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BY DEBORAH L. COHEN // PHOTOGRAPHY BY MORGAN ANDERSON

Schupan & Sons CEO Marc Schupan on staying distinct from the competition—and ahead of it

AS A YOUNG high school government teacher and coach, Marc Schupan wanted a change. While he pondered a future as either a college basketball coach or an attorney, he decided to work briefly in his father's fledgling scrap-metal business.

"I certainly wasn't going to be in the industrial recycling business," Schupan says of his career ambitions at the time.

But in 1974, after his father died unexpectedly of a stroke at age 53, Schupan, just 26, took over the Kalamazoo, Michigan-based operation, then known as Konisberg Co.

Nearly 40 years later, he has grown the private company, now Schupan & Sons Inc., into a high-tech, multi-tiered business with some $250 million in annual revenue, 400 employees and three divisions in four Midwestern states.

The business recycles industrial scrap and sells and distributes new metal and plastic-mill products for industries ranging from automotive and medical to pneumatics and furniture. Schupan & Sons is also the nation's largest independent recycler, processor and broker of used beverage containers.

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In a metals market beset by overcapacity and price deflation, Schupan & Sons has remained profitable, largely through strategic diversification. Its 2010 purchase of Toledo, Ohio-based Tri-State Aluminum helped boost its revenue by a third.

The company also has broadened its expertise beyond metals into PET (polyethylene terephthalate) plastics and glass used in containers and other commercial applications. Through a joint venture called Used Beverage Container Recovery, Schupan & Sons collects and processes beverage containers made of various materials from Michigan's largest grocery stores.

The forthright Schupan, a frequent commentator on CNBC, says there is no mystery behind his success: He and his management team remain focused on service improvements that differentiate their mainstay businesses from rivals competing solely on price. He credits a strong company culture that rewards employees for good work, including regular monetary competitions for plant workers who find ways to improve their jobs.

Charting a business with staying power for the 65-year-old executive means building Schupan & Sons as a legacy operation well into the future. His management team already includes a brother, sister, daughter, son and son-in-law.

Essentially you're managing a mini-conglomerate with multiple businesses. How do you handle strategic planning for such a diverse operation?

Well, we do it. It's not in a very formal fashion. With each division each year, we'll basically say, "OK. Here's where our goals are. Here's the type of capital equipment that we're probably going to need. Here are our opportunities." We don't go out too far because, to be honest, I'm not sure that's necessarily a great idea. You have to have the ability to react to changing times, and they change pretty quickly.

Also, we avoid analysis paralysis. When we bring our resources to bear on any problem, we're not afraid to move forward with some type of action as opposed to studying it forever. For instance, there was a beverage company that had someone else doing their recycling; they failed miserably. We had never before done it the way they had it set up. So I dispatched a team to the plant to study the process and look for efficiencies. We had it up and running successfully in three weeks.

Talk about value-added services that have differentiated you from competitors.

We've targeted 10 or 12 major, good-sized companies and tried to make sure we could fulfill their needs and grow with them, as opposed to trying to do everything for everyone. A lot of what's helped us is that when we talk to our customers, we don't get them to fit into what we do. We basically go to them and say, "What are your challenges? What do you need that maybe either somebody else isn't doing the way you like or that we could do better?" We work with a medical devices company—not only do we have a just-in-time inventory, but we also monitor what their needs are; we're building parts so that they don't even have to call us to order. We really do build relationships so they're not adversarial. We're quite picky about who we choose to do business with.

Can you explain what you mean by "picky"?

We certainly want happy customers, but if we're not allowed to make a profit or they don't feel that we should make one, then maybe it's better for one of our competitors to work with them. It's kind of simplistic: My three-by-three aluminum angle is no different than any of my competitors'. They all, today, have inventories. They all give good service. So if it's just going to be price and that's all there is and there's no value-add to it, it's going to be very, very challenging for companies in our industry to be successful.

You've also grown significantly through acquisitions. What do you look for?

Growth-wise, we're always looking for acquisitions that would geographically make sense for us. We once had a plant in Austin, Texas, and from that we learned a lot about managing from afar. It was challenging. Somewhere between 250 and 300 miles geographically is a comfort zone for us. You're always needing to look for areas that you can value-add—do something a little different than your competitors. We just bought an electronics recycling company [in Indiana]. Why did we do it? Well, we're in the recycling business. I have 800 industrial plants I handle on the scrap side, and 9,000 to 10,000 aluminum distribution customers. They will all have electronic scrap. So here's an opportunity for us to grow into something that, for us, makes all the sense in the world.

How do you know when a seemingly attractive opportunity isn't right?

There was a company that was bankrupt, a large company that would've really helped us grow. I took one walk through the facility, and I could see that culturally it just would not fit. I walked away from it. I didn't see any fire or motivation [from those workers] to get the job done. It looked more like people were just putting their time in. I could see by watching the pace of what went on that it would be very difficult for us to be successful as the owner.

Many of your employees have spent their entire careers at Schupan & Sons. How do you build employee retention?

It's a culture. People feel good about working for a company that they know tries to do the right thing. When fuel prices really got out of hand, we instituted a gas allowance for all hourly people. When you do things for people, especially when it's unexpected, it's really appreciated. We'll have an annual company picnic, have between 700 and 800 people, their families. We have a philosophy here: They know when we do well, they'll do well. And when things are tough, we'll suffer through it together.

What do you think will be the result of overcapacity in the metals market?

I've seen the horrible times when some of the steel mills went bankrupt. I see companies that are expanding their steelmaking capacities in the U.S. now. The energy sector has been very strong. Automotive is good right now too. But you certainly don't want to get back to those kinds of positions. And I don't think we will. But you'll have to have fewer players and some reduction in capacities, or no one will be successful.

Do you think there's room anymore for the simple metals distributor?

You must have state-of-the-art equipment today. You can't be successful without it. [Warehousers] are going to need to find something that they can do better, whether it has to do with logistics or inventory control. Call it a Kanban [lean, just in time]-type thing, which is giving people exactly what they want when they want it. For example, if you package maybe five of one customer's components, you know what their inventory is. And every day, you send them 40 packages of these components. They tell you what they're going to need, but you have them inventoried, so you can do it.

You've recently begun to have a presence on Facebook. Can you talk about how information technology helped you build the business?

I have great information systems so that everyone [internally] knows where we are with customers and prospects. We had customers that we had called on in person, and we didn't have any success with them. But when we [launched] our new website and did a few things differently, we started getting orders in places where we never could have in person. Once you've got a foot in the door, you say, "Hey. You're buying X from us now. What other things can you buy?" This makes it easier to start that face-to-face relationship.

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What mistakes have you made over the years?

What I learned in Texas was that if you're going to have an operation, you really do need somebody that understands your culture in that place. That's really important. We learned that was difficult to manage from a distance. We had an aluminum-melting operation at one time. And we had a great product, except that was when the Russians imploded and they filled the world with aluminum. My product went from 95 cents a pound to 41 cents a pound.

How will you ensure that Schupan & Sons remains a family business?

The statistics for a third-generation family business aren't very good, and we understand that. We are working with family members who have active roles in the company on succession planning issues, including ensuring the values of the company are understood as we move forward. We will defy the odds.