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CORTEC CORPORATION

Combating Corrosion Worldwide

SMALL-BUSINESS SUCCESS STORIES BY ANDREW BACSKAI

Boris Miksic founded Cortec Corporation in 1977 with a $40,000 bank loan and the ambitious goal of creating marketplace demand for environmentally friendly anticorrosion products. An engineer and new immigrant from present-day Croatia, he was navigating uncharted terrain.

"In those years, people couldn't care less about corrosion," Miksic says. Now, it's recognized as a $350 billion problem for the United States economy, damaging metal components in a wide range of industries—petroleum, automaking, electronics—during manufacturing, warehousing, shipping, and product use.

Hitachi was Cortec's first customer. Miksic fulfilled a $3,000 order from the Japanese electronics manufacturer without ever letting on that his company was a one-man operation located in the garage of his Hugo home. His primary piece of manufacturing equipment was his wife's coffee grinder, in which he produced finely ground "vapor-phase corrosion inhibitors." VCIs are organic chemicals that condense on metal surfaces, creating an invisible barrier to moisture.

Nearly 30 years later, Hitachi is still a customer. So are the U.S. military and National Aeronautics and Space Administration, plus scores of companies in 70 countries across multiple industries. **"Every industry that has metals is our customer,"** Miksic says.

Cortec has long since moved out of Miksic's garage and into five manufacturing facilities, including two Wisconsin plants that make aerosol applications and coatings, and a Cambridge facility that produces biodegradable plastic bags and films. Cortec recently added 5,000 square feet of production capacity to its White Bear Lake headquarters, and built a 17,000-square-foot plant in Croatia. That facility will make Cortec's biodegradable films and bags for European markets, where environmental regulations could work to the company's advantage.

"In three years, for example, all the plastics sold for packaging in France will have to be made our way, essentially, from biodegradable materials," Miksic says. Within about 500 miles of the Croatian site, "you have about 30 million people," he says. "So that will be a huge opportunity for us."

Soon, Cortec will start construction on a sixth plant, in Beijing. Miksic says having its own manufacturing infrastructure is a key component of success for Cortec. "If you're outsourcing, it's tough to control product quality; it's tough to control deliveries," he explains. "It's a just-in-time-deliveries world right now. I've got to be able to ship to Japan with the same accuracy I ship to Des Moines, Iowa."

Miksic's **platform VCI technology has evolved into a robust lineup of more than 400 products** through relentless research and development. "In our industry, the moment you slow down in R&D, you're dead," he says, because chemical products can easily be reverse-engineered and produced faster and cheaper by overseas competitors. Cortec tries to maintain at least a product-generation's lead over the competition, and has initiated R&D projects with universities in China, Germany, Russia, and the United States. Its biodegradable plastic was the product of a decade-long collaboration with the University of Minnesota. "That crossbreeding is essential to bringing new ideas," Miksic says. "And you have to approach R&D as a global business."

He estimates that exports account for about 60 percent of his company's business. Cortec sells through a network of about 500 domestic and 500 international distributors, and has its own sales offices in China, Japan, Korea, India, Croatia, and Italy.

Cortec has come a long way—geographically and financially—from Miksic's garage. **Sales this year are nearing $50 million,** and Miksic expects to wind up with **an 18 percent increase in sales and a 15 percent increase in profits for 2006 over 2005.** "Our next checkpoint is $100 million," Miksic says. "We have a strategic plan in place to reach $100 million in sales about three years from now."

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