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SMALL BUSINESS

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Which Countries
Are the Most
Entrepreneurial?

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Feisty Factories

As many of their big rivals sag, America's small manufacturers are surging. Here's why.

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PETER HARRIS,
38, CEO of Specialty
Blades, holding his
made-in-America
tube cutter

excerpts from the “Feisty Factories” article

By [Phaedra Hise](#), Fortune Small Business contributor

The shop floor at specialty blades smells like machine oil, but nary a drop of the greasy glop can be seen. The bright, airy room is so quiet that the few scattered workers chat between stations without raising their voices. The robotic cutting machines gleam, the racks on the metal shelves are neatly labeled, the floor is pristine. Since when does the gritty world of small manufacturing look like this?

In its factory nestled in the foothills of the Blue Ridge Mountains in Staunton, Va., Specialty ([specialtyblades.com](#)) manufactures millions of blades each year, ranging from scalpels to the serrated versions that cut gas-pump receipts. The profitable company, founded in 1985, expects to see sales of \$20 million this year, up 16 percent over 2006. "We are very much a growth company," says CEO Peter Harris, 38.

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The best small American manufacturers are finding ways to compete on a global scale. They are applying creative tweaks to their manufacturing processes, improving efficiency and lowering production costs. They're relying on theories and technologies that were once the exclusive province of multinationals: rapid prototyping, lean manufacturing, efficient supply chain management and better quality control. It's all about innovation, and in this U.S. entrepreneurs excel.

**ALTHOUGH SPEED
IS IMPORTANT,
IT WON'T
HELP SELL
SHODDY GOODS.**

The best small manufacturers are adept at listening to their clients and finding creative solutions to their needs. The engineers at Specialty Blades design precision cutting devices for varied, usually custom applications. On one recent project they worked closely with a medical-device company to develop a combination scalpel and stapler that slices tissue very neatly close to the staples. The result is a less traumatic procedure, so the patient recovers more quickly. A healthier patient can go home a day early, which makes the hospital happy because squeezing in extra surgical procedures is more profitable than housing patients in recovery.

Specialty's clients are willing to pay premium prices for that level of industry-specific expertise. It's no accident that Specialty earns its highest margins on blades produced in Virginia, although the company sources some low-end products from Shanghai, where it also has a sales office. "If you sell a product that can easily be made today in China, you should expect to absolutely go out of business at light speed," says Harris. "So we focus on products where much of the value comes from the engineering of the specific solution rather than the production cost of the component."

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Back at Specialty Blades, Peter Harris is confident that America's small manufacturers will thrive. "Animals are very good at finding ways to make do in tough circumstances," he says. "Companies are no different. Survival is one of the most important instincts in the world, and if there's a way, they'll find it."

