

MANAGEMENT

Navigating the Challenges of the Americas Market: Intensive Focus on New Technology Adoption

By Lance A. Scott, Founder and CEO, Alliance Technologies

The massive shift of high-volume, low-mix production to low cost regions has redefined the American manufacturing landscape. However, those that remain find themselves competing for a smaller piece of the global manufacturing pie. These remaining participants face a challenging combination of lower volumes, pricing pressure and increased competition. The only way to secure, or possibly grow, their position is through exceptional customer service and state-of-the-art technology.

A strong period of global economic growth has enabled manufacturers to invest in upgrading equipment and capabilities and has helped U.S. manufacturers to enter, or reenter, attractive

markets. To a lesser, but still critically important extent, the robust economy has enabled many U.S. companies to reshore manufacturing operations.

With the revival of the industry, companies are focused on developing next-generation technologies that address trends toward automation, artificial intelligence (AI) and advanced manufacturing. But, these improvements also bring additional challenges.

R&D Spending

According to *R&D Magazine's* 2018 global funding forecast, the U.S. was projected to invest approximately \$553 billion across all aspects of R&D, including basic research, applied re-

search and development. This is a 2.9 percent increase over the \$537 billion invested in 2017 by U.S. industry, government and academia. U.S. R&D investments are closely linked to the country's GDP. As GDP increases, R&D investments follow suit.

In pursuit of next-generation technologies, manufacturers should anticipate allocating a significant budget to R&D. Without this commitment, they will weaken their ability to introduce greater flexibility in production; reduce physical and financial constraints within production; increase ease of use for the customer; and attract and hire new tech-savvy workers.

Approved Vendors

Top executives, engineers and supply chain managers demand the best from their suppliers and often restrict their new design and purchasing selections to only a core group of approved vendors.

Securing a position on the approved vendor list (AVL) of large companies requires an intensive level of interaction, investment of resources and sophisticated key account management. The efforts are enormous, but AVL success exposes suppliers to a vast global network of purchasing professionals and can put international companies one step closer to gaining market share and increasing profitability.

It is important for international manufacturing companies to recognize that the effort to secure a position on a large corporation's AVL rarely pays immediate, or in many cases, even long-term benefits to the U.S. sales team. Successful key account managers invest a massive amount of time to secure an AVL position and may see only minor unit sales, non-recurring engineering (NRE) revenue, or perhaps nothing at all.

Meanwhile, once awarded an AVL position, the company will likely purchase large quantities of products in non-U.S. manufacturing locations where the domestic sales team has little meaningful interaction.

This is not always the case and the best key account strategy is global in nature. Each country or region recognizes its essential role in a well-managed key account relationship. This spirit of international collaboration should also translate to a fair compensation scheme, where design credit is issued to the design-in location, purchasing or contract negotiation, and ship-to or manufacturing location.

U.S.-Based Engineering

When it comes to scaling production, high-volume manufacturing is of-

ten transferred to lower-cost regions. Today, many other regions, especially those in Asia, offer the sophisticated systems necessary to deliver timely, high-quality and reliable products.

When working at an intense pace, U.S. engineers tend to focus more on the design and less on high-quality documentation. This furious quest for speed to market comes with some well-known and expected drawbacks. While the final product may exceed performance expectations, poorly written documentation — instructions, standard operating procedures, and blueprints — can lead to more human error than necessary as the product moves to scale.

In the long run, inadequate documentation can lead to manufacturing delays that only increase the overall project time and expense. The acceptance of some engineers of the compromise between time to market and process documentation often leads to considerable agitation between U.S. teams and their parent companies.

Companies that embrace a fail-fast philosophy hope to mitigate the financial risk of developing a new product or service. Common within lean manufacturing, this philosophy supports an iterative product development in order to determine whether an idea has value before investing additional time and money. The goal for those operating under the fail-fast mentality is to cut losses quickly and succeed faster.

However, when this typical U.S. mentality confronts the more process-oriented "build it right the first time" mentality that is more common at larger international parent companies, the frustrations can overflow. Once again, the international management must establish acceptable new product development processes, milestone reviews and collaborative international working groups to reduce any potential conflicts.

Careful research and planning can help international advanced manufacturing companies to prioritize investments and avoid costly missteps when entering the U.S. market. Each company must carefully tailor its strategy, based on company size, industry, product portfolio, and technical complexity to best address the challenges and opportunities of the U.S. Alliance Technologies is able to provide actionable steps to help companies overcome these challenges.

Contact: Alliance Technologies, LLC, 26 Davis Hill Road, Weston, CT 06883 ☎ 203-226-8895
E-mail: sales@allianceamericas.com
Web: www.allianceamericas.com □



Navigating the Challenge of the American Marketplace

Helping international advanced manufacturing companies to accelerate strategic growth in the American market through direct operational management and expert guidance.



Getting Started in the Americas

Wherever you are on your journey to expansion into the American market, we can help. Contact us to discuss how we can grow your business, together.



Restructuring Your American Operation



Managing Your American Operations



Advising Your Board of Directors



Accelerating Growth Through M&A

+1 203 226 8895
sales@allianceamericas.com
allianceamericas.com

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