

PIVOT INTERNATIONAL – PURSUING GROWTH

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SYNOPSIS

This case focuses on an industrial design engineering firm located in a suburb of the greater Kansas City area. The company is part of a small engineering and manufacturing multi-national complex with operations in three countries --- the US, Taiwan, and the Philippines. Pivot's president, Kirkland Douglass, is a minority owner in the US-Taiwan company. The firm currently does most of its work under contract for fitness equipment manufacturers. Douglass wants to diversify Pivot away from its reliance on serving this industry segment because a number of the firms in this industry underwent difficulties with significant consequences for Pivot. In addition, the firm's majority owner is aggressive about the firm's growth.

Mr. Douglass has identified the US Security Device and Systems Manufacturers (SDSM) industry as a possible target for the firm's design and custom manufacturing services. Excerpts from a preliminary report on an industrial market research study commissioned by the company indicate demand for security services and products will continue to experience steady growth. The case poses questions about whether the security device manufacturers industry is an appropriate target for Pivot and how Mr. Douglass and his team can enter that market.

The case may be used alone or in conjunction with the Security Device and Systems Manufacturers Industry Note which is available from the authors. Appendix A in the case provides excerpts from a consultant's report on the industry. If the industry note is assigned, students do not need to read Appendix A.

APPLICATION

The case was developed for use in Strategic Management. It may also be used in Industry or Competitive Assessment, Entrepreneurship, and International Business courses. It provides a rare opportunity to look at a contract design and contract manufacturer for Original Equipment Manufacturers.

OBJECTIVES

The case can be used to assess: competitive advantage/core competence, industry potential given the firm's competitive advantages, and the risks inherent in the firm's strategy.

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Kirk Douglass, president of Pivot International, picked up the preliminary report on the Security Device and Systems Manufacturers industry he had just received. (See Appendix A for excerpts.) Mr. Douglass had engaged an industrial marketing research firm to undertake the industry study earlier in the year. It was two weeks before the late March 1998 International Security Conference (ISC) in Las Vegas. Mr. Douglass wondered if the industry was really the appropriate one to fuel Pivot's growth or if he should look elsewhere. In his general reading and talking to contacts he had noted potential in other applications, for example, in the medical equipment, other sports equipment manufacturers, or perhaps training aids industry segments. However, the present work by the industrial marketing firm had taken three months and considerable expense. He wondered if a delay and additional expense was warranted to consider other industries.

Pivot International was a contract industrial design¹ and manufacturing firm located in Lenexa, a suburb of greater Kansas City. Its customers were manufacturers and assemblers in the fitness equipment industry. For these customers Pivot custom designed and manufactured primarily LCD display and control units to customer specifications. Pivot's customers attached these customized electronic components to their fitness equipment and sold the equipment under the customer firm's brand.

On Mr. Douglass' desk were copies of the marketing materials he intended to use at the conference. He planned to take five of his engineering staff members to the conference. One team member was a company engineer who was pursuing an advanced degree in engineering management and who had attended ISC in summer 1997 in New York. At the engineer's recommendation Pivot had secured a booth at the March 1998 exhibition.

To date Pivot had no customers among the manufacturing firms in the security industry. Mr. Douglass expected that more aggressive follow-up efforts with contacts identified at the 1998 conference would yield customers. If the security industry was growing as rapidly as the market research report indicated, he wondered how he should market to this industry and what kind of firms he should target in order to position Pivot as a custom design and contract manufacturing firm for the security device and systems manufacturers.