Successful Business Growth

Five guiding principles

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Why should suppliers look for opportunities to grow and diversify?

– Suppliers whose sales are dominated in a single sector are at risk
– Many “mature” supply chains are shrinking as OEMs rationalize their supply base
– Many “mature” supply chains are increasingly global and have been expanding their international supply base
Where should suppliers look for opportunities to grow and diversify?

- **Where** companies are actively developing new products
  - New materials
  - New components
  - New technology

- **Where** companies are building new facilities to expand and serve new regions
  - Need for a local supply base
  - Opportunities for joint ventures in the “growth region”

- **Where** companies that are experiencing rapid growth in demand for their products
When should suppliers work to grow and diversify?

- **When** their company has a very high percentage of their total sales in a single sector or only a few customers
- **When** their company has available capacity or the ability to cost-effectively and rapidly expand capacity
- **When** the economy is coming out of a recession that resulted in significant closures of supplier facilities and opportunities for acquisition
- **When** the company’s leadership is prepared to undertake the necessary investments to pursue market opportunities
In general, what will it take to be successful in expanding your markets?

- Implementing a well conceived growth and diversification plan
- Investing resources to expand capacity and capability to meet requirements in targeted sectors
- Achieving world class operational excellence
- Developing the ability to actively collaborate
Keys to escaping dependency on a single sector

• Recognizing the need for change
• Identify the sectors that are the best match to your company’s manufacturing capabilities
• Picking the right time to act—NOW!
• Taking action
  – Investing in required manufacturing capabilities
  – Improving performance to meet customer requirements
  – Implementing an effective marketing and sales process for the targeted sectors
# Growth Strategy Options

<table>
<thead>
<tr>
<th>Existing Market</th>
<th>Existing Product</th>
<th>New Product</th>
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</table>
| **Market Penetration** |  • Lowest Risk  
  • Least Investment Cost  
  • No bus cycle benefits  
  • Limited growth potential | **Product Development** |  • Moderate Risk  
  • Moderate Investment  
  • Limited bus cycle benefits  
  • Moderate growth potential |
| **Market Development** |  • Moderate Risk  
  • Small Investment Cost  
  • Some bus cycle benefits  
  • Moderate growth potential | **Market Diversification** |  • Highest Risk  
  • Highest Investment Cost  
  • Highest bus cycle benefits  
  • Greatest growth potential |
Obstacles to Market Diversification

• Already busy
• Hard to find match and/or acquire new capabilities
• Costs money
• Takes time
• Requires company culture change
Now is the best time for manufacturers to diversify

- Rapid growth in some sectors
- Loss of suppliers capacity during recession
  - Out of business or inability to ramp up quickly
- The memory of the recession is fresh
  - Motivation for acceptance for needed change
Overarching Principle

\[ R = Q \times A \]

- **Results of the Project** (rate of return)
- **Quality of the Solution**
- **Acceptance of the Organization**
Five Keys to Successful Market Diversification

1. Develop a clear and compelling vision
2. Appoint an empowered leader
3. Conduct quick cycles of learning about the four P’s
4. Identify and confront obstacles
5. Develop a structured implementation / decision making process
Key #1: A clear and compelling vision

- If you don’t know where you want to go and why,
  - You will lack the drive and focus needed
  - Your team will not follow
Vision Question

• Which markets are most likely to be a match with my company’s strategic goals?
  • Growth goals
  • Growth pace
  • Business cycle vulnerability
  • Competition (local vs. global)
  • Investment required
Vision Question

• At a high level, which markets are most likely to be a match with my company’s manufacturing capabilities?
  • Materials
  • Unit size
  • Production type (job, batch, flow)
  • Facility layout
Vision Question

- How do my sales and marketing capabilities matchup to potential new markets?
  - Sales process and sales staff capabilities
  - Need for mass marketing vs customized solution selling
Vision Question

• How do my risk tolerances match up to potential new markets?
  • Product liability
  • Rate of change in product specification

(Maturity level of the Market)
Options within the Wind Energy Market

Pre-Manufacturing
• R&D
• Tooling/Machinery
• Mfg Preparation

Installation
• Base preparation
• Logistics
• Assembly

Maintenance
• Replacement Parts
• Repair Services

Lower tiers: Parts/Materials
Tier 2: Parts/subassemblies
Tier 1: subassemblies
• Turbine parts
• Blades
• Tower Parts
Key #2

An empowered leader

- Committees don’t make good trail blazers
- Explores the trail ahead and reports back to the team
  - Often requires different leaders at different stages along the trail
Positive attributes of a diversification leader

– Seeks assistance from experts
– Good facilitator
– Not discouraged easily
– Positive approach to conflict management
– Good at asking the right questions
– Focused but thinks creatively
Key #3
Detailed research about the Four P’s

• Empowered leader
• Simultaneous
• Quick cycles of learning
Four P’s for new market opportunities:

**Product**
- What will it take to manufacture the part(s)?

**Promise**
- What are my competitive advantages? (operational excellence, location, relationships, ability to meet regulatory requirements, etc.)

**Profit**
- How much money will I make? (market share, pricing, business case estimates and ROI)

**People**
- How do my workforce capabilities and capacity match up?
The OEMs and 1st Tier companies in most growing markets require suppliers to perform at world class levels of operational excellence.
Key #4
Identify and confront obstacles

• List them
• Confront them
• Routinely reassess them
Key #5
Develop a structured implementation / decision making process

• Regularly scheduled team meetings to:
  – Receive a report from the leader
  – Assess the obstacles
  – Decide on one of three options:
    • Move forward
    • Adjust the path
    • Stop
Best Practices of a Continuous Growth Organization

Tools & Techniques
- Growth Planning Process
- Growth Idea Generation System
- Effective Marketing Process
- Effective product development process
- Effective Sales Process
- Continuous Improvement System
- Effective supply chain partnership
- Global Focus
- Sustainability Practices
- Technology Adaptation

Culture
- Inspired Employees
- Involved Employees
- Simple, disciplined processes driving innovation
- Change adaptive
- Customer / Mission driven
- Team collaboration

Governance
- Defined growth goals and strategies
- Highly functioning leadership team
- Leadership active in the strategic growth cycle
- Clearly defined roles and responsibilities
- Visual management
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