

From left to right:
Douglas Hawes,
Craig Berland,
Bonnie Berland

CLIENT:
Systems 3

BANKER:
Douglas Hawes

CHALLENGES:

- ▶ All projects are funded internally
- ▶ Creating stable cash flow
- ▶ “On time” means on time—no exceptions

Pushing for Perfection

For Systems 3, there is no room for anything but best-in-class product quality and delivery

Perfection is a goal many businesses set for themselves, although few achieve it with any consistency. However, for Tempe-based Systems 3, Inc., the motivation to strive for perfection is greater than for most companies. In System 3’s case, not being perfect can mean not getting paid.

Systems 3 is an engineering and manufacturing concern that has grown over the past 22 years to become a leading supplier of CNC (computerized numerical control) machined parts, tooling, fixtures and engineering design services. Many of the components it currently produces are critical to the country’s national defense. Its current and past customers include the U.S. Navy, ATK, TRW (now part of Northrop Grumman), Jansen’s Aircraft Systems Controls and Boeing.

When your “best” isn’t good enough

“In our business, our customers inspect everything

we do, and the slightest blemish can be cause for rejection,” says Craig Berland, president of Systems 3. “We must fund all projects internally until the final product is delivered to our customers. Therefore, being perfect in both quality and delivery schedule is critical.”

While Systems 3 constantly strives to attain that level of perfection, Berland notes that the phrase “We did our best” has no relevance in his business. Delivering a poor product not only means the possibility of repair or replacement, it also means not getting paid—sometimes, for many months.

The company’s roots lie in the automotive industry; much of its early work was related to electronic fuel injection for racecars and high-performance aftermarket applications. It started out in 1985 as a single-employee company with \$100,000 in annual sales and has grown to 50 employees and \$9 million in sales today.

A stable cash flow stimulates growth

More important than its growth, Berland stresses, is the success System 3 has achieved in stabilizing its cash flow and profitability. “A friend once told me that the three biggest challenges you face in making a business successful are people, cash flow and people, and that I could reverse the order if I wanted. He was right. Stabilizing our cash flow has allowed us to pursue sizable new business opportunities that we were not able to go after before.”

Compass Bank has played a role in System 3’s success, providing it with the financial wherewithal it needed to continue growing, Berland says. “All successful companies must have a strong banking relationship and that requires considerable effort from both sides,” he says.

“The Compass Bank team has been excellent in providing the effort to get to know us and our company. We have won several significant contracts that have had a large impact on our annual sales. Compass Bank was there early on, understood what we were going to do and committed to funding the necessary line of credit,” Berland relates. “They’ve also been there to fund our major equipment purchases and real estate loans, as well as the usual business accounts and business banking services.

Douglas Hawes, senior vice president, Corporate Banking, is one of System 3’s primary contacts at Compass Bank and he gives much of the credit for their successful relationship to Berland and his associates. “They really are great people,” he says. “They’re easy to do business with and they do a great job of staying on top of their financial information. For our part, we work hard to understand their business and their banking needs and we try to tailor the services we provide to best meet those needs.”

Berland values the relationship he has built with Compass Bank. “In all facets of business, a personal relationship with your suppliers and customers is crucial,” he says. “When you receive that level of personal service, you know you have a trusted relationship that will be there when business needs arise. The knowledge and dedication of the bank’s staff in meeting our needs on a daily basis make it a pleasure to do business with Compass Bank.”

Berland has learned some hard lessons during his entrepreneurial career, but he loves his way of life. In its early years, the company pursued new business in a slightly haphazard manner, sometimes offering credit without doing adequate research. Some of those customers went belly-up owing sizable debts to System 3, something Berland says “never makes for a great year.” He admits that it also took him awhile to learn the lesson about the importance of cash flow.

But the thrill of being a business owner has never waned for Berland. “I love to compete,” he asserts. “Competing against another good company on a large project and winning hands-down makes all the long hours worthwhile. In business, the big scoreboard in the sky is long-term profitability. Winning the job at a loss is not winning. And unlike athletic events, this game—hopefully—lasts for years.”