

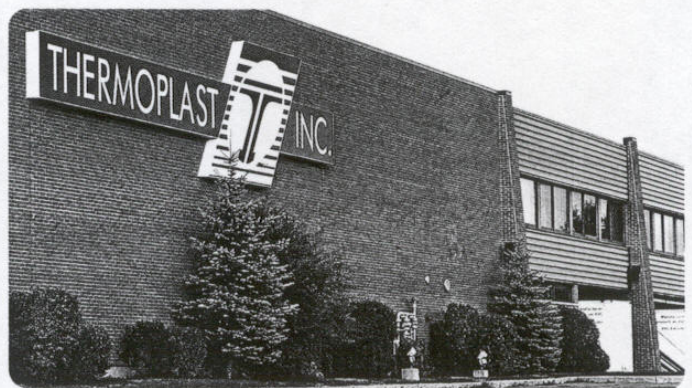
# Taking the Royal Road

**R**oyal Technologies Group, of Woodbridge, Ont., has been a Canadian-based success story for 30 years. Its development in the hands of founding president Vic de Zen, as a company with a unique management style and a scorching rate of growth in both sales and profits, made its shares a hot buy when the company went public a couple of years ago.

The construction-products company is vertically integrated in both PVC resin and extrusion machinery, so it buys relatively little from outside, which doesn't endear it to some industry suppliers. Its technical expertise, high volumes and in-house development capabilities give it an edge against other extrusion houses. Plus, its economic clout gives it a formidable aura within the plastics industry.

So, for any company contemplating acquisition by Royal, a number of issues arise beyond renegotiating the plant manager's salary.

Thermoplast Inc. of Montreal is one of the most recent Royal acquisitions. Purchased in March, this extrusion house makes window lineals, doors and other construction products.



**Thermoplast's plant in Montreal.**

In 1998, its last complete fiscal year, it had sales of just over \$28-million, so it counted as a medium-sized enterprise in its field. It is now one of seven

Royal-owned plants in Quebec.

"In terms of day-to-day operations, the adjustment when we were bought was minimal," says Pierre Grand'Maison, president of Thermoplast. "When we had discussions with Royal, we realised that we were both in the same industry, and we both hear the same music."

"One of the toughest things, surprisingly, was adjusting to a different fiscal year and different accounting procedures. We used to have a fiscal year ending in December, but now it's September 30."

The extrusion business, like many others, has seen considerable consolidation in recent years. Thermoplast, founded in 1966, was positioned as well as any small-to-medium company to face this, but it recognised there could be a time limit on its independent survival.

"We had shown we could introduce new systems to the industry," Grand'Maison says, "and we also had R&D capability. We also had very long-term relations with some customers."

For Royal, there were several advantages. Thermoplast had access to the Maritimes market, as well as being yet another facility close to the U.S. north-eastern states.

The PVC products market has grown exponentially in recent years: the average for window lineals has been 13 per cent annually over the past 10 years. This figure is expected to drop a little in the next decade, to seven or eight per cent per year, but that still offers healthy opportunities.

But other areas have opened for vinyl and other plastics. Royal's Dura Slate roof tiles, for example, which are 100 per cent post-industrial recycled plastics, and are warranted for 50 years. Doors and door systems of vinyl are also growing fast.

All these different factors combined to make Thermoplast's acquisition a good move for Royal. But Grand'Maison says there were also a number of pluses for Thermoplast.

"We have a lot of autonomy still," he says. "We have our own designs of window lineals, for example. "But now we have access to Royal's capabilities as well."

These include rapid prototyping methods such as laser sintering. So, if a new window or door design is going to need an injection moulded component, this can be produced in a couple of hours through the sintering process, and Thermoplast can check to see whether or how its design needs to be modified.

Thermoplast also continues assisting customers with product design and

development, and technical support. Its knowledge of the construction marketplace is invaluable in this.

Each Royal operation is self-sufficient in diemaking, although again, technical support from headquarters is available. Thermoplast is one of 26 Royal companies that are ISO-9000 certified, and its other managers are encouraged to lead their companies in the same direction.

"Beyond the technical challenges of extrusion, the big issue for us is labour," Grand'Maison says. "Public institutions in Quebec are just starting to produce people for the plastics industry."

"To develop a proper standard of employee, we take 24 months to train an operator. When I visit other Royal plants, we always end up talking about training issues because it's so important to us."

Applicants are chosen on an aptitude-and-attitude basis, and given a month's trial followed by a further assessment after three months. Workers tend to set their own pace, but after 24 months,

they should have completed enough classroom and practical training that they can be classed as full operators.

"We combine all this with safety and quality procedures," Grand'Maison says. "They have to learn our ISO processes as well as how to set up and run an extruder."

Royal's overall game-plan includes increasing its share of core North American markets as well as expanding into countries such as Argentina, China, Colombia, and Poland, where construction technology is behind that of this continent. In some cases, these countries lack the normal building materials - wood and cement - so that vinyl components offer a double blessing.

"I see very definite growth ahead of us," Grand'Maison says. "Royal's credibility is very important to us as we go outside Quebec. If we had continued on our own, we would never have had the opportunity that presents." ○