

FOCUS: GLOBAL TRADE

Foreign owners, familiar names

By Joe Markman,
PBN Staff Writer

The manufacturing plant in North Kingstown always puts a Brown & Sharpe label on the industrial tools it manufactures before shipping them out the door, just as it has done since the mid 19th century.

But since 2001, the venerable Brown & Sharpe name, long associated with Rhode Island, has been just that – a name – and the company manufacturing the brand in North Kingstown has been owned by Hexagon AB, a publicly traded holding company based in Sweden.

Hexagon Metrology Inc. is one of almost 100 companies operating in Rhode Island with foreign ownership. The parent companies, headquartered in 20 countries on five continents, collectively employ more than 12,000 workers in the state, according to the R.I. Economic Development Corporation.

Rhode Island's foreign-owned companies operate in many industries – most prominently in manufacturing, but also in banking, media, technology, energy, transportation and security, among others.

And their numbers are increasing, as seen in a flurry of acquisitions by foreign companies of some of Rhode Island's top-shelf brands in recent years, said Maureen Mezei, international trade director for the EDC.

"What you're seeing with a lot of the recent acquisitions and investment is that international companies are seeing Rhode Island as a good place to invest, because of some of the financial and business assets in the state," Mezei said.

Recent high-profile purchases by foreign companies include the acquisition last year of the lottery systems giant GTECH Corp. by Italy's Gruppo Lottomatica; this year's acquisition of the data storage company American Power Conversion Corp. by Paris-based Schneider Electric SA; and the 2005 acquisitions of the cardiology imaging technology company Heartlab by Agfa-Gevaert in Belgium, and the software firm ABAQUS Inc. by Paris-based Dassault Systèmes.

Other foreign-owned pillars of the Rhode Island economy include Providence-based Citizens Financial Group, owned by the Royal Bank of Scotland; East Greenwich-based Brooks Pharmacy, owned by the Jean Coutu Group in Canada (although it is in the midst of being sold to U.S.-based Rite Aid Corp.); and National Grid USA, owned by National Grid plc in the United Kingdom.

Even the movie theaters at the Providence Place mall are foreign-owned – Hoyts Cinemas Ltd. is an Australian company, and the Feinstein IMAX Theatre is owned by Imax Corp., a Canadian firm.

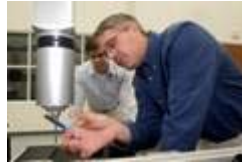
Acquiring strong brands

Buying long-established companies in the United States offers foreign firms a chance to get their hands on strong brand names that give them immediate access to the U.S. market, said Mary-Ruth Foley, an international business specialist at the John H. Chafee Center for International Business at Bryant University.



PHOTO COURTESY HEXAGON
METROLOGY

THE SIGNS inside and outside Hexagon Metrology's plant in North Kingstown reflect the Swedish company's name, but the tools made here still carry the venerable Browne & Sharpe brand ? as is often the case with foreign-owned companies.



PBN FILE PHOTO BY STEPHANIE
EWENS

HEXAGON METROLOGY employees Frank Krazer, left, and Scott Everling test a coordinate measuring machine at the company's headquarters in North Kingstown.

"It's all in the branding," Foley said. "If the company that's acquired has a strong brand name, then why fix something that's not broken?"

In some cases, strong brands are owned by businesses that are no longer profitable, setting the stage for acquisition by another company that specializes in acquiring recognized brands and reorganizing their operations to leverage their worth.

In 2001, Hexagon AB purchased the trademarks, brands, intellectual property and other assets of then-struggling Brown & Sharpe Manufacturing Co. as part of a strategy to become a worldwide leader in precision metrology tools and associated technologies, said Bill Fetter, director of marketing and commercial services for Hexagon Metrology.

Hexagon's plant at Quonset Point – which makes high-precision, three-dimensional measuring machines used in the automotive, aerospace and medical industries under the Brown & Sharpe brand name – is one of several manufacturing facilities the Swedish holding company operates in North and South America, Europe and the Far East, Fetter said.

Hexagon has no intention of getting rid of the Brown & Sharp brand name, which has an illustrious history and is one of eight brands it markets across the world.

In fact, the company has acquired and resurrected other brands that were previously discontinued but still register with consumers in the metrology industry, Fetter said.

"You've got a product that's got 150 years of associated goodwill with it," he said. "Hexagon isn't in the business of trying to re-create something in their own image. Part of the value of core assets is the goodwill and value association with them."

Benefits of foreign ownership

Many foreign-owned Rhode Island firms benefit from the overseas relationships and global distribution channels of their parent companies, Mezei said.

As an example, Citizens Bank was able to launch a successful new, low-rate money transfer service to China earlier this year in large part because Citizens' parent, RBS, leads a consortium that owns a 10-percent stake in the Bank of China, the country's second-largest financial institution.

Many foreign buyers also leave the management structures of their U.S. acquisitions in place and give them greater autonomy than firms owned by U.S. companies experience, Mezei said.

"Each one is a little different in its complexity, but most of them seem to be ... very much a hands-off management style, and I think this is typical of investments that come from Europe, where the senior management is left in place to run the company because they have the expertise and the knowledge of the U.S. market," she said.

That phenomenon is illustrated at Key-Tech Inc., a Warwick-based specialty printing firm that made its name more than two decades ago putting the characters on computer keyboard key caps.

Through the years, the company has been owned by several foreign firms – including London-based Cookson Group plc, whose U.S. unit, Cookson America Inc., is based in Providence and was once run by Gov. Donald L. Carcieri. Since 2001, Key-Tech has been owned by Key-Tech International Ltd., a Newcastle, England-based company whose main business is flexible heaters.

Through all the years of foreign ownership, Key-Tech's management has been given wide latitude in running the business, said Ken Neri, the company's vice president of operations.

"They're involved, but we pretty much run the show here," Neri said. "They don't have the experience that we have here because it's a very technical business, and all of the engineering is always done from this side. I can pretty much do as I want."