

TAG Holdings' Joe Anderson

nails succession planning,
champions diversity

BY JACQUELINE FORTIN

TAG Holdings LLC Chairman and CEO Joseph Anderson is not only a successful and dynamic business owner, but also a champion of empowering minority communities. A former infantry officer and aide-de-camp during Vietnam, and a White House Fellow during the Carter administration, he got his start in business management after being recruited by General Motors Co.

Thirteen years later, Anderson transitioned to become an industry supplier, because he wanted the experience and responsibility that comes with business ownership.

In 2001, he created TAG Holdings LLC, an independent holding company that owns several manufacturing-, service- and technology-based entities in North America, as well as in Korea and China. Over the course of the following eight years — from 2002 to 2010 — Anderson bought and sold six companies under TAG, several of which were suppliers to Honda.

His relationship with Honda — which was pivotal to his success — began in 2002. As president of the National Association of Black Automotive Suppliers, Anderson met with Honda's purchasing division to encourage the auto giant to do business with minority enterprises — particularly African-American suppliers. The ensuing success, he said, has been driven by Honda's commitment to supplier diversity, as well as by the efforts of Tom Lake, head of the company's North American purchasing division, and Paula Carter,

Joe Anderson

North America cost procurement, procurement diversity manager.

Shortly after this meeting, Anderson launched North American Assemblies LLC, a tire and wheel supplier for U.S. automakers, in Timmonsville, S.C. It was purchased by James Tolston in 2012. This startup was followed in 2005 by Great Lakes Assemblies LLC in East Liberty, Ohio; in 2007 by Gulf Shore Assemblies LLC in Lincoln, Ala.; and in 2008 by Indiana Assemblies LLC in Greensburg, Ind. Across these four companies, every tire and wheel on every Honda vehicle in the United States — including ATVs, motorcycles, cars and trucks — was supplied by a TAG-owned entity.

"The implication," Anderson said, is that "due to the minority revenue from TAG, Honda grew from profits in the tens of millions of dollars to the hundreds of millions of dollars, and subsequent to that, Honda had enough minority revenue that it could participate in the Billion Dollar Roundtable.

But, the impact on Honda's numbers is only one piece of the pie. "The whole program of supplier diversity," Anderson explained, "is that those of us without the family or wealth background have the opportunity to grow and create wealth for ourselves." More importantly, he said, the program enables the development of business acumen and wealth creation "within the minority community."

Further, Anderson believes, as do other MBEs: "If we're a minority company, then we want it to look like and act like a minority company." Therefore, he said, "we want to hire and develop minorities" and "create capacity, capability, business skills and acumen in the minority community that might not have been there otherwise."

Working to fulfill his mission, Anderson has already successfully hired, mentored and supported two minority business leaders in taking ownership of TAG-held companies — Billy Vickers and James Tolston. He wanted his legacy to be that he made a difference in the growth of business in African-American communities. "So far," he said, "they [Vickers and Tolston] are two entrepreneurs who have created wealth as I have mine."

In order to enable Vickers and Tolston to take ownership of the TAG companies, Anderson designed and implemented a strategic succession plan.

"The way to create wealth is to turn a business that you have created into a valuable asset that someone is willing to acquire," he said. "Being an owner has its perks that go with it, but the real measure of success is, 'Can you turn that business into a product?'" For Anderson, "the icing on the cake" is then selling these businesses to minority owners.

To begin the process, Anderson said, you have to first get in the mindset that you will in fact exit the business. Beyond accepting that concept, he explained, you have to have the right people in the right place.

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"It's not a given," he said. "I worked hard to give them [Vickers and Tolston] time to develop skills and experience by running a business for me." His part, he said, took a lot of coaching, mentoring and counseling and their part required aptitude, a positive response and a willingness to take a risk. The manager-turned-owner, he said, has to "embrace entrepreneurship, which is all about risk; and it's not for everyone."

With the right individuals in position, there are then three components to Anderson's plan:

- The customers have to be willing to accept X as the successor.
- The successor and customers have to agree the business is worth financing.
- The bank and the customers have to

perceive the successor as running the business successfully.

This plan, he said, means the customers should believe they will receive quality products on time and as needed, and the bank should believe the success of the business will enable the successor to repay the initial financing provided.

Having gone through this process twice, Anderson said he has learned that all three components do indeed have to come together. Being the initial owner as well, he had to ensure his successors were interacting with the customers as the new faces of the companies.

In addition to advocating for succession planning, Anderson advises companies to diversify because it both mitigates risk and increases valuation. Diversity across customers and industries, he continued, is what increases success and wealth.

Anderson himself is in the process of acquiring businesses that are diversified in terms of customer base, industry and orientation. Working to expand to the aerospace, defense, and heavy-equipment industries, he said his orientation is now more about value-added manufacturing than assembling.

With Vickers and Tolston in place as owners of TAG entities, the three leaders are now poised to take a new direction with their partnership.

During this year's 13th Annual Rainbow PUSH Coalition and Citizenship Education Fund Global Automotive & Energy Summit, Anderson, Vickers and Tolston met with Honda's Carter and Lake to discuss the idea of the three working together as a supply team for Honda going forward.

As for the future of supplier diversity, Anderson said, "There's still a lot to be done. We want wealth creation and entrepreneurship for minorities to evolve in other industries." The challenge then, he said, is to take the experience with the automotive industry and share the best practices, including business acumen and operational skills, with other industries that haven't yet seen the same kind of success. "The automotive industry provided the background experience and framework," he said, "It has been an incubator for diverse suppliers and should be commended for that." ■