



Innovate or Move? Strategies for Global Competition

The Technomic Interview

Technomic interviewed Randall Rollinson, President of LBL Strategies, a consulting firm that specializes in training/mentoring manufactures in strategy development and implementation. Joining Randall was John Rogers of Sachnoff & Weaver. Ltd., a law firm with expertise in the field of international business development. Randall and John have worked together with the Tooling & Manufacturing Association delivering seminars for small and mid-sized enterprises (SMEs) to facilitate international expansion. We discussed the attitudes of U.S. manufacturers on the issues of global strategy and global competition.

Technomic: What is your reading of U.S. manufacturers regarding global competition?

Randall Rollinson: I see 3 categories, and this sample is focused on SMEs,

1. There's a small group of manufacturers who are going to fight or die by staying domestic, who are pro "Buy American."
2. A large middle group that is frustrated, but are trying to figure it out. The big MNCs have moved offshore and so these companies are losing business and established relationships to international competitors. It's a new world for them.
3. There's a small group, jumping into globalization, minimizing their risk and making in-roads. So, it's a bell-shaped curve.

John Rogers: It's also a matter of company size and the quality and depth of the company's leadership. At \$200 million or above, management teams can usually deal with global competition and make sound decisions. Smaller companies can't because there are too many problems at home to take on a whole new set by moving offshore. However it's ironic that these 2nd and 3rd tier companies have the most to gain and the most to lose when it comes to competing globally.

Technomic: Can you give us some examples of domestic companies that have "joined 'em" and some that have "beat 'em"?

Randall Rollinson: As an example of joining global competition, a fairly large U.S. privately-held supplier of personal care equipment has decided to move a portion of their production to China. It was not only cost driven, they also wanted a piece of the growing Chinese personal care equipment market. In fact, the company's sales and marketing team took the lead in moving them in that direction.

Another example is a domestic supplier of carrier tapes for global electronic production. The main driver in this strategy was a U.S. MNC that "encouraged" the company into supplying them in Asia. They are now investigating various partnering opportunities in Asia, rather than risk losing the business.

Another example is a bronze parts supplier. They selectively moved the commodity portion of their business to India, China and South America. They kept the custom, high value production here.

John Rogers: Companies don't necessarily have to set up offshore production on their own, or even form JVs. Aggressive international outsourcing and "win win" strategic alliances can produce significant savings very quickly with minimal capital investment. One caveat: you can't do it by telephone or e-mail. Developing relationships and steady communications are essential, so be prepared for travel.

Randall Rollinson: Now for "Beat 'em." A metal stamping company found that they were losing business to other companies located in the U.S. Southwest. It was also where the company's customers were located. The company moved a portion of their production to the Mexican border and has begun to recoup its competitive position and saved on shipping costs too.

Technomic: What are the conditions most favorable to remaining a domestic source?

John Rogers: Any product that has short runs, short turns or short lead times, high technical content and custom or prototyping is involved and other special aspects are good candidates to keep here. You need a bifurcated operation and strategy: Keep the high value, short turn products here, outsource and/or produce commodities offshore in low cost countries.

Technomic: What can companies do to make the right decision on how to compete?

John Rogers: You need to forget about borders, at least from a business perspective. We American's really aren't globally focused in our business perspectives. Remember a relatively small percentage of U.S. citizen's hold a passport. You can't be reactive; you need to be forward looking. The early adopters will be the survivors.

Technomic: What can companies do to make the right decision on how to compete?

Randall Rollinson: I think it starts with education. No more hand wringing. You need to understand the competition, global and domestic. Drop the xenophobic mentality. Differentiate your production or products, and accept risks. Years ago we learned the notion of "Think globally, act locally". Now I believe the reality of globalization changes the paradigm to "Think globally, act globally".

Randall Rollinson is President and Chief Strategy Officer for LBL Strategies, Ltd. He is the lead instructor in the Certificate in Strategic Management Program www.csmlearning.com and a certified Strategic Management Professional and a Registered Education Provider for the Association for Strategic Planning <http://www.strategyplus.org/>. He can be reached at rrollinson@lblstrategies.com and 773-774-0240.

