Our focus is the future," Vaught said. "This is something we've been looking at to make ourselves more profitable. It's all about speed, reliability and value."

He also said "the nation seems intent on talking itself into a recession."

Still, it is hard to ignore the timing of the job cut announcement. It came just weeks after Kimball International reported sales were up slightly in the second quarter, but profits fell nearly 50 percent from the same time last year.

The job cuts didn't help ease the fears of an industry with a serious case of the jitters.

Should we panic? MMQB readers think so. Last week's MMQB.com Poll, while not scientific, shows more than 96 percent of readers who responded (2,343 total) think we are going into a recession, with more than 70 percent who think the recession will drive business down at least 10 percent or more.

Both Steelcase and Herman Miller report financial results in the next few weeks, which should shed light on the strength or weakness of the industry.

Steelcase is expected to make 23 to 28 cents a share on sales of \$856 million to \$887 million. If the company hits its estimates, sales will rise between 10 percent and 14 percent. A consensus of analysts expects the company to earn 25 cents a share.

At the end of its last quarter, Herman Miller said it expected profits of 55 cents to 62 cents a share on sales of \$475 million to \$500 million. Analysts expect Herman Miller to report 58 cents a share.

The gloom and doom at the national level prompted the Business and Institutional Furniture Manufacturers Association to drop its outlook as well after years of steady growth.

The BIFMA forecast has traditionally underestimated the severity of downturns. The outlook, penned each quarter by Global Insight, shows a 0.6 percent decline for 2008 and a 2.6 percent drop in 2009 with production estimated at \$11.1 billion.

Because of the slowdown, analyst Brian Bascom, principal of Velocity Partners, said he sees a number of manufacturers taking a very cautious approach.

"There's been a pull back in general office construction while higher education and healthcare maintains their health. The general office area is appearing a bit soft," he said.

The nation is in a recession, at least according to a consensus of economists polled by the Wall Street Journal Last week.

The danger is that manufacturers bombarded by negative financial news will make "the knee jerk reaction to the 'R' word and let some people go," said Steven Viscusi of the Viscusi Group.

He said despite the dour news, the major firms in the industry are still using the services of his executive search firm.

"Interestingly enough, I have been retained by all four major manufacturers for hiring field sales positions," he said. "I am working with several (clients) right now that are hiring field sales positions."

And that's a positive, he said, since his practice is strictly retainer based. If clients are paying him for the search, whether he finds someone or not, they are serious about hiring, he said.

While office furniture makers continue to fill sales and executive positions, workers on the line might not be as lucky. Blue collar office furniture workers have advantage they didn't have the last time the economy tanked.

Few of the major office furniture makers hired factory workers when the economy improved after the last recession. Instead, the companies have relied heavily on temporary workers. Instead of firing full time factory help, many manufacturers are in the position to eliminate the temporary help until conditions improve.

Whether that will be enough to protect workers still shell shocked by the last downturn remains to be seen.

To be sure, it is a different environment from the one faced by the industry when the economy fell flat last time, said Bascom.

"Many manufacturers are rethinking staffing," he said. "Many firms in the industry have outsourced a number of functions. We've seen certain areas of companies add additional people in research and new product development.

"But many industry players after the last downturn were committed to be more highly efficient on the plant floor, some outsourcing components to Asia."

As a worker, even if you are doing your best as the recession hits, it still may not protect your position, Viscusi said.

"Companies do not accept today the recession or the word recession as an excuse for not meeting sales goals," he said.

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