

Growing 3X in 3 Years: How Dane Manufacturing Hit Their BHAG (Part 1)



Meghan Daniels Axial | October 9, 2018

In July 2015, Dane Manufacturing CEO and president Troy Berg and COO Mike Lisle set an audacious goal of growing the company 3X in 3 years — from \$10 to \$30 million.

Troy had owned Dane Manufacturing, a metal fabrication and stamping company based in Dane, WI, since 2001. He had just brought Mike on board as COO, and they were sitting down for their first of many weekly off-site meetings when they hatched the plan. “Mike said to me, ‘Well, what do you want to do here Troy?’ and I said, ‘Mike, let’s 3X this thing in the next three years,’” says Troy.

They knew this was a bold goal; that’s why they were attracted to it. Troy called it not just a BHAG (Big Hairy Audacious Goal) but a “F-BHAG” (use your imagination).

The pair knew that they’d need both organic and inorganic growth to achieve their goal. By 2016, Mike and Troy had doubled down on sourcing acquisitions, and in March 2017, Mike came across as a deal on Axial that seemed immediately promising, and which had the potential to help them reach their goal. The company was Dantherm Cooling, a supplier of energy-efficient climate control solutions.

“My first email to Troy with the one-pager was: ‘This looks very interesting. It also looks like it could be a bit distracting.’ That would turn out to be prophetic,” laughs Mike.

Prophetic — and an understatement. The 15+ month deal process threw curveball after curveball at Mike and Troy: a failed bid, a bankrupt parent company, a long-time bank backing out at the eleventh hour, and more.

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So how did they pull it off? In this three-part deep-dive, we cover:

- The history of Dane Manufacturing (and why Troy’s mom is really the hero of this story)
- How Mike and Troy got tight around their acquisition criteria
- What to do when a bank says no
- The travails of negotiating with a Danish bankruptcy trustee
- How Troy and Mike used Axial to come in under the wire

Thanks, Mom

In 1996, Troy had started an engineering services company. By 2001, he’d managed to grow it to 5 employees and just under half a million dollars. But he was growing frustrated with their business model. “Selling time by the hour is an OK model if you’re a lawyer and getting \$200 an hour. But if you’re an engineer and you’re getting \$75 an hour, it’s a hard way to make a living.”

He became aware of Dane, at the time an 85-year-old company with a team of 10. “It had been a husband-and-wife operation, but the husband had passed away and the wife was left to run it,” says Troy. “I was the 15th person to call on her in seven years to buy the business. She held on to make sure she could get the best price and the best person to make sure the company carried on.”

For Troy, buying Dane was an exciting opportunity to scale and transition from an services model. But two weeks before closing, his investor backed out. “My mom stepped up as the hero,” says Troy. “She went out and remortgaged her house and gave me almost all of her life savings.”

The deal closed on November 20, 2001. “It was right after 9/11,” says Troy. “I watched George W. Bush stand in that pile of rubble in Manhattan and say, ‘The terrorists don’t know who we are now, but they will hear from us soon,’ and I told my little crew of 12 people at Dane the same thing. ‘The world doesn’t know who we are now, but they will hear from us soon.’ My vision was to put the company on the map as a premier metal manufacturing company.”

With his mom’s money on the line, Troy dug deep to bring his vision to life. “I just went out there and started shaking things up,” he says. I scratched together every nickel I could get to buy our first new machine. My goal was just to grow.”

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At the time, Dane made primarily small stamped parts and old-fashioned sheet metal ductwork parts, primarily for the housing industry. “The items we made you would see during the construction of a house, and afterwards you wouldn’t see them,” says Troy. “We had levels of industry and customer concentration that were really scary. We needed to diversify and grow or we were going to get wiped out in the next housing construction downturn.”

Grow they did. Under Troy’s leadership, Dane went from \$1 million in 2001 to \$12.5 million in 2015. It wasn’t a straight line. “We grew from a little over \$1 million up to \$6.5 million, then the Great Recession came and after that we grew back up to \$10 million. But we had a hard time breaking \$10 million. Finally we broke the barrier there, and got to \$12.5 million,” says Troy. The company’s success was recognized: Dane made the Inc. 5000 list in 2007, 2008, 2009, and 2013.

During that time, Dane’s customer base evolved as well. The company went from making “hidden parts” to producing recognizable parts that have key applications in a wide range of consumer products: architectural metal for elevator cabs, joint plates and corner guards for airports, handrails for hotels and conventional centers, job boxes for construction sites, and more.

“He Needed a Mike”

Dane was doing well. But by 2015, Troy was overwhelmed. Too much of the decision-making depended on him, and he knew he needed help to get the company above \$12 million. He reached out to Mike Lisle, a finance executive and old friend of his who had been working as a controller in a janitorial company, and asked him to join as COO.

When Troy proposed the 3x goal, Mike was more than game. He’d come to Dane from a company that had suffered a tough decline after several successful years. “We’d lost two key customers and morale was low. You wear a lot of that on your sleeve when you’re the financial guy, and while we all shared the responsibility, this was a situation where I knew that one of the other key leaders had really dropped the ball,” he says.

Troy and Mike put their target at somewhere north of \$30 million. At the time, Dane was bringing in \$11.2 million in sales. Soon after setting the goal, they sold off a non-core division of the business to a small PE firm, lowering annual sales to around \$10 million.

As the CEO and president of the company, Troy had an obvious incentive to hit the mark. But Mike made it personal too. He vowed to get Dane to a \$30 million company before his previous company got back to \$30 million. “It sounds so stupid and petty, but it fit with where Dane needed to be. Troy had done a lot of work to get the company to \$12 million, and he was hitting a plateau. He knew he couldn’t do it himself anymore. He needed another Troy type, another full company leader. He needed a Mike. Sure, the goal was a little audacious, but it was something we could comprehend and attack.”

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Troy didn’t keep their goal quiet. He knew that he needed to light a fire under the team if they were going to succeed. When he told fellow CEOs at the executive coaching organization Vistage about Dane’s gamble, they scoffed. “All my friends were like, ‘Bullshit, you’ll never make it. That’s crazy.’ But I said, ‘Nope, we’re going to make it and we’re going to get our fifth Inc. 5000 award. We’re going to join the ranks of Amazon, Google, Microsoft, Apple.’ And my friends were like, ‘Yeah yeah yeah. You know you’re just a metal manufacturer, right Troy?’”

Challenge accepted.