TransTech Capital LLP

A Growth Company's Charter

Market Leadership - Differentiation - Innovation – Diversification – Competency - Capability - GROWTH

In the 1980's, Michael Porter wrote that a growth company should target either cost leadership, differentiation, or focus.

The succeeding decades have demonstrated that pursuit of cost leadership is a strategy which seldom provides long term success, as evolving technology often undermines the economies of scale required for a pure cost leadership strategy.

As such, companies are evolving towards market leadership which combines cost leadership with product innovation and customer service. This merges cost leadership with differentiation. Growth requires differentiation, which requires constant innovation.

To grow, companies need to be able to innovate faster and more efficiently than their competition. Markets and products mature, and then either commoditise or decline. Whilst there are business models which allow effective competition in declining markets, they are by definition short term. If technology has produced more efficient solutions which have led to the market decline, efficient competition with outmoded products will ultimately fail.

Ultimately a diversified company requires a mixed product portfolio which contains:

- mature products ('cash cows') that provide profitable turnover, supplying funds for future growth; and
- New products (stars) which command superior margins but are building substantial market share. These secure the medium term future
- 'Concepts' which require development to be converted into stars for the longer term future.

Underpinning this product strategy has to be a capability strategy which allows the company to deliver on the product strategy. Developing a capability strategy goes hand in hand with product strategy and requires the following:

© TransTech Capital 2016

Analyse competencies
Before a company can think about how it might choose to innovate, it is essential that they understand not only what it is that they can currently do, but also bench mark those abilities against competitors and identify which provide them with competitive advantage.

Understanding competencies requires careful "unbundling". If a competency is cast as: the ability to make milling bits for machine tools, then that is unlikely to provide a competitive advantage. By unbundling that competence, one element can become: - the ability to harden milling bits for use with Stainless 316.

This may provide a competitive advantage against some competitors, and could be developed further to gain additional advantage by developing the capability to harden tools for example for milling Stainless 316Ti

Benchmark Competencies
Knowing whether a company's competencies confer competitive advantage requires benchmarking those competencies against competitors. This requires identifying who your key competitors are, and comparing their competencies to your own.

This allows you to identify which of your company's competencies deliver competitive advantage, and how you rank against the competition.

This may mean that certain competencies need to be improved to match those of competitors, or that trying to compete with certain competitors is not possible with current competencies. It is more sensible to consider a different competitive strategy using different competencies which will allow you to gain advantage in a different way.

Match Competencies to new products and markets
Introducing novel products requires access to new competencies. What competencies are required to deliver the new products which the company wishes to deliver? A gap analysis will identify what new competencies need to be acquired.

Develop strategy for acquiring the required competencies.
A strategy can be developed to acquire the required competencies. Firstly, how much competitive advantage does the competency confer. If the competency is generic and readily available, buying it in from others is sufficient.

If a competency provides significant competitive advantage, having privileged access to it provides significant advantage. Therefore, the decision becomes that of build or buy. Does the company build that competence internally with the associated costs, but more importantly the time required or is it better to acquire the competency already developed and integrate it? Acquisition can allow more rapid deployment.

 © TransTech Capital 2016

Summary

Any company can acquire access to new technology to improve its competitive position and product portfolio. It just needs to be clear on:

Its own strengths
its objectives
the gap between strengths and objectives

Once these are clear, finding (or developing) capabilities to take it from its current position to the desired result becomes a clear process.

About TransTechCapital LLP ("TTC")

TTC is a venture capital advisory and investment firm and part of the award winning MTI Partners technology investment group, which has been investing in the technology commercialisation sector since 1983 (www.mtifirms.com)

In the course of its advisory and investment activities, Team members have invested in and nurtured over 100 technology businesses. TTC's advisory team has considerable experience of Intellectual Property commercialisation including 'Proof of Concept' project processing and funding, technology transfer, technology research, development, due- diligence, investment and exits. In the course of its investment activities, the Team has worked with many of the world's leading universities Technology Transfer Offices.

For more information on TransTech Capital LLP's activities, please contact: Simon Robeson, General Partner, TransTech Capital LLP:

Simon.Robeson@TransTechCapital.com

 © TransTech Capital 2016