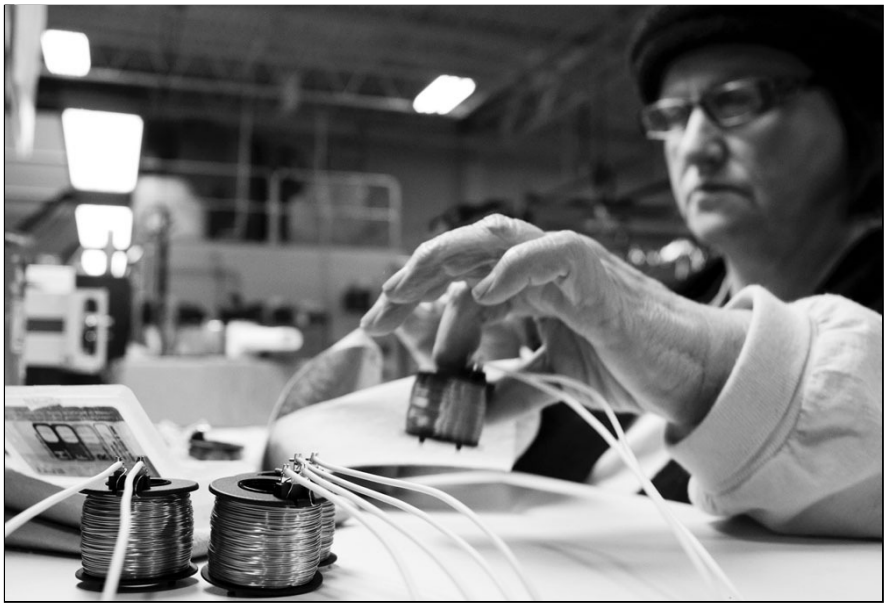
Doing What No One Else Can Do

TLX Technologies focuses on advanced programs

By Katherine Michalets - Special to The Freeman *Feb. 28, 2015*



Deborah Thompson solders wires onto coils for solenoids at TLX Technologies on Wednesday.
Charles Auer/Freeman Staff

CITY OF PEWAUKEE - TLX Technologies has found its key to success in developing advanced technologies that no one else is creating so not only can the solenoid valve company ask top dollar for its products, it was also able to weather the economic downturn a few years ago.

TLX Technologies founder and President Neil Karolek said when he is approached by another company wanting TLX to create a component based on something already on the market, he responds by asking for the program they can't do.

The beginning

TLX Technologies has a quintessential success story. Four guys creating a business plan and product in the basement and dining room in 1996 followed by a struggle to get footing on the market and eventually landing enough contracts to allow the company to hire about 55 to 60 employees and to build a second facility in China.

Karolek said the initial product designed by TLX Technologies in 1996 was a valve that would control the inflation of an air bag, causing it to inflate at a rate proportionate to the person sitting in the seat. The intent was to decrease the number of children who were killed by the great force of an air bag.

Just as they were getting their business plan off the ground, the U.S. government made it mandatory that air bags would be depowered by 30 percent, which improved the safety for a child, but decreased it for a larger adult.

"Our business plan evaporated," Karolek said.

Neil Karolek, president of TLX Technologies talks about the process that led to the company establishing a facility in China during an interview Wednesday.
Charles Auer/Freeman Staff

So the founders reinvented their business plan to include technology marketable to other industries — such as fire protection, industrial and general consumer — and went before their investors again. From there, they attempted to get clients and contracts, which proved to be difficult.

Karolek said it was common for them to hear “I like your technology, but I can’t give you the order at that volume.”

One early proprietary program created that is still in use today, is a hot and cold melt adhesive dispensing valve program.

It was a deal with Harley-Davidson for a couple of programs that opened the floodgates, Karolek said, because they were now able to get the attention of the automakers and achieve that critical mass production.

Expanding into China

Recently TLX Technologies began to set up shop in China in order to build custom solenoids and solenoid valves for Asian clients. Karolek felt it was important to be nearby in order to meet their needs in a timely fashion and to grow the business.

When Karolek approached the Board of Directors a few years ago about his idea to build where the products are needed, he was met with trepidation from the board.

“I knew if we were going to be a player, we would have to be there,” Karolek said of China.

After convincing the board of the advantages of opening a facility in China and informing them how TLX’s intellectual property would be protected, Karolek was given the green light. After discussing the company’s plans with economic development heads for four Chinese cities, it was determined the best fit would be the same city Land Rover and Jaguar were already operating in.

Karolek said the plan is to keep the technology at the City of Pewaukee headquarters, explaining he doesn’t want the design work focused in China. So while people will be employed in China, the profits will return to the United States, Karolek said. In addition, more people will be hired at the City of Pewaukee site in order to support the Chinese programs.

He isn’t too worried about TLX’s technology being copied in China because it’s much harder to duplicate than say, a BIC pen.

TLX Technologies’ China facility should be up and running with a small program in May, Karolek said. A second program will likely be added in 2016 and then the facility should be able to produce 200,000 to 300,000 solenoids by the middle of 2017.

For many, opening a facility in China may be daunting, but Karolek said there are numerous resources available, such as the Wisconsin Economic Development Corporation and the U.S. Department of Commerce.

When TLX Technologies was looking to expand exports to Europe, the U.S. Embassies were able to help locate a potential representative. The person TLX hired helped them to get work with Mercedes.

“Businesses that export have a leg-up on almost everyone else in the world,” Karolek said, adding they are better to handle economic cycles and have added to value to the company’s overall worth.

Continued growth

The past couple of years have seen significant growth for TLX Technologies. In 2014, the company grew 15 percent, Karolek said, and is predicted to grow 18 percent this year.

This week they were one of the companies nominated by Wisconsin Manufacturers & Commerce for a Manufacturer of the Year Award.

“During the first 10 years, there were times I didn’t know if we would make payroll,” he said. TLX Technologies made it through those early lean years, and even the Great Recession. From 2008 through 2010, TLX’s production was down, but large companies were still investing in new technology, Karolek said.

“Now I’m worried about growing the business too fast,” Karolek said. It’s important to temper the entrepreneurial dream with reality, he said.

Tips on opening up a foreign business facility:

-Identify if there is a market in that country for your product.

-Find out if the market is regional or national.

-Take advantage of resources offered by the U.S. Department of Commerce, Wisconsin Economic Development Corporation and Wisconsin Manufacturing Extension Partnership. Grants are available through the U.S. Department of Commerce.

-Make sure a tier one supplier is already in the country and selling their products.

Source: TLX Technologies founder and President Neil Karolek