

Providing Vision and
Leadership for the Future
of the HVAC and
Sheet Metal Industry

**DECISION-MAKING
FRAMEWORK FOR
NEW MARKET
OPPORTUNITIES:
A 10-STEP PROCESS**

*vision
future*

DECISION-MAKING FRAMEWORK FOR NEW MARKET OPPORTUNITIES: A 10-STEP PROCESS

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Welcome to the Decision-Making Framework for New Market Opportunities!

Market opportunities can present themselves in a variety of ways: a customer could ask your company to expand geographically, an employee might offer up specific skills, or a new market in need of service can impose a strong pull. If you are currently considering a new market, whether you systematically plan for growth or an opportunity has recently shown up on your doorstep, this framework is designed to help.

Growth through market entry provides the opportunity to develop and motivate personnel, expand the brand, better serve customers, and mitigate market risks. Unfortunately, statistics show only one out of five market entry decisions are successful. One of the reasons is most leaders make these types of market entry decisions once or twice in their careers; not enough to build experience. Make sure you use this 20-page framework to learn from the experiences of other sheet metal & HVAC contractors and increase your decision's likelihood of success.

Although a standardized decision-making process greatly improves the likelihood of a successful market entry, our survey of sheet metal & HVAC contractors indicates only 6% of contractors have a formal process in place. This framework provides a decision process for you based on input from over 200 sheet metal & HVAC contractors.

YOUR DECISION

Take a look at the figure below to see where your opportunity falls. Are you considering a new line of work, or a new market for your existing line of work? Are you planning to do both at the same time?

		Where we work / Who we work with	
		Same	New
What we do	Same	N/A (Not considered a new market entry)	<ul style="list-style-type: none"> • Geographical expansion • Size of projects • Type of projects • Type of customers
	New	<ul style="list-style-type: none"> • Add a new trade • Add HVAC service • New technology • New process 	N/A (Very risky)

This framework was created for decisions in the top-right and bottom-left quadrants. If you are looking to increase your market share (top-left), other tools are probably a better fit. If you are considering providing a new service to an unfamiliar customer (bottom-right), this type of move is very risky. Therefore, we encourage you to break your market entry into steps, making just one change at a time.

DECISION-MAKING PHASES

There are three key phases in the market entry decision-making framework: (1) definition, (2) analysis, and (3) planning. Move through the phases in the proposed order to get the best results.

Phase 1 Definition consists of three steps; *understand today's company*, *define the decision*, and *choose decision makers*. This phase directs your attention towards how the new market fits into the bigger picture for your company.

Phase 2 Analysis is a five-step process. The first two steps, *review experiences of others* and *lessons learned*, help you broaden your perspective by learning from other sheet metal & HVAC contractors. The next three steps, *assess key factors*, *identify challenges*, and *determine the exit strategy*, dig into the details of your current decision.

Phase 3 Planning consists of the final two steps: *define action items and timeline*, and *create the implementation strategy*. These steps will help you put a system into place to continually evaluate your success in the market.

INSTRUCTIONS

Document Navigation

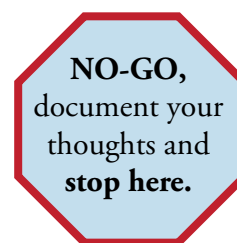
The framework presented next is designed to start with Step 1 and continue to the end. However, if you are stuck on a step, don't let it bog you down! Skip ahead to the next step, and return later, when you have gathered the necessary information, people, or resources.

Flow Chart

A complete flow chart including the three decision phases is provided on the following page. Within the chart you will also see “stop signs” which represent Go/No-go decision points.

Go/No-go Decisions

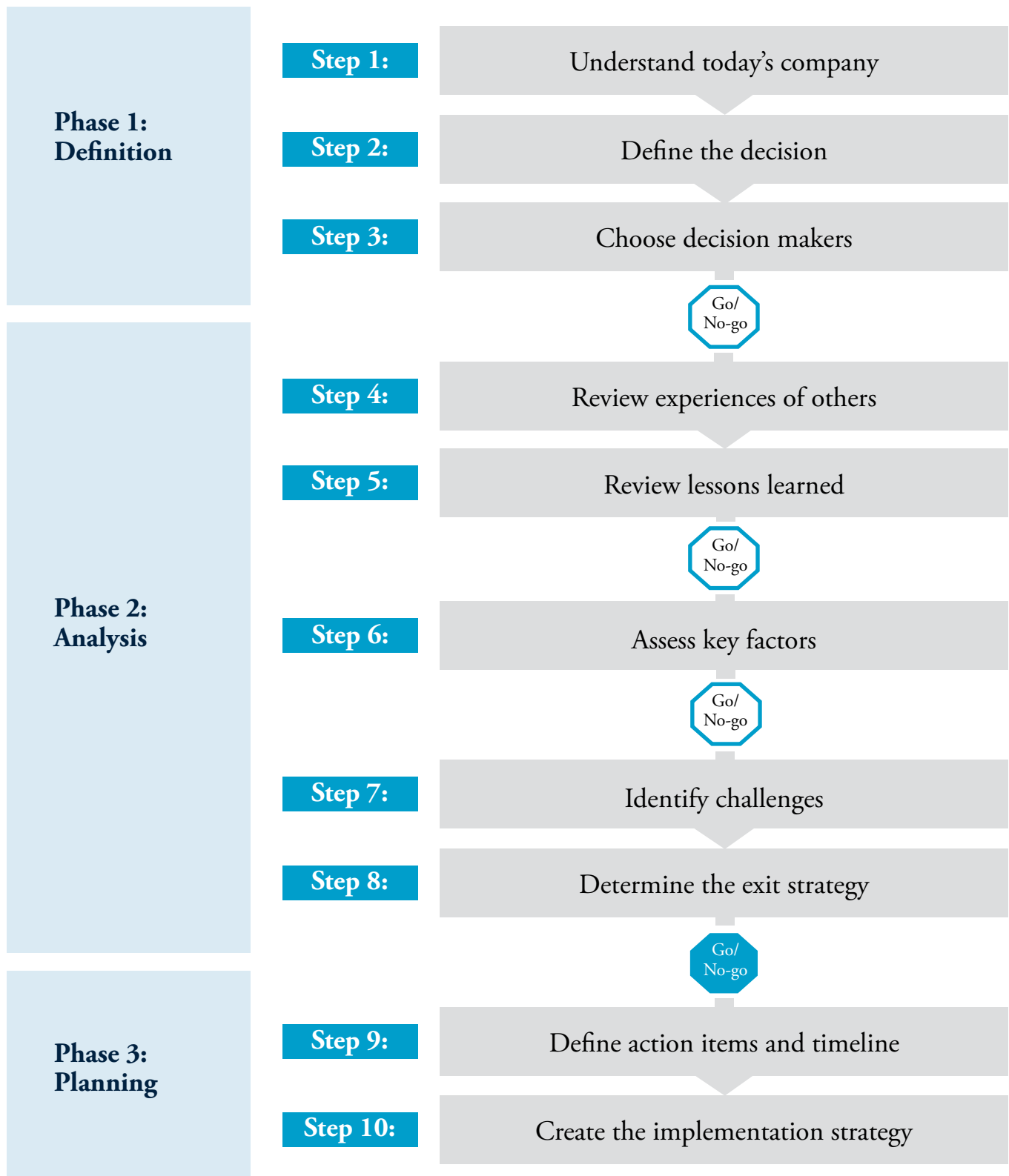
You will be asked to make a Go/No-go decision at four points during the decision-making process. At these points, reflect on your assessment so far. Choosing “Go” means it is worthwhile to continue analyzing the market. Choosing “No-go” means critical issues have come up making it impractical to continue considering the new market entry.



Time of Engagement

The time required to enter a new market will vary based on the circumstances. You may have the luxury of time or there may be reasons to act quickly. Regardless, a commitment to this approach and a disciplined review will ensure you have considered the most important factors and are making an informed decision. Research has found sheet metal & HVAC contractors who spend more time considering their entry are significantly more likely to succeed. Decisions are similar to projects; more upfront consideration and understanding improves performance.

Market Entry Decision-Making Framework



Step 1: Understand today's company

"If you don't know where you are going, any road will get you there."
—Lewis Carroll, Alice's Adventures in Wonderland

How do you know which market opportunities are right for *your* company? To answer this question, you need a clear idea of how you got to this decision in the first place. Understanding your current position develops alignment among decision makers and at the end of the day, provides explanation and justification for the decision.

Consider the following questions:

- How is your customer's life better because of your business?
- What do your employees expect from your company?
- What do the owners envision the company becoming?
- What matters more than money?

These questions help by taking a step back and looking at the bigger picture. Does the new market you are considering fit into the larger purpose of the company?

Another question to ask:

- Are we all in this together?

Data from sheet metal & HVAC contractors show the biggest predictor of market entry success is unwavering commitment from the top company leader(s). There will be challenges in any new market. An influential leader will be necessary during these road bumps to keep the group in alignment and moving forward.

If your company does not have a formalized mission and vision, refer to the Strategic Primer in *Appendix A* for more guidance.

Step 2: Define the decision

We asked sheet metal & HVAC contractors to describe a market entry experience. Then, they rated the success of their decision on a scale of 1 to 5. Contractors with a defined decision and a clear statement about their reasons for market entry had an average success rating of 4.1. Contractors who could not clearly define their decision and motivation had an average success rating of 2.3.

Take some time now to articulate your reason for considering market entry and raise your success rating. Examples can be found on the following page.

Examples from sheet metal & HVAC contractors' experience include:

We are in constant need of a service that our company does not currently provide.

To gain control of staffing, schedule, warranty, etc.

A thoughtful idea came from a trade seminar/report, peer group, or internally.

To better serve our customer.

A client or employee requested it.

To improve cash flow.

To reduce market risk by diversifying services or customer base.

To make more money.

Any other reason! There are no wrong answers.

Your turn. Select above or write your own:

Step 3: Choose decision makers

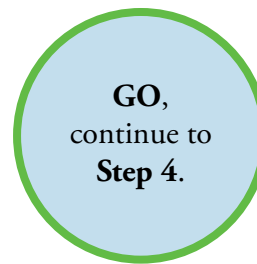
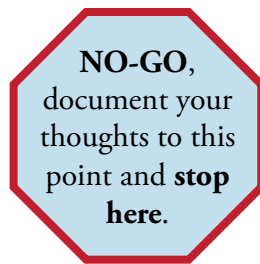
The individuals that ultimately make the decision may be different for each market entry situation. However, the biggest determinant of success is the commitment and support from the top leaders of the company.

Ask yourself:

- Who will ultimately make the market entry decision? Is it more than one individual?
- Can company leaders stand behind these decision makers with unwavering support?
- Who will serve as advisors to the decision-making process? This list might include:
 - Knowledgeable employees
 - Past/present/potential customers
 - Vendors and suppliers
 - Bankers
 - Insurers
 - Accountants
 - Experts in labor market (union representative, internal staff, external network, etc.)
 - Expert business consultants (market analyst, acquisition specialist, etc.)

Go/No-go

After considering your company's mission and vision, formally defining the decision, and choosing the decision makers and advisors, does it make sense to continue pursuing the market entry decision?



Step 4: Review experiences of others

Strategic decisions are often made using analogies. In order to make the decision at hand, we should think about a similar situation, either from our own experience or stories we have heard.

Expanding the number of analogies we use improves our ability to predict outcomes and our creativity to generate decision options.

So, how do you expand your perspective? There are two things that you can do right now:

1. Think of ten market entry decisions you or someone you know has experienced.
2. Read the stories of fellow sheet metal & HVAC contractors included in the accompanying document *Experiences From Sheet Metal & HVAC Contractors*. The stories are organized as follows: A.1 Add HVAC Service; A.2 Add a Trade; A.3 Geographical Expansion; A.4 New Market Sector; and A.5 New Process.

Based on at least six of the most similar decisions to yours, consider realistic expectations. For example, what can you expect for profits, start-up costs, labor availability, etc.

Step 5: Review lessons learned

Implementing market entry can be full of challenges. Consider this list of lessons sheet metal & HVAC contractors have learned while entering new markets.

Accounting: many contractors faced difficulties with the accounting aspects once they entered the new market. Be sure you can separate the new market from your other areas of work so you can clearly identify sales, costs, and overhead to ensure your forecasts are accurate. Will your new customers have different invoicing expectations? Can your accounting system invoice fast enough and in enough detail for the customers in the new market?

Conservative start: those who were highly successful in entering a new market noted that starting small (low dollar contracts and one project at a time) lessen the inevitable early learning curve. However, dipping a toe into a new market can cause customers to question your commitment. Consider both sides and try to find the right balance for your situation. Start as small as possible to minimize early mistakes or mishaps, but not too small to limit your ability to capture loyal clients.

Ability to plan: some markets are more stable and easier to plan for than others. Recognize the uncertainty in the new market and the accuracy of your profit projections. An appropriate contingency budget is critical to cope with unexpected challenges.

Existing markets: entry into a new market always impacts your existing markets. Anticipating the impacts the new market has on the company as a whole can help you recognize ways to not only gain a revenue stream from the new market, but also enhance sales in your current markets.

Labor issues: when expanding geographically or adding a trade, it is important to get a feel for how the new local treats unfamiliar faces. This risk should be identified in the decision process.

Cultural differences: combining groups of people can cause anxiety and pushback. Uncertainty can impact people in unforeseeable ways, especially when their livelihood is concerned. Getting through cultural differences takes a strong commitment from company leaders.

Learn from experiences and adapt: expect changes and be flexible. The commitment to learn from challenges helped many contractors enhance their new market offerings and gain a competitive advantage after initial struggles.

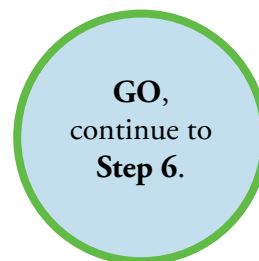
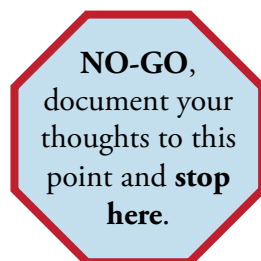
Commitment is key: commitment to your decision to enter, or not to enter, a market is a major indicator of success. In the case of a market entry, commitment is necessary at all levels of the company.

Barriers to entry: the barriers you are overcoming to enter this new market will not hold forever. There are likely lessons you can learn today that will help you extend your competitive advantage in this market or successfully enter a new market in the future.

Have clear objectives: knowing your motivation for entry is a proven key to success. Aligning your reasons for entering the market with how you are measuring success helps everyone clearly see whether goals are being met. When everyone understands the goals, they can adjust their actions to enhance success.

Go/No-go

Based on the learning from Step 5, revisit the expectations developed in Step 4. Is this market entry decision worth pursuing?



Step 6: Assess key factors

Through 150 individual assessments and 27 group assessments from sheet metal & HVAC contractors, the following Essential Eight decision factors were determined to be highly important for success in all types of market entry.

Basic tools to assess each factor are provided on the following pages. Use the checklist below to ensure you have fully considered each of the Essential Eight decision factors.

Essential Eight decision factors:

- 6.1 Strategic/cultural fit, (p.9)
- 6.2 Experience and abilities of the champion, (p.9)
- 6.3 Market need, (p.10)
- 6.4 Competition in the market, (p.11)
- 6.5 Competitive advantage, (p.12)
- 6.6 Start-up costs, (p.14)
- 6.7 Profit projections, (p.15)
- 6.8 Investment capital, (p.16)

Eight additional factors received high rankings of importance in certain situations. Take a look at the list below and consider whether these factors will be important for your market entry decision.

Other factors to consider:

- Bonding company acceptance
- Contract requirements
- Customer acceptance
- Market knowledge
- Labor commitment
- Staff availability
- Standards and regulations
- Support from organization

Essential Factor 6.1: Strategic/cultural fit

Definition: fit of the new market with the company's overarching strategies, competencies and culture.

Assessment of strategic and cultural fit is so important to a decision's success that it was started in Step 1, *Understanding Today's Company*. For more guidance, see the Strategic Primer in *Appendix A*.

One Sheet Metal & HVAC Contractor's experience:

Using pre-sectioning and prefabrication had been the default option for years when this Sheet Metal & HVAC Contractor made the decision to invest heavily in a state-of-the-art prefabrication facility. In fact, a project manager had to prove why prefabrication is NOT the right choice for the job if they decided not to use it. This subtle difference in the default process helped engrain pre-sectioning and prefabrication in the organization's culture; leadership did not have to convince managers to use prefabrication once the state-of-the-art facility was ready. What seems like a small change in the default process can have huge effects on the culture and acceptance of a new process or market. (For the full story, see A.5.1 in the accompanying document *Experiences From Sheet Metal & HVAC Contractors*.)

Essential Factor 6.2: Experience and abilities of the champion

Definition: capabilities and drive of the person who will champion the new market.

Choosing the right person to champion your new market is more of an art than a science. The case studies collected from sheet metal & HVAC contractors show a mix of external parties, internal project managers, and company leaders stepping in to take on the champion role. A successful champion can come from any of these groups.

Below are some criteria used by sheet metal & HVAC contractors to evaluate a champion's capabilities and fit:

- possesses technical qualifications and certifications appropriate for the new market
- gets along with customers
- fits in well with our company (leaders, staff, etc.)
- is trustworthy
- is hard-working and ethical
- understands the market
- commits to the leadership's vision for the new market
- is willing to accept some of the market risk

Essential Factor 6.3: Market need

Definition: current size, and potential growth or shrinking of the new market.

Conducting your own market research:

- Consult your lead and proposal list (even if it is not a formal list):
 - How much of the work is new construction work?
 - Do projects require contractor prequalification?
 - Can you detect any geographic trends?
 - Which clients produce the most projects?
 - Do you have business relationships with these clients?
- Ask your decision makers/advisors. These may include:
 - Knowledgeable employees
 - Past/present/potential customers
 - Vendors and suppliers
 - Bankers
 - Insurers
 - Accountants
 - Experts in labor market (union representative, internal staff, external network, etc.)
 - Expert business consultants (market analyst, acquisition specialist, etc.)
- Helpful resources:
 - U.S. Markets Construction Overview (FMI)
 - SMACNA Business Management <https://www.smacna.org/business-management>
 - AGC Construction Data <https://www.agc.org/learn/construction-data>
 - US Census Bureau <http://www.census.gov>

Essential Factor 6.4: Competition in the market

Definition: the existing competitive nature of the new market.

Use your resources (owners, vendors, trusted industry peers, union leaders, existing employees, professional association chapters, phonebooks, Internet search engines, etc.) to identify potential competitors in the new market. Note the services each competitor provides, and the strengths and weaknesses of each competitor. Identifying strengths and weaknesses can help your team address weaknesses in the market or emulate strengths.

[1]	[2]	[3]	[4]
Competitor	Services provided	Strengths	Weaknesses

Another important factor is your position along the supply chain. Will you have adequate access to the resources and customers?

Access to resources

Estimate the following about the resources in your intended market:

- Acceptance from vendors
- Ability to secure quality labor
- Hiring pool (project managers, support staff, etc.)

Access to customers

Estimate the following about the customers in your intended market:

- Customers' willingness to change
- Type of purchase (bid, negotiated, etc.)

One Sheet Metal & HVAC Contractor's experience:

As the company leaders were assessing different geographical markets, they determined the target market to have little competition. What they did not know was that the multiple labor unions in the area exercised a lot of power. Additionally, the locals were slow to trust a contractor they have never worked with in the past. Had the leaders assessed this risk before entering the market, they would have spent more time gaining the trust of the labor unions before bidding for projects in the area. (For the full story, see A.3.3 in the accompanying document *Experiences From Sheet Metal & HVAC Contractors*.)

Essential Factor 6.5: Competitive advantage

Definition: edge or niche the company may possess over others in the new market.

A SWOT analysis stands for Strengths, Weaknesses, Opportunities, and Threats. It is a tool to build awareness around key elements of your new market environment, internal and external, positive and negative.

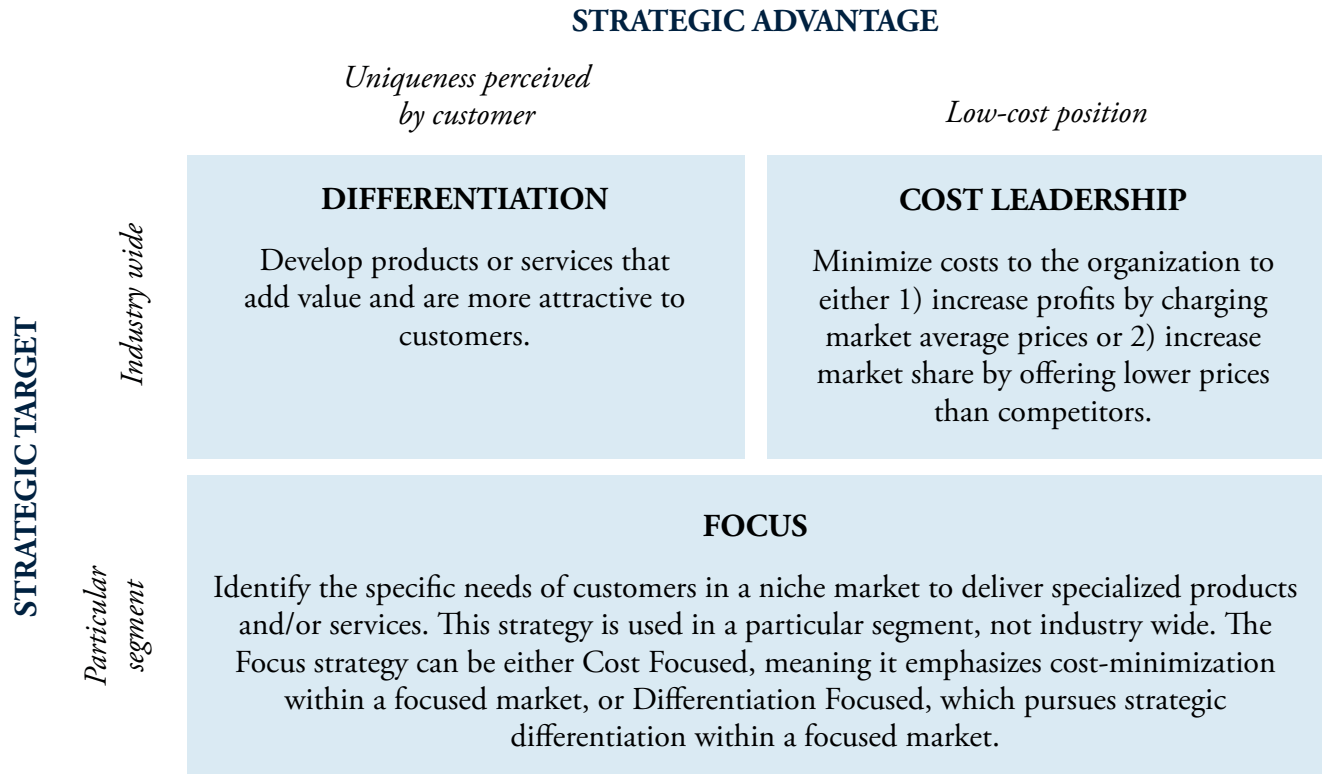
SWOT rules

- Strengths and weaknesses are internal to the company (for example: state-of-the-art sectioning abilities; or less disciplined project planning)
- Opportunities and threats are external, outside the company's control (for example: underserved niche market; or unexpected increase in competition)
- Everything is measured in relation to the competition
- Must be specific (for example: everyone thinks they have good foreman, it is not specific; having the only foreman in the market with megaproject experience, is specific)
- All ideas are welcome / brainstorming
- Items may be moved, deleted or combined after all ideas are heard

Use the table below to get started. Think about how you can draw on your strengths and expand opportunities, while eliminating weaknesses and protecting yourself against threats.

Positive	Internal			
	Strengths		Weaknesses	
	External			
	Opportunities		Threats	
Negative				

Now that you have a good understanding of your new market environment, consider the following three generic business strategies developed by Michael Porter: the differentiation strategy, the cost leadership strategy, and the focus strategy. These strategies describe ways you can carve out a competitive advantage in your new market. Read the descriptions in the below figure and choose your strategy for the new market.



Once you make a choice, stick to it and make all other decisions in line with your generic strategy. Taking on multiple strategies is not advised because competing goals will keep you from excelling in any area.

One Sheet Metal & HVAC Contractor's experience:

A contractor developed a web-based technology that revolutionized the way orders from the field were communicated to the shop. Company leaders decided to open a new business to sell this technology to other sheet metal contractors. They saw a huge advantage in the fact that this technology was designed by a sheet metal contractor, for sheet metal contractors. Existing competitors were software developers by trade who do not understand the day-to-day problems of construction. The technology sales company was built around this competitive advantage to differentiate itself from the competitor. (For the full story, see A.5.2 in the accompanying document *Experiences From Sheet Metal & HVAC Contractors*.)

Essential Factor 6.6: Start-up costs

Definition: cost of all new systems and equipment, training, hiring, etc. needed to enter the new market.

The following items provide an initial starting point for determining your start-up costs:

Item	Estimate
Systems and equipment	[1]
New facility/facility updates	[2]
Administrative	[3]
Inventory	[4]
Accounts receivable	[5]
Other: _____	[6]
Subtotal	[7]
Adequate contingency (%)	[8]
Total start-up cost	[9]

Sheet metal & HVAC contractors' experiences:

The little things can definitely add up...

- Payment issues in a new trade led to much larger than expected receivables
- Cost to move personnel adds up significantly
- Service vans can be leased, but the tools inside cannot
- Sectioning can improve efficiency, but requires room to work, store inventory, and different methods of shipping to the jobsite

Essential Factor 6.7: Profit projections

Definition: year-to-year projections of new market revenues versus costs.

A good way to manage projections is by using an income statement:

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Expected Market Revenue						
Expected Cost of Revenue						
Gross Profit						
General and Admin. Expenses						
Operating Profit or Loss						
Other Income or Expenses*						
Tax						
Net Profit or Loss						
Start-up Cost**						
Expected Cumulative Net Profit or Loss						

* Other Income or Expenses include interest income/expenses, customer finance charges, asset sales, etc. ** This is the total start-up cost that you estimated on page 14, to be filled out for Year 0 only.

You may have noticed an additional line at the bottom of the (projected) income statement above, highlighting the Expected Cumulative Net Profit or Loss. This allows you to estimate the payback period required to recover your investment. Note that this analysis is a starting point and does not take into account the time value of money/interest.

One Sheet Metal & HVAC Contractor's experience:

Continual tracking of profit projections not only helped this Sheet Metal & HVAC Contractor effectively grow a branch office, but it also helped them foresee problems and know when it was time to get out of the area. Following a customer to the neighboring state was fruitful until the recession took its toll in 2009. Using profit projections helped company leaders foresee future issues and get out of the market without losing money, remaining highly profitable. (For the full story, see A.3.1 in the accompanying document *Experiences From Sheet Metal & HVAC Contractors*.)

Essential Factor 6.8: Investment capital

Definition: all capital readily available to commit to the new market entry.

Consider the most negative Expected Cumulative Net Profit or Loss from the previous page. And remember, the expected profits or losses are estimates and are therefore uncertain.

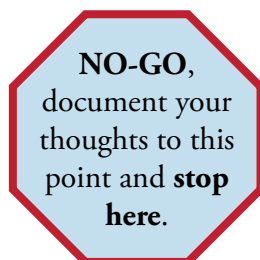
Identify sources of capital that will allow you to enter the market:

Source	Estimate
Existing cash	
Borrowing	
Outside capital	
Other: _____	
Total	

☐ Review with accountant, bank, or other financial institution

Go/No-go

After consideration, does it make sense to continue pursuing the market entry decision?



Step 7: Identify challenges

Human nature is to prefer harmony over conflict and conformity over isolation, which are beneficial for social norms such as driving on the same side of the street. However, fear of isolation and conflict in the board room causes many legitimate concerns to go unheard until it is too late. A *premortem* is a tool designed by psychologist Gary Klein, to draw out those concerns in a constructive way by creating a safe space to honestly voice any reservations about the current decision.

Here is how it works

Invite all decision makers and decision advisors into a meeting. Tell everyone to close their eyes.

Narrate to the group, “I am looking into a crystal ball, and it seems as though everything in our new market has gone wrong. Really wrong. It was so bad that we are embarrassed to even bring it up in conversations and we avoid eye contact when we see each other again. No question, this was a big failure.”

Allow two minutes of silent time for each person to individually write down all the reasons the market entry went poorly. Then, go around the room and allow each person to read one of their causes that has not already been mentioned. Keep going until there are no new reasons for failure.

How this helps

By assuming the market entry has already failed, you have changed the group dynamics. Now, conforming means to brainstorm problems and the attendees are challenged to use their intellect to foresee issues. Why is this good? Many times, leaders are appeased when what they really need is the truth. This activity encourages staff and advisors to speak their mind before it is too late. Now, everyone’s concerns are “on the table” and steps can be taken to protect against them.

Step 8: Determine the exit strategy

Once a new market is entered it is a difficult decision to exit, so the time to set the limits of the effort in (1) how much you will invest, and (2) how long you will continue if it is not developing as expected, is before you start. The decision makers should agree during planning on what parameters will trigger an exit.

In Step 7, you identified the foreseeable issues with entering this new market. After taking time to minimize the risks as much as possible, some uncertainty will remain. Unfortunately, there are no guarantees in market entry.

If things do take a turn for the worse, it is important to be able to recognize that *market exit* rarely comes without a cost. The following table lists some of the most common costs to an exit.

Use Columns (2) and (3) to guide your thinking about exit costs.

[1] Cost to exit	[2] How it applies	[3] How to address it
Specialized equipment		
Specialized inventory		
Excess facility space (internal, lease)		
Labor and management employment agreements		
Impacts on customer relationships (especially when impacting your other markets)		
Lag in financial information (you sometimes sense a loss before it hits the books)		
Uncertainty of future profits (are we being realistic or hoping for the best?)		
Fulfilling existing commitments		
Loss of key personnel		
Other: _____		
Other: _____		
Other: _____		

Worst-Case Assessment

Reconsider your Expected Cumulative Net Profit or Loss line on page 15. Now, use the next table to document what you believe to be the *worst-case scenario* for profits. When you consider this *worst-case scenario* and the additional Estimated Cost to Exit, how much of a loss are you able to finance or willing to accept? That will tell you the year you need to revisit this decision and consider an exit.

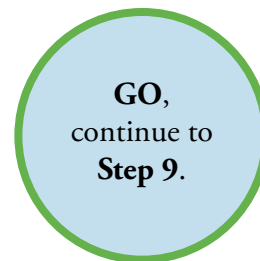
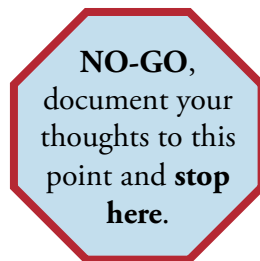
	20__	20__	20__	20__	20__
Worst-case Cumulative Net Profit or Loss					
Estimated Cost to Exit					
Total					

You identified how much you will invest and for how long before considering an exit. Next, you will think through how you would implement a market exit. Stakeholders need to outline the steps and actions that will be taken to exit, such as:

- Announcing the decision internally/externally, to employees, customers, the bank and bonding company, using a press release if appropriate, etc.
- Stop proposing on new work
- Closing down regional office/department (or rental facilities)
- Laying off or reassigning certain employees (you need to decide which positions to be discontinued in advance)
- Selling unneeded equipment and vehicles, etc.

Go/No-go

Based on the identified challenges and exit strategy, do you wish to enter the new market?



Step 9: Define action items and timeline

From Step 2, review your reasons for entering the new market. What actions need to be taken to reach your initial goals?

List those actions in Column (1) on the following page.

In Column (2), identify the person who will be accountable for reporting back on the action. This doesn't need to be the person doing the work, but it should be someone who can provide updates and manage any issues that come up.

Use Column (3) to set a date to check-in on the progress.

In Column (4), set a target date for completion.

[1]	[2]	[3]	[4]
Action	Person in charge	Check-in date	Target date

Step 10: Create the implementation strategy

Now it is time to put your plan into action. As you move forward, make a commitment to follow up on each of your action items. The actions should continually align with your reasons for entering the market (Step 2). At the designated check-in date, questions to consider include:

- Will the target completion date be met?
- Is the action helping achieve the initial goals and reason for entering the new market?
- What adjustments need to be made?
- When will I check-in next?

Below are some resources that discuss effective implementation:

- *The Balanced Scorecard: Translating Strategy into Action* by Robert S. Kaplan and David P. Norton
- *The 4 Disciplines of Execution: Achieving Your Wildly Important Goals* by Chris McChesney and Sean Covey
- *The Hoshin Planning System* by Yoji Akao or *Plan-Do-Check-Act (PDCA)* by W. Edwards Deming

Congratulations!

By using this framework to structure your market entry decision, you have leveraged the sheet metal & HVAC industry knowledge and experience to significantly increase your decision's probability of success. Remember, there will be bumps along the way, and commitment to your goals is a major determinant of your decision's outcome.

"A goal without a plan is just a wish."
 –Antoine de Saint-Exupery

APPENDIX A

Strategic Primer

Mission Worksheet

What is a Mission Statement? A mission statement is “a formalized document defining an organization’s unique and enduring purpose.”

Review Mission Statement: If your company currently has a mission statement, take some time to read the statement carefully and consider its accuracy and relevance to the company as it exists today.

Exercise: Imagine your market-defining story

For this exercise, develop the story of a person deciding to purchase your service, so you can create your mission around him. Who is he/she? Why does he/she want it? How does he/she find you? What does your service do for him/her? A good market-defining story contains the need or want for what you are selling, defines the target customer, and communicates a market to somebody else. Give your customer a name and tell his or her complete story. For example, *Leo is an up and coming project manager at General Contractors Plus. He has heard about our services from a friend in the industry, but has yet to work with us himself. He is looking for...*

Write down your mission: Remember, the important part is getting started. The mission that you write down does not have to be perfect right away. Now, considering the exercise and questions above, in a sentence or two, what is your company’s mission? What does your company do for your customers, your employees, and your company leadership?

What is a Vision Statement? According to Jim Collins and Jerry Porras, authors of *Good to Great* and *Built to Last*, a vision statement should “grab people by the gut and motivate them to work toward a common end.”

Review Vision Statement: If your company currently has a vision statement, take some time to read the statement carefully, then consider the following explanation.

Explanation: For decades, company leaders have been attributing strategic successes to a strong corporate vision. But what makes a strong vision? Although the content in vision statements varies, most highly successful vision statements share seven attributes:

- Conciseness – a vision statement that is limited to 10-25 words is easy to communicate and remember;
- Clarity – a vision should be fully explainable in less than 5 minutes;
- Abstractness – the vision should remain open enough to guide a wide range of business activities over a long period of time; it should garner support from a broad audience and allow for staff creativity;
- Challenge – the vision should motivate staff to try their best to achieve the desired outcomes;
- Future orientation – a vision does not have the power to inspire or attract commitment unless it offers a view of a clearly better future;
- Stability – the vision should not shift in response to short-term trends, technology or market changes;
- Desirability or ability to inspire – most importantly, the vision should inspire and motivate staff to carry out the noble work of the organization.

Below are some examples of effective vision statements. You will notice that good vision statements do not have to be especially profound or poetic; as long as they are meaningful and inspiring to those within the organization.

Examples:

“A world where everyone has a decent place to live” –Habitat for Humanity

“To make people happy” –Disney

“Crush Adidas” –Nike, circa 1960’s

“Create a better every day life for the many people” –IKEA

Now it’s your turn! Write down your company’s vision. Revise as needed!

APPENDIX B

More About the Essential Eight Decision Factors

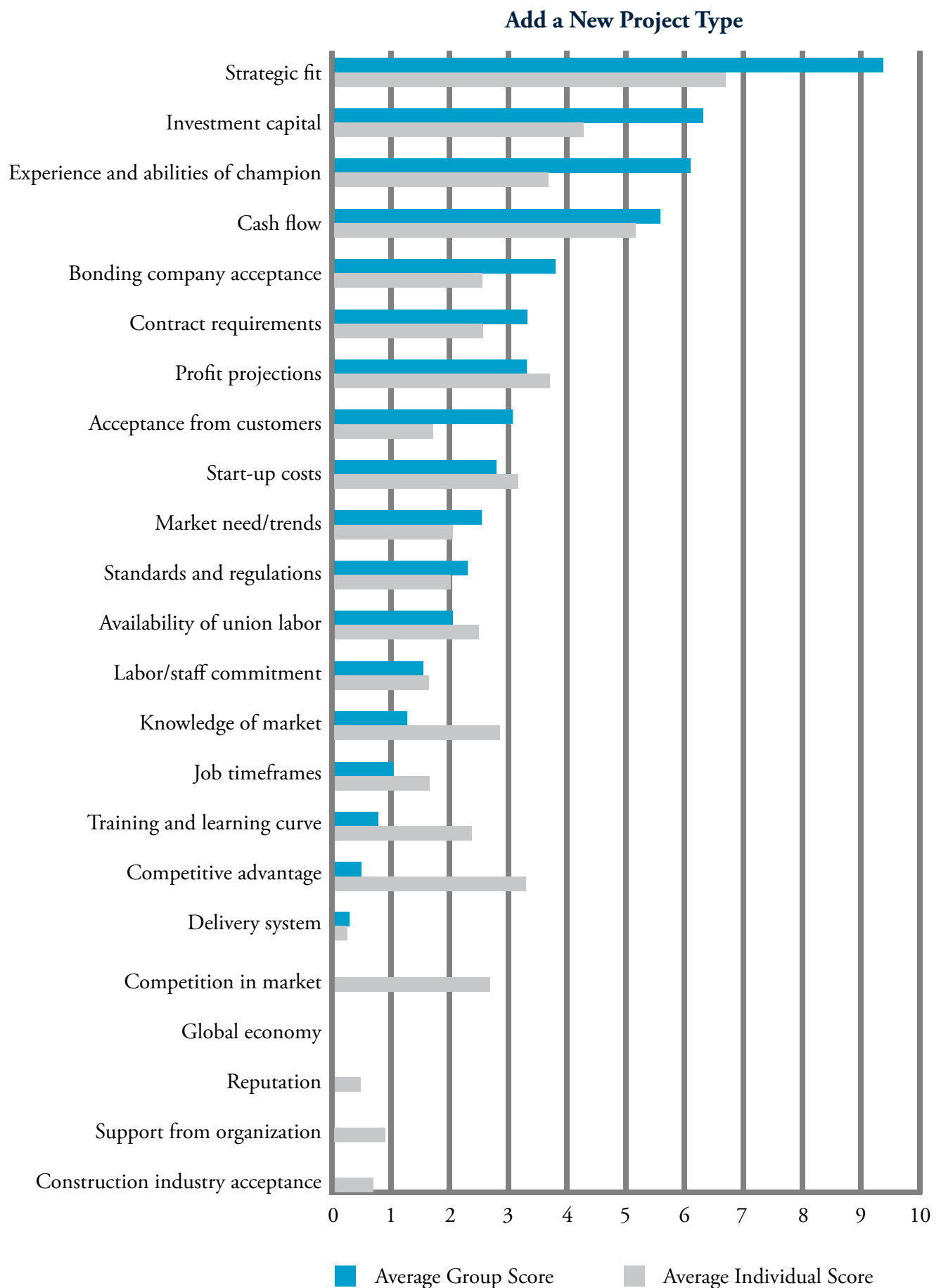
- Four workshops with sheet metal & HVAC contractors determined the Essential Eight decision factors
- 23 factors were ranked both by individual members and by small groups of five to eight members
- A different market entry scenario was considered during each workshop
- Factors were scored based on their ranking (10 points for first place ranking, 9 points for second, etc.)

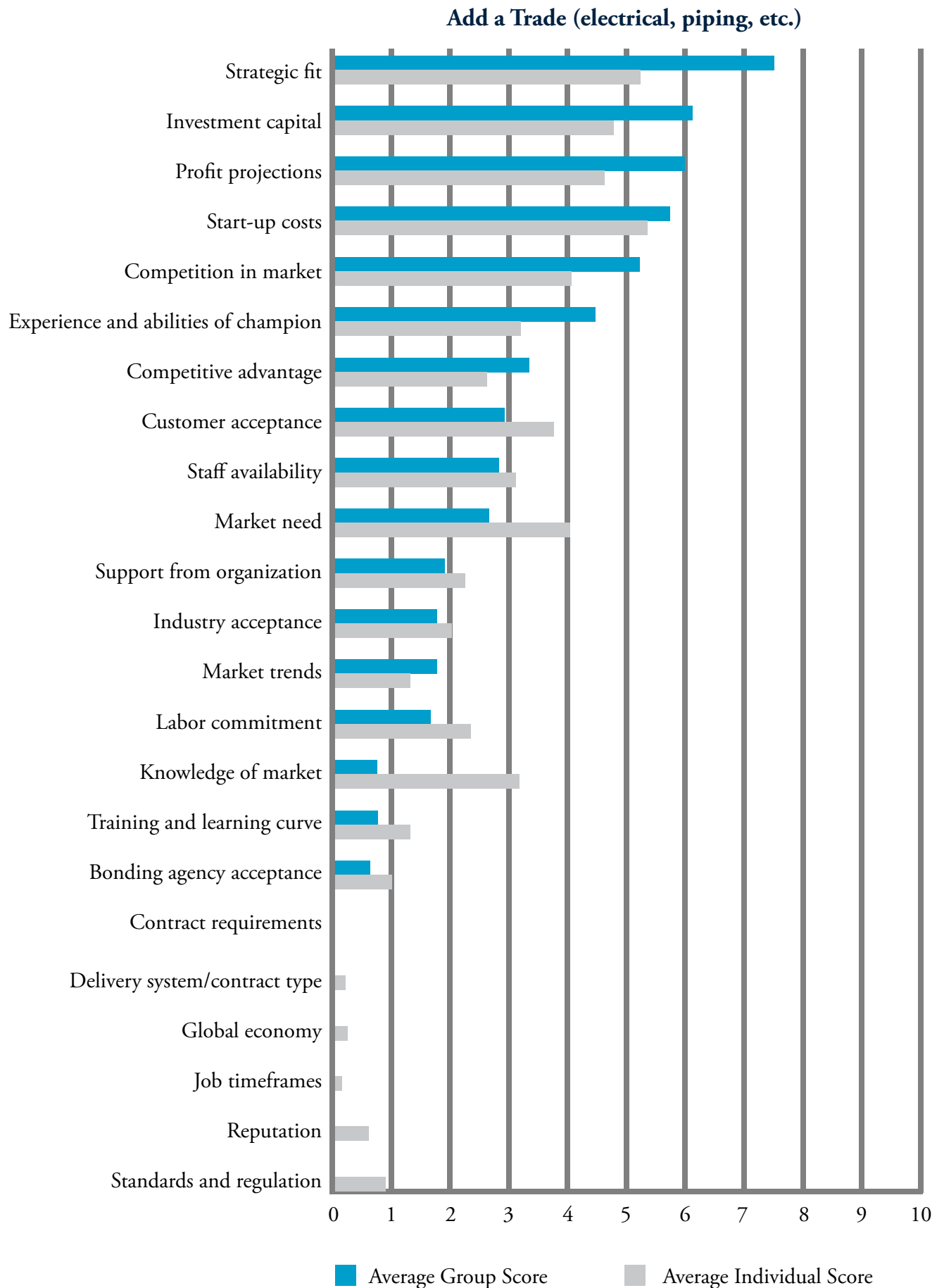
The Top 10 most important factors from each workshop are shown in the table below. Additional detail about the scores is shown on the following pages.

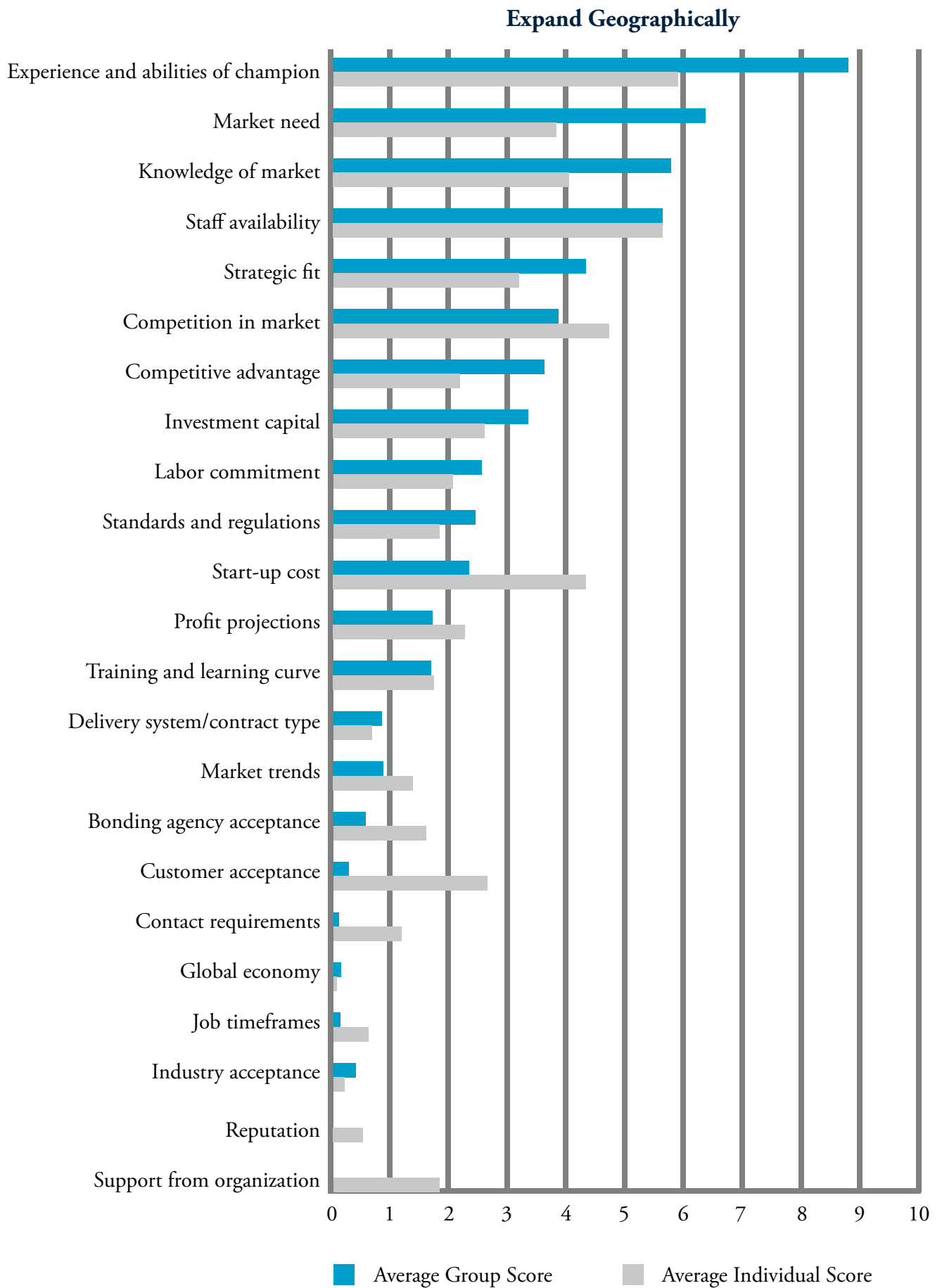
Rank	Workshop #1 Add a New Project Type	Workshop #2 Add a Trade	Workshop #3 Expand Geographically	Workshop #4 Add HVAC Service
1	Strategic fit	Strategic fit	Experience and abilities of champion	Market need
2	Investment capital	Investment capital	Market need	Experience and abilities of champion
3	Experience and abilities of champion	Profit projections	Knowledge of market	Strategic fit
4	Cash flow	Start-up costs	Staff availability	Profit projections
5	Bonding company acceptance	Competition in market	Strategic fit	Competition in market
6	Contract requirements	Experience and abilities of champion	Competition in market	Start-up costs
7	Profit projections	Competitive advantage	Competitive advantage	Competitive advantage
8	Customer acceptance	Customer acceptance	Investment capital	Investment capital
9	Start-up costs	Staff availability	Labor commitment	Labor commitment
10	Market need	Market need	Standards and regulations	Support from organization

Number of Top 10 appearances

1	2	3	4
---	---	---	---







Add HVAC Service

