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ING Direct's Arkadi Kuhlmann.



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**James McNamara tells Michelle Rivera  
how this company has managed to grow in  
a down industry and economy.**

## Endicott Interconnect

# Outside the **Box**



**E**ndicott Interconnect Technologies, formerly the IBM Microelectronics business in Endicott, NY, has been a privately held company for a little more than four years. Shortly after the decision to become private, it had basically one customer—IBM. “We knew from the beginning that we had to diversify our business, increase our customer base and penetrate new markets beyond the computer arena,” explained James McNamara, president and CEO.

McNamara successfully positioned the company to provide services in the industrial, military defense and aerospace, and medical markets, and today, Endicott Interconnect Technologies (EI) is enjoying a successful spot in the marketplace. In fact, about 25% of the technology packaging company’s sales in 2006 came from the military defense and aerospace market. “We just wrapped up 2006 with sales of about \$220 million and have a backlog of solid orders and contracts estimated at \$154 million,” McNamara said. “For 2007, we’re looking at about \$330 million in sales.”

### **Making room**

To diversify the base of the business and penetrate different marketplaces, McNamara had to make significant organizational and cultural changes in the company. “Because we were a captive operation when still part of IBM, we very well understood the requirements for IBM. Since the divestiture, we’ve grown our business inside the IBM company, which is good. They are a tremendous technology company.”

But to make room for the company in the military defense and aerospace and medical markets,

McNamara had to change how the company went to market. Quick turns in the former company translated to about 12 weeks. Using speed as a weapon inside the company, EI has managed to pull off turns to its customers in as short as 24 hours.

“We have strong design capability inside our company. It’s a big part of our vertical integration. We want to be a one-stop shop to our customers so they don’t have to go buy a circuit board from one supplier, a semi-conductor package from another, do assembly on the circuit board somewhere else, and then procure level one packaging from yet another supplier,” McNamara said. “We provide all of those services for a customer right here in Endicott, which helps us to reduce lead times.”

### **Robust processes**

“EI’s technology and quality is, on the average, about 10 times better than our competitors,” McNamara said. To ensure the highest quality for its customers, the company has an estimated 1,500 statistical process control charts that are running inside of its manufacturing organization. Sales and engineering employees of EI spend a lot of time engaging with customers to get a complete understanding of their expectations and end-product attributes.

“Once we have that understanding, we introduce robust business processes because quality in our company is not just in the manufacturing/operations arena; we provide quality to our customers in everything we do,” explained McNamara. “From the design, to manufacturing discipline, through the reliability testing, to process controls and monitoring, to



continual improvement from feedback, we do exactly what our customers expect us to do."

To complement its intricate business processes, McNamara ensures EI has the appropriate certifications to meet all the compliances. "We use a systematic approach to quality management, from development of the product through product end-of-life. Customers appreciate that and will pay for that enhanced quality. This has made a significant difference in how we're accepted in the marketplace."

### Supply management

With quality such a key factor to EI's strategy, a quality supply line from its vendors, is just as important to the company as its own. Because the company's supply base is an integral part of business, EI is working on formal programs with key strategic suppliers to make sure EI has the right supply of good product and raw materials. His goal is to minimize the company's inventory burdens and have a quality product ready to be put on its assembly processes for customers.

EI procurement executives meet on an annual basis to talk with suppliers and share information

about the company's buying potential for the year. The benefit is that EI has immediate supply and good quality product to support quick turn of our product back to customers.

"Our outside supply initiatives here are key to our long-term strategy," McNamara said. "Because our technology roadmap goes out to 2020, our supply base is an integral part of our planning. We share with them where we're taking our company from an electronic packaging perspective and what the future of electronic packaging holds. We can't reach our true potential as a great company without the assistance of our great suppliers."

McNamara is well aware EI has many other companies to compete with. According to the chief executive, 60% of the industry has gone to China. "We compete in the marketplace based on our technology, quality, and manufacturing capability. We've actually grown our company since its very first day in 2002 by 29% in a down economy. We're a new company, and a lot of people don't know us, but with that said, we've been able to create significant change in the company to grow the business," McNamara concluded. ■



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*Rohm and Haas  
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