

Cortec's Croatian Cowboy lives the American dream

BY FRANK ZUFALL

"Not in my wildest dreams," said Boris Miksic when asked about his current station in life.

His response is justified.

Miksic's story starts in Croatia, a country that struggled under the communist control, a country that former President Tito melded with the other ethnic groups and separate nationalities under the banner of Yugoslavia.

He grew up in an area called Zagreb, living in a one-room apartment with his parents.

Two statements could be said of the Miksics: They were proud of their Croatian heritage and they hated communism, both a recipe for trouble in the former communist-ruled Yugoslavia.

Like many his age, Miksic was active in the student movement while in college, demonstrating against the government for more freedom and cultural identity for Croatia.

In 1968 while he and his girlfriend were walking to catch a train, a dashing red Ferrari drew near and immediately, as he said, "two sets of thumb went into the air requesting a ride."

The couple in the car were Dick and Margie Singer, Americans on their way to Germany.

Miksic and the Americans hit it off from the start. He spent some time with the couple while

they stayed in Zagreb, and he stayed in contact with the two via letters.

Years later, in 1974, Miksic was married, disillusioned and fearful of his life in the communist slate, and ready for a change.

"I had a huge interest in the United States," he said. "I made up my mind if I had the opportunity, I would go there. It was like the promised land."

He made contact with the only people he knew in America, the Singers, and asked them to sponsor a move to America for him and his wife.

The Singers agreed. Miksic's American dream started with selling his car to buy two plane tickets, leaving him and his pregnant wife with a grand total of \$37 to start their new life.

The couple landed in New York and spent all their money the first night on a hotel room.

On their second day in America, they officially had nothing but the proverbial clothes on their back.

Life was tough. Miksic and his wife earned money by "washing the floor in McDonald's," he said. "We couldn't speak English, so the only thing we could do was wash the floors."

Because he had a degree in mechanical engineering, the Singers were able to line up a job

for Miksic in Minnesota at Northern Instruments, which makes corrosion inhibitors and an electronic sensor.

Challenges in his life only seemed to grow larger. The job really required a background in chemical engineering, and to compound everything, he still didn't speak much English.

Two factors made a difference in his life: He had the desire to succeed and he spoke Russian.

The desire drove him to take night classes at the University of Minnesota and to improve his English; his knowledge of Russian created an opportunity to start his own company.

Doing research at Northern Instruments, Miksic would spend hours in a library reading research reports on corrosion control.

The Russians had spent considerable time in that area, and many of their journals and research were written in Russian and were just waiting to be read by a clever, industrious immigrant who could read Russian.

By reading the Russian journals, Miksic discovered ideas that he thought would be excellent for Northern Instruments to adopt to stop and control corrosion.

However, the company showed no interest in Miksic's discovery, and soon Miksic was losing

interest in Northern Instruments. He was at a juncture of his life where he was considering moving on to Austria, a country with a large Croatian expat community.

But he was having a house built, and during that time he decided to pursue another avenue for his life - starting a business.

In 1977, his plan was to compete against his former employer by manufacturing chemicals that he had learned about through the Russian journals.

His new company was called Cortec, short for corrosion control.

Like many new companies, Cortec had its ups and downs but always showed promise and potential, growing at 20 percent a year.

In 1983, Cortec was called the "fastest growing small company in Minnesota."

However, in that same year the company experienced cash problems and had to look for a bigger player in the market to save it, and that saviour was Sealed Air.

Sealed Air is a medium-size public company in the packaging business. Miksic was offered an opportunity to work with a larger company and create more opportunities. The deal was made.

However, soon, after the contracts were signed, the operation

started to come apart, Miksic said.

"I thought we had the same vision, but the new guys started changing things," he said.

There was friction between the leadership of Sealed Air and Miksic, and the result was that he was essentially fired from the company two months after the merger.

Because of contractual obligations, Miksic received a paycheck from the company and maintained a loose cooperation, but was out of the picture.

Sealed Air had problems operating Cortec, primarily because they didn't understand the business, according to Miksic. The company faltered.

In 1988, Sealed Air offered to sell the company back to Miksic. Although the company had financial problems, Miksic said, he jumped at the chance to take charge of his old company.

His four years out of the limelight gave him plenty of time to think about running a company and about what he had done right and what he did wrong. When he was once again owner and president, he was determined to take the company to a new level.

"The first two months back we made money," said Miksic.

The president made the tough decisions and set challenging goals based on 20-20-20: Twenty

percent growth, 20 percent new products, and 20 percent reduction in cost.

The rest is history. Today Cortec is a company consisting of five plants: two in Saint Paul, Minn., one in Cambridge, Minn., one in Eau Claire and one in Spooner.

And that poor immigrant from Croatia is now an American citizen who owns a privately held corporation that is worth millions, enough for Miksic to buy a red Ferrari.

When Miksic is asked, "Did you ever imagine you would ever be where you are now?", "Not in my wildest dreams."

More questions

Miksic was asked a number of questions about the Spooner area, his company, business in America and the world, his future, and his homeland.

You and many of your former countrymen are very devoted to your home country, Croatia. Why is there so much devotion?

"We have a very strong community around the world because many of us had to leave the country during communist oppression, and now many of us are going back to the country and help it recover and stand on its feet."

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"We are a complete solution company when it comes to corrosion control. We can provide all the needs for a company. If you go to Cortec, we have everything for corrosion control from one vendor, and we have that versatility because we invest in research and development."

"As companies are downsizing, they are laying off experts in this area. Exon Mobile used to have 20 to 30 corrosion control engineers, now they have one of two. We can step in help with expertise and support with a global reach." one or two. We can step in and help with the expertise and support with a global reach."

Why did you buy the former Rawn Company in 1998?

"The Rawn Corporation filled our cans in the past. I thought if we owned it, we could lower our cost and be more competitive and make more money. I believe in vertical integration. I don't believe in out-sourcing because you give up your technology, your secrets, and you give up your control on quality."

What is the significance of the Spooner plant in your overall structure?

"This is the largest aerosol-filling plant in the Upper Midwest. It's the smallest of our plants, but it is important as we compete in the repair market against products like WD-40. It is essential for future growth."

"We have a really good community here as low-cost producers. The cost of production is much higher in other places, like in Chicago. We like the small-town mentality. People are hard-working, ethical, and we even promote this to our customers."



Boris Miksic, owner and president of Cortec, stand in front of his Spooner operation next to the wooden cowboy he had commissioned in honor of the Spooner Rodeo. photo by Frank Zufall

What is your commitment to this area?

"We took this company when it was bankrupt and we turned it around. We have a long-term

commitment to this place and will be here for some time. However, it will be at least two or three years before we expand our operations here."

For a corporation, what are the strengths and the weakness of doing business in this area?

"The strengths are many. Commercial real estate is affordable. People are an asset. They are much more responsible and they want to work. Our turnover is not a problem, and the business ethic is very good here. The weakness. It's a remote place. You have to allocate a day to bring someone up here."

Cortec pays for employees to learn other languages. Why is language training so important?

"Today, all markets are global. If you want to export, you have to think globally. You have to open people up who haven't traveled, and you have to encourage people to learn other languages, the languages of your customers."

You are a privately held corporation. Why don't you become a publicly held corporation?

"In a privately held company, the only people you want to impress is yourself and your clients. In a public company there is too much pressure on the bottom line and impressing your stockholders, and as we have seen in recent news, like with Enron, that can lead to some bad decisions."

In the book you've written about your life and the forming

of your company, *American Dream: a Guy from Croatia*, you mention some startling facts about the cost of corrosion in America.

"Yes, the National Association of Corrosion Engineers estimates that \$380 billion is lost every year because of corrosion. Sixty percent of new steel in America is used to replace corroded steel. It costs this country about 4 percent of its GNP (gross national product), but with proper management, up to two-thirds of that could be saved."

My experience with corrosion control goes back to the Navy and all the work that went into keeping jets corrosion-free on aircraft carriers. It seemed like the sailors were always cleaning those jets.

"The Air Force did a study and they found out by using our products that the Department of Defense had improved efficiency by 60 percent. For example, the turn-around time now is almost nothing."

"One reason is that the jets are stored in a special shroud that we make that emits corrosion control ions. All they have to do is take the shroud off and the jet is ready to go. Before our technology, it could take days to get that jet ready from storage."

"I want to tell you a story. I was recently over in China to talk to their military people. When we met, they said they knew what they wanted to buy

because their spy satellites had taken pictures of Cortec products being used by the U.S. Army in the Middle East."

Is it still possible to live the American dream?

"Yes, America is the place to be. There is nothing like the U.S. If you see the rest of the world, only China and the U.S. are big countries with many opportunities, big markets, and more important, investors come here."

Any advice on starting a business?

"If you have a dream to start a business, always keep a control of your cost and keep it simple, watch the margins, and spend money wisely."

"For example, I'd rather spend money on a ticket to go to China to meet a prospective customer than to spend money on a market research that tells me I'm nothing. You learn a hell of a lot by going to other countries."

Any last words?

"My family and I love this area. We have a cabin on Little Bass Lake, and we bring people from all over the world here, and people have fallen in love with this area."

