

Four Links in the New Value Chain

There is no magical potion that will transform your business into a value-chain success overnight. After all, manufacturing is not monolithic. What works for one SMM may not work for another.

But to succeed in today's value chain, one thing is clear: Managers need to line up new partners. Focusing only on how well the machines work inside the plant is not enough to compete successfully now and in the future. It requires difficult but rewarding work involving not just your firm, but countless others. By connecting with outside resources—partners within your industry and overseas, suppliers, customers, your customer's customers, government, academia—SMMs can swiftly expand their core competencies and gain economies of scale. Making the effort to collaborate will enable your small or mid-size company to meet today's challenges and leverage new opportunities associated with:

- **Global competition**—Foreign competition is everywhere, and the decision for SMMs is not, “*Will you compete on a global basis?*” but, “*How will you compete?*” SMMs must define and fortify their positions in a global supply chain by reviewing options (e.g., buying foreign materials, selling overseas) and the rewards, challenges and risks associated with each. Growing overseas sales and even investing abroad are surefire ways to help compete effectively. The only wrong decision is to ignore globalization.
- **New strategies, new ideas**—Improvement and innovation go hand in hand. A commitment to innovation and new ways of doing business—in products, processes, technologies and strategies—frees assets and opens up selling opportunities for SMMs. A focus on innovation will keep your company from becoming a stagnant

operator (incapable of improvement) or a commodity player (always under price pressures). This is especially true during a period when many markets (e.g., the defense industry and “green” products) have insatiable appetites for something new. It's a fact of manufacturing life that businesses big and small have embraced new ways of operating—for example, lean manufacturing on the plant floor—and tools and cultures of innovation for products and services.

- **Workforce**—Amid a tight labor market, especially for manufacturers, SMMs must find ways to hire, develop, reward and retain the workforces necessary to compete in the new value-chain paradigm. SMMs can and do look for outside assistance and government support, but ultimately, it's up to each company to make sure they have the best workforce possible. SMMs who pay attention to recruiting, hiring and workforce development will have a deep talent pool, from entry level to executive, that brings them a competitive advantage, helps them fend off challenges and leverage new opportunities.
- **Financing**—Innovation, overseas sales and a stronger workforce all require new investment strategies. Wise investments made with rigorous analysis will help SMMs ensure that operations and financial strategies are synchronized for controlled growth and ready for the demands that today's value chains impose. A core best practice is taking advantage of tax laws that encourage these investments and government programs that can provide you with the cash and resources to expand, build a strong, skilled workforce or export. There are also a range of private funding opportunities that work for some SMMs.