

Low Risk Contract

Manufacturing: Senior Systems turns out circuit boards, parts for equipment that cannot afford to fail.

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Senior Systems, a contract manufacturer in Palmdale, is gaining market share by devoting attention to some risky business lines, where a part failure can result in serious injury, death or a dire financial crisis.

Company officials say the firm, which employs more than 140 workers, is growing its business by supplying electronic components and circuit boards used in high-risk applications, such as ejector seats, combat communication equipment and heart patient monitors.

Senior Systems also is ramping up production of a controller assembly used in wind turbines, WiFi assemblies for an industrial/telecom customer, and triggering devices for oil and natural gas drilling operations.

While defense work remains the core business for the 29-year-old company, new markets such as alternative energy also require components that cannot

afford to break down.

The high-risk market is one that Senior Systems saw as underserved and the push to get work in that area began in earnest this year, said CEO Tim Morrissey.

“We looked at our portfolio and asked how can we expand and take the expertise used for high-level military equipment and bring that to the commercial market segment,” Morrissey said.

The printed circuit board and electronic components businesses generate about \$21.4 billion in sales in the U.S., according to Justin Molavi, a senior analyst with IBISWorld.

While U.S. firms have lost business to manufacturers in China because of the reduced cost of manufacturing overseas, work on components used in high-risk applications is likely to stay in the U.S. or be done in Europe because of the higher manufacturing standards, Molavi said.

“Most of the innovation is in the U.S. and most of the automation is in China,” he said.

As a privately-held company, Senior Systems executives would not disclose annual revenues. In the contract manufacturing industry, the company would fall into the tier three category with revenues between \$20 million and \$100 million, said Gregg Mozdy, vice president of business development.

Because it's ranked in the third tier, Senior Systems gains market share by going after customers served by larger manufacturers, Mozdy said.

To be successful in contract manufacturing, a company needs customers that are a right fit. For Senior Systems, those customers build equipment that result in loss of lives or severe financial impact if the equipment fails, he said.

When making high risk equipment, the customer looks for a rigorous manufacturing and quality control process. Senior Systems provides that with certifications from Underwriters Laboratory, the Food & Drug

Administration to make medical devices, and the International Organization for Standardization (ISO).

Defense and aerospace contractors Boeing Corp., ITT Corp., and Raytheon have recognized the company with exemplary supplier awards.

“Over time you build up this portfolio of work and certification that says you are head and shoulders above the other facilities out there,” Mozdy said.

Rockwell Collins uses Senior Systems to manufacture assemblies used in the visual system of aircraft simulators.

A visit by a Rockwell executive to the Palmdale plant led to a team being sent to do a full evaluation, said Craig Rasmussen, a principal buyer for Rockwell in Salt Lake City.

“We were impressed not only with the facility but with their processes and attention to detail,” Rasmussen said.

Over eight years of working together, Rockwell has learned that Senior Systems is good at addressing challenges, such as developing lead-free components, Rasmussen said.

“We continue from a company standpoint to drive our suppliers to higher on time delivery, higher quality and continuous price reduction,” Rasmussen added. “They have been very, very good at that.”

Senior Systems started in Chatsworth and moved to the Antelope Valley after its first location was damaged in the 1994 Northridge Earthquake. The company occupies a 130,000-square foot facility in the trade and commerce area of Palmdale.

When the industrial area located along what is now Technology Drive was developing, Senior Systems was just the type of company the city wanted to attract, said Dave Walter, economic development manager for the City of Palmdale.

“We are hoping that by having them available we can recruit medical

manufacturing uses,” Walter said. “We can say that here is another company that can do prototyping.”

Senior Systems employs more than 140 people in Palmdale and adds to the workforce for specific purposes. In June, the company brought on a business development manager in Phoenix to find leads and new customers in the Southwest.

“We just hired a new engineering manager and another person in the finance group,” Mozdy said. “We need middle management-type people.”

Senior Systems also is investing in new equipment. High tech X-ray inspection and soldering systems were added to the manufacturing area in January.

The Jade-Handex soldering equipment lowers cost by reducing manual soldering and the amount of handling time of the assemblies. The Dage X-ray system enhances inspection of assemblies with a magnification up to 7,400 times, the company said.

Investments in personnel and equipment send a message to current and potential customers about the high quality and consistent manufacturing Senior Systems provides, Mozdy said.

“What impression they get and feel about competency is a big deal,” he added.

The message about competency was on display in the fall issue of Manufacturing Today, which featured Senior System in a lead article titled “Head of the Class.”

The article helps the company get exposure to senior level management who are the ones making the decision of who to hire as a contract manufacturer, Mozdy said. For current customers, the article reinforces that message and what they know about how the company operates.

“It makes them feel they made the right decision,” Mozdy said.