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MONTHLY

Captain of Industry

Arc Herkimer President Kevin Crosley is creating opportunities for individuals supported while maintaining the non-profit's fiscal health and viability.

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COVER STORY

An Enterprising Leader

Arc Herkimer President Kevin Crosley takes a business-minded approach to managing the organization and the results are beyond everyone's expectations.

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Making Arc Herkimer An Industry Leader

Good stewardship requires taking reasonable risk

BY RICHARD BARRETT
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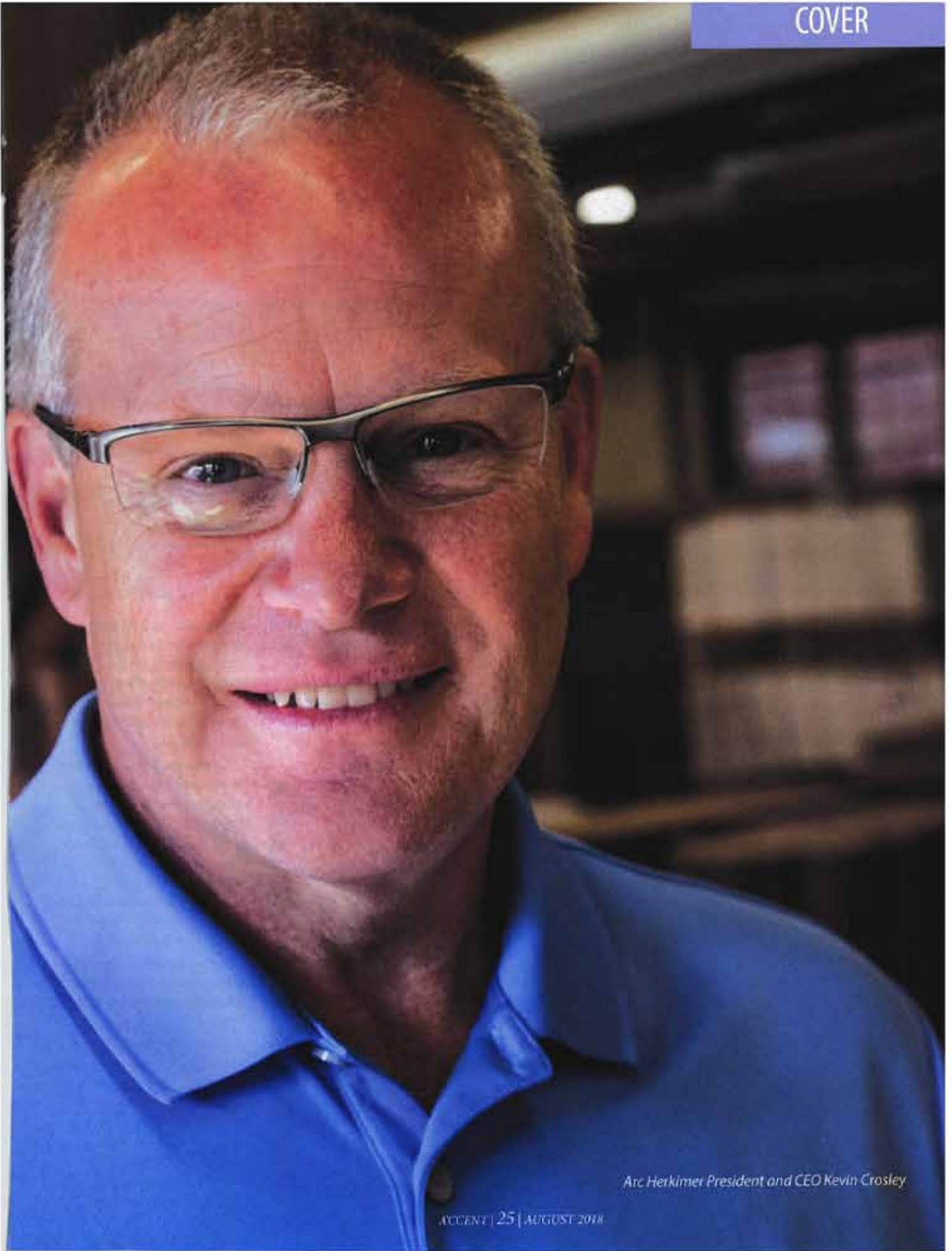
Working in the front office for the New York Yankees' Triple A Columbus Clippers while earning a Master's degree in Sports Management from Ohio State, Kevin Crosley thought he was on his way to his dream career in the world of professional sports.

But he needed a job and money after graduating, so he accepted a position as a sales representative with a Cortland-area mental health services provider thinking he'd stay for six months or so until he got on his feet.

Then an executive noticed something special in Crosley that led to a series of promotions and his ever-increasing personal affinity for the impact the agency's work was having on the lives of those it supported.

Somehow, those six months turned into 34 years and he's never looked back. Today, he's still at it, now serving as Arc Herkimer's President and CEO, and in retrospect, he has no regrets whatsoever about abandoning that initial career choice for a far nobler one.

Coming up on 13 years of service at Arc Herkimer, Crosley has been responsible for refining the organization by implementing a culture of change and a shift of focus that allowed it to not only grow, but flourish.



Arc Herkimer President and CEO Kevin Crosley



"In business, it's always about the people. Talented people make things happen and if we didn't have those people, we wouldn't be growing at the levels we are."

• "We've gone from several
• hundred thousand dollars
• to over \$7 million in annual
• revenue," Crosley said. Arc
• Herkimer is now doing
• about \$1 million in growth
• annually since Crosley took
• over in 2005, and revenue

has nearly doubled. "We want to continue to grow that," he added.

Credit the success of Herkimer Industries and Crosley's strategic planning and management for the organization's significant

turnaround. As a former vice president of sales and marketing, he led a team whose goal was to produce opportunities for the individuals the agency supported.

"I came from the vocational side that was generating opportunities for people through business enterprises, which is why the board was interested in my candidacy," Crosley explained. "They hadn't focused on that before and felt it would be good for the agency to delve into."

Crosley acknowledges that it takes awhile to get the right people in the right positions.

"The first thing I did was search for a VP of Industrial Operations who came from the business sector. I needed someone who understood business operations and logistics, and I was very fortunate to find my first hire, Michael Lamb, who was a chemical engineer from



Above: Workers assemble cardboard boxes for Remington Arms.

Below: Crosley (c) with a few members of the hard-working crew at Herkimer Industries.



Herkimer Industries packages fire wood for DEC campgrounds. Below: A worker operates a sewing machine. Bottom: Herkimer Industries does the packaging and shipping for Z Medica anti-hemorrhaging kits.



Clarkson, who had been in for-profit industry and was looking to relocate. He's been here as long as I have and has done a remarkable job."

In order to acquire new business that would support future growth, Crosley also hired professional sales people "who understand what it's like to be out there grinding away

trying to find opportunities" and he says he is fortunate to have two very seasoned, strong professional sales people: one who focuses on federal and state contracts and one for commercial business.

Although there are private not-for-profits that have explored the advantages of engaging in public and private industry, the concept of Herkimer Industries is relatively unique in the Arc world, Crosley says.

"No one is doing it on the scale of what we do," he said. "A lot of them have tried it and the reason why many haven't been successful is because they haven't gotten the people in those roles that really understand manufacturing. We're human services agencies with people who come from a different background. We're a business with a social mission and we approach it differently from the standpoint of the mission and how we go about achieving it. We do it in an entrepreneurial way by trying to generate business opportunities."

Recognizing that growth simply for growth's sake isn't a wise approach, Crosley

knows it must be undertaken strategically. He quotes loosely from a book he once read about good stewardship requiring taking reasonable risk on behalf of the individuals supported.

"We've taken some significant risks and fortunately they have played out," he said. "But you have to be willing to do it. We've taken on facilities that most Arcs wouldn't dream of and we've done it with the hope there would be other opportunities that would come up. People in our industry who are risk-averse will never be able to grow anything that's more of an enterprise. We're not risk averse. We don't hip shoot and make bad decisions, and not all of them are winners, but we don't get hung up on those that aren't. We cut our losses and move on."

The reason Herkimer Industries has been able to experience such impressive growth and expansion is because it has either acquired or is leasing space for its various operations. There's a 100,000 square-foot facility in Little Falls, another 70,000 square feet in the Iliion Mall, and 120,000 square feet at its E. German Street site in Herkimer.

"Space gives you flexibility and options," Crosley explained. "If you don't have space, you don't have options. It allows you take on the projects that we're taking on and they're paying serious dividends for us. It's not a struggle to make it work. Fortunately, we do not have that burden."

Herkimer Industries is currently capable of producing more than 350 items on New York State's preferred source list; they had 30 when Crosley assumed his current position,

and the industrial group has enjoyed tremendous success developing additional opportunities in the commercial realm.

One that Crosley claims "has absolutely exploded" is the organization's relationship with a company called Z Medica, which makes hemorrhage control kits to stop bleeding. He explained that the kits can now be found in schools, libraries, stores, and public buildings, and are used by first responders.

"The kits have an active ingredient in them to immediately stop the bleeding from a gunshot wound and to allow that extra time for first responders to arrive on scene," he said. "Z Medica brings in the component parts and we do the packaging and shipping. Last year, we did \$750,000 in sales, which was our first year. As of June this year, we've already done \$1.1 million. The relationship has been unbelievable. Z Medica is projecting \$2 million in sales this year, which is pretty exciting. It provides work opportunities and great margins, and it's a great business. It's unfortunate at some level that it's growing as rapidly as it is because it speaks to what's going on in the world today. But the fortunate part is we can play a role in saving people's lives. That's great for our brand and something we feel is going to serve us well for the foreseeable future."

Another huge piece of business for Herkimer Industries is its ongoing engagement with Wal-Mart, producing back-to-school displays for more than 700 stores from Virginia to Maine. The 100,000 square-foot former LaSalle Laboratories in Little Falls has been repurposed into an expansive



Above: End caps for 700 Wal-Mart stores are assembled and populated in a Little Falls warehouse.

Below: Crosley chats with a worker on the Remington assembly line.

production facility where workers assemble thousands of corrugated cardboard end panel displays.

"Besides assembling the displays, we now take their products and bring them into Little Falls and we populate the displays with school supplies, shrink wrap them, and send them to the Sharon Springs distribution center. From there, they ship to other distribution centers, who then distribute to 700 stores. It's a huge labor component for us with anywhere from 25-40 people involved."

Crosley added that this is the fourth consecutive year Herkimer Industries has worked with Wal-Mart, and the successful relationship has generated additional business and opportunity in the form of Black Friday displays, which he describes as an even larger undertaking.

Herkimer Industries also works with state police and law enforcement agencies producing safety kits with first aid supplies, the DEC packaging firewood bundles for resale at its camp sites, assembles boxes for Remington Arms, and has an industrial sewing operation



that makes everything from dog beds to straps for military eyewear. The organization also leases out space in some of its facilities to small businesses as an additional revenue stream.

"This is critical for our industry now to be able to diversify revenue streams," Crosley said. "We've been trying to do this for several years, and have been able to maintain a pretty good situation. These facilities and the business we've brought in have allowed us to make that happen."

Undoubtedly, the improved success of the organization over the past decade has resulted in a huge economic impact for the region by creating jobs and contributing to the income, sales and property tax bases. With 40

locations within its network, Arc Herkimer employs about 200 people total, including its own citizens, staff and temporary help.

And the state of New York has taken notice. Crosley was recently vetted by the governor's office to join the Mohawk Valley Regional Economic Development Council.

"That speaks well for what we've accomplished as a team here," he said. "They've recognized us for being a non-profit finding ways to generate opportunities, create jobs, and generate revenue by taking on facilities and retrofitting them. To have that level of recognition is great for the organization and I appreciate that people are seeing that



Crosley meets with a designer in the organization's sewing operation.

we are adding value to the economy."

The real winners in all of this, Crosley says, are Herkimer Arc's citizens and their families by extension. Crosley has witnessed firsthand the noticeable impact that these opportunities for personal growth have on everyone involved.

"There's no question with the people involved on the industrial side that there's a sense of pride, a sense of purpose and focus. It's everything that a person without a disability would feel when they go to work. They're getting a paycheck, and regardless of the amount, it is an incredible sense of pride. I can tell you they are just beaming on payday with a sense of accomplishment for the hard work we all put in. The opportunity for them to have work is critical to their existence."

Their working lessens the burdens that families sometimes feel because it provides independence, socialization

and productivity. Crosley says the families are thrilled over the opportunities their children are being given, and if it ever went away, it would create a huge void in their lives.

"It would be devastating for everyone," he said. "There's something to be said for the value of work and that's the basis for what we're all about in growing the industrial side of the organization."

Funding for non-profits is always challenging, however, Arc Herkimer is in a far better position than its counterparts thanks to Crosley's strategic vision and his team's masterful execution of it. When he first arrived, the organization was 95% Medicaid funded and the initial goal was to get to about 70-30. The next milestone is a 50-50 split between federal funding and industrial operations. They haven't been receiving cost of living increases from Medicaid but have utilized the industrial side of the business to make up that difference.

"What we're trying to do is augment what the state is no longer providing to us in terms of revenue," he explained. "If we can augment that with our own industrial operations, we can continue to provide the high level of service and supports that our families have become accustomed to."

Crosley added that New York State is leading agencies like his toward establishing work centers that integrate a community and social setting that is away from sheltered workshops, with the disabled and able-bodied working side by side. More than 70 agencies are expected to transition to this new model by 2020, and Arc Herkimer is well-positioned and way ahead of the game.

"Community integration is the buzz word currently," he said. "The Ilion Mall site will play a significant role in that. Workers will be right downtown, which is walkable and there are stores right there where they can shop. There are shop owners leasing space in the mall, and we'll be

opening a café where people can eat and socialize together."

For Crosley, getting to this point has not been easy.

"The state hasn't been that good to us," he noted. "Had we not had this revenue, we'd be in a world of hurt. And a lot of Arcs are in a world of hurt. There's definitely consolidation in the industry."

At the end of the day, experience has shown Crosley that it's the people who are ultimately responsible for business success.

"In business, it's always about the people. Talented people make things happen and if we didn't have those people, we wouldn't be growing at the levels we are."

Has there been a watershed moment when Crosley realized it was all working together?

"I can't point to one specific thing. It's been a culmination of the many things we've done, and I hope to have many more as we go forward." **A**