

## “Turneycrank” Strategy Case Study Exercise

To analyse the issues of:

- Manufacturing cost in an established economy and in a new economy
- Manufacturing at one scale and at a larger scale (scale=size or number)
- Identification of core competencies (the central things you are good at)
- “Leveraging” a respected brand (=using the strength of the brand to help you do other things/create new products)
- “Leveraging” established distribution arrangements/channels.(=using the strength of distribution arrangements to develop in your chosen markets)

### Exercise

“Turneycrank” is a well known brand of diesel engine in the UK and in certain traditional overseas markets. The Company makes engines to put into fire engines, military vehicles, boats and small ships. There is a strong brand loyalty, developed over seventy years. Turneycrank’s long-serving sales people and engineers are highly respected in the marketplace, and the Company has been awarded a significant number of patents.

But the technology has now become dated. Although the engine is popular for its simplicity and robustness (= not easily broken), there are now competitors, especially from Japan and elsewhere in Asia, who produce engines that have a better performance (=who produce engines that are more powerful and use less fuel). These competitors also manufacture in very large quantities and are, therefore, significantly cheaper (=much cheaper). A very large customer order has just been lost to the new competition and three more major customers are considering (=thinking about) a change.

The Manufacturing Director and Marketing Director of Turneycrank have sharply differing views (=very different opinions) on what the firm should do.

**Q1 What do you think the *Manufacturing* Director wants them to do?**

**Q2 What do you think the *Marketing* Director wants them to do?**

**Q3. Do a SWOT analysis. Strengths, Weaknesses, Opportunities, Threats.**

**Q4. After the MD has listened to the two directors and they have all agreed on the SWOT, what do you think is decided?**

## Discussion Points

Warning: There are no “right answers” here!

### 1. Manufacturing Director

The Manufacturing Director has been asking for years for the investment needed to update his manufacturing operation. His knowledgeable and innovative engineers are full of design improvements that would meet some of the specialised needs the customers ask for. He has never been allowed to exploit these. He does acknowledge, though, that he is unable to compete on the basic cost structure of manufacturing. He believes that a price premium of up to 25% would be acceptable to his customers, especially to keep this vital industry in British hands. Turneycrank should invest to bring its engine up to date and to replace its manufacturing plant.

### 2. Marketing Director

The Marketing Director has been looking at the problem in a different way. She does not believe any customer will accept indefinitely a price premium for no particular reason other than brand loyalty. She says this is especially those in the public sector who are buying according to very strict “best value” rules. She believes the Company should outsource its manufacturing to Japan or China and that Turneycrank should simply re-badge and sell on into its well established customer base. She has some other ideas, but wants to clear this battle first!

### 3. SWOT

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| <p><b>Strengths</b><br/>                 Reputation built over 70 years<br/>                 Knows its market<br/>                 Engineers respected in the market<br/>                 Patents<br/>                 Loyal customers (up to now)<br/>                 Simple &amp; robust engine is popular</p>       | <p><b>Weaknesses</b><br/>                 Small scale manufacturing<br/>                 Design becoming dated<br/>                 Product performance lower than competitors'<br/>                 Price is no longer competitive<br/>                 Already losing customers</p>          |
| <p><b>Opportunities</b><br/>                 Use different viewpoints to create a new strategy<br/>                 Outsource manufacturing<br/>                 Special/customised solutions for niche market<br/>                 Develop new products from patents<br/>                 Premium pricing of these</p> | <p><b>Threats</b><br/>                 Competition from Asia (as described)<br/>                 Further loss of customers<br/>                 Losing skilled employees to competition<br/>                 Going out of business<br/>                 Senior management not in agreement</p> |

### 4. What do you think is decided?

The MD also recognises that costs of manufacture have to be reduced to the level of the market, so there is no disagreement there. First they discuss **what** the problems are and a lively discussion of **how** to address this problem results. It is eventually (=in the end) agreed that no amount of investment is going to make Turneycrank’s basic engine manufacture competitive with the giants of Asia.

After a thorough round of investigation and negotiation, Turneycrank signs an outsourced manufacturing agreement with Bitushibi, a large conglomerate with a high market share in the diesel engine market. Under the terms of the agreement, Bitushibi also agrees to a five year “non-compete” arrangement with regard to the list of customers and “hot prospects” that Turneycrank gives them.

The market welcomes this move. They still have the benefit of Turneycrank’s expertise but the prices have dropped!

Over a quiet lunch, the Marketing Director unveils her follow-on idea to a still-bruised (a bruise is the black mark you get from blood under the skin after a fight!) Manufacturing Director. They quickly gain the agreement of the MD.

The customers are only too ready to listen when Turneycrank’s sales and engineering people begin to offer specially tailored solutions to complex problems. These are the sorts of problem that the market giants are not really equipped or willing to handle. Turneycrank now starts to dig out its old patents (take them out of its old files) and to source (go out and buy) all manner of equipment and technology for its customers and integrate them into small scale engineering solutions. These one-off solutions soon find other customers and become established products themselves. Along the way, Turneycrank’s sales people and engineers also begin to supply engineering solutions based on gas turbine and electrical engines, wind and solar power.

### **5. Two years later.**

The MD, Manufacturing Director (now re-titled Chief Technology Officer) and Marketing Director are able to report a significant increase in profit to the shareholders. Turneycrank has re-invented itself.

If you found this case study exercise useful and would like others, then please contact:

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