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PUERTO RICO CONFERENCE

Entrepreneurship for Growth

2010

March 24, 2010 | Conrad San Juan Condado Plaza | 7:30 a.m. - 5:00 p.m.

P u e r t o R i c o C h a m b e r o f C o m m e r c e

PACIV

...total control systems engineering solutions

A Harvard Business School Case Study



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“Exporting Knowledge in the Service Sector”

Jorge L. Rodriguez, P.E.

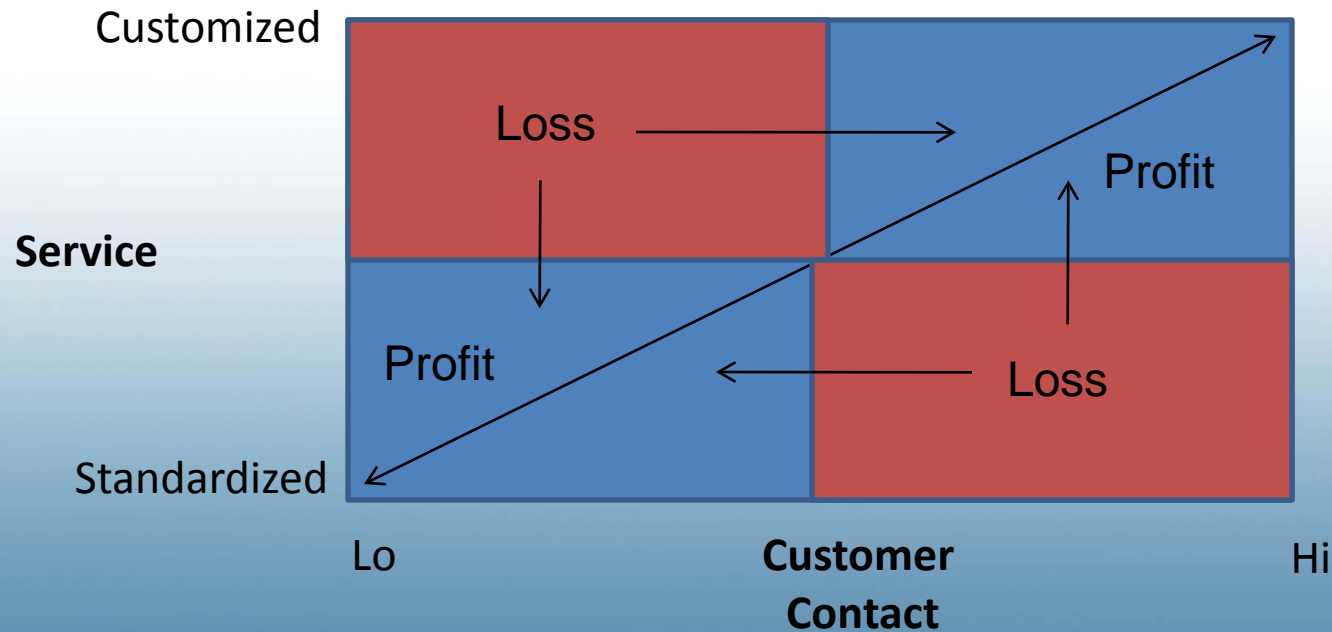
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P u e r t o R i c o C h a m b e r o f C o m m e r c e
www.paciv.com

Service vs Product

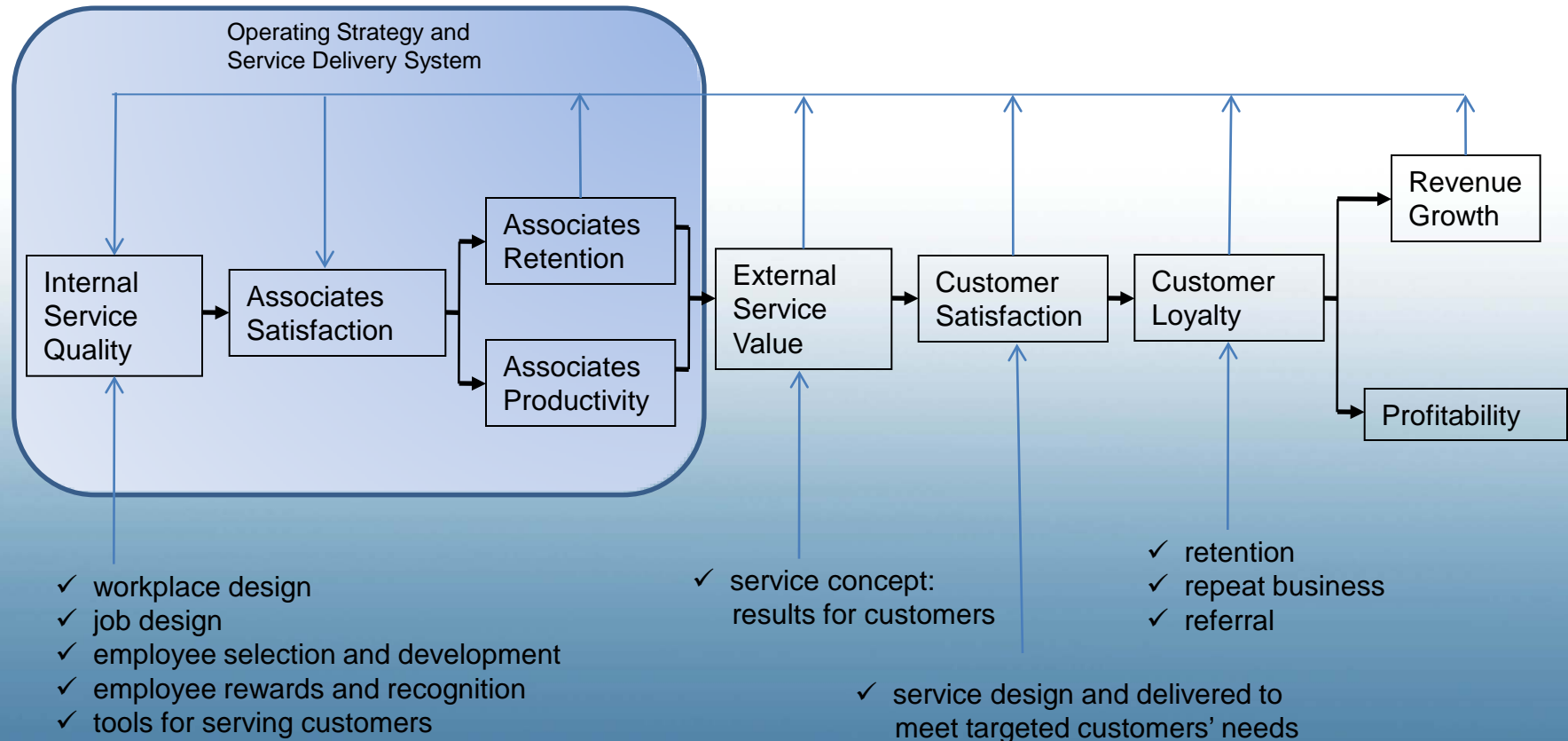
- Four Dilemmas of Service Marketing:
 - The consumer buys only a promise of performance
 - Consumer collaborates on production
 - Quality is not consistent
 - Services cannot be inventoried
- Get the “service part “out of the service business
 - The skills lies on the person not the business
 - Reduce possibility of variability per person
 - Mechanized the “service” part, minimize human attitude

Profit Quadrants in Service



Source: Prof. John Deighton, Harvard Business School, OPM 38, Marketing Class, 2009

Service Profit-Chain



Source: HBR, "Putting the Service-Profit Chain to Work", July-August, 2008

- Main Problems within International Markets Opportunities
 - Extreme Distance – geographical, psychic distance (e.g. UK not equal to France, UK equal to New Zealand)
 - Market Context Distance – (e.g. For BioPharma Market, Puerto Rico not equal to Dominican Republic, PR equal to US, Ireland, Singapore)
 - Temporal Distance (Time Zones)
 - Diverse National Context
 - Resource Asymmetry

“We rather do business with a few companies' multiple sites around the world than with many companies' few sites in Puerto Rico”

- Your Strategy and Buz Model defines if and how services are exported
- Market Niche (1997)
 - New Technology in the industry: Computer Control Systems
 - New Regulation in the industry (industry chaos): Validation
- Market Segment
 - Biotech, Pharma and Medical device
 - Many sites worldwide (FDA Regulated, Similar Technologies/Processes)
- Manage Market → Manage Segment → Manage Customer

PACIV Strategy and Buz Model

Specialized Services Company

managing

Market Segment

Highly
Technical/Critical

Employees tech knowledge
Replication Solution
Trusted Brand
Leaders' technical knowledge

Demanding client, same
“pain” worldwide

Similar technical needs
around their sites
worldwide

High Level Contact

Commitment Culture
Customer Intimacy
Transparency
Glocal: GOB to GOB

Speed to Market, In
Compliance, Consistency

Relationships (not
transactional), Solutions

- **Blue Ocean Strategy – stay away from “sharkie waters”**
- **Frequent communication AT ALL LEVELS!**

- **Client is our bridge to cross to other markets**
- **LOTS OF TRAVELING!!!**

- To have coherent and sustainable export services, they must be part of your vision, strategy and execution
- All employees must understand the company strategy
- Leaders do the business development
- No business ever happened by being at the desk
- Watch Out for the “Scud Missiles”
- Who you are determines who you serve and who you serve determines who you are

“Have patience toward all that is unsolved in your heart. Try to love the questions themselves. Do not seek for the answers that cannot be given to you...because you would not be able to live them. And the point is to live everything. Live the questions now.”

Rainer Maria Rilke
Letters to a Young Poet

BONUS SLIDES

“Vision without action is a Daydream, action without vision is a Nightmare”

— Japanese Proverb

“The installation of purpose in place of improvisation and the substitution of planned progress in place of drifting are probably the most demanding functions of the president”.

- Business Policy: Text and Cases Christensen, Andrews, Bower Irwin Press, 1978

“The need to create and re-create reasons for a company’s continued existence sets the strategist apart from every other individual in the company. ...Guiding this never-ending process, bringing perspective to the midst of action and purpose to the flow... is the crowning responsibility of the CEO.”

- “Putting Leadership Back into Strategy”, C.A. Montgomery, *Harvard Business Review*, January 2008



The OAS Statement

(Objective, Advantage, Scope)

Be a value-driven company by being a one source provider of instrumentation,
control systems and regulatory compliance services

for our global clients' manufacturing sites in the pharmaceutical,
biotechnology, and medical device industry

by applying our unique combination of technical expertise, turnkey services
and commitment culture.

We achieve customer trust through honesty, integrity, and accurate responses
to clients' needs with cost-effective and reliable solutions

while being a great company in which to work and a valuable corporate citizen
to our communities.



Our Vision

“To be the preferred solution provider of our business partners’ control system engineering needs”

Our Mission

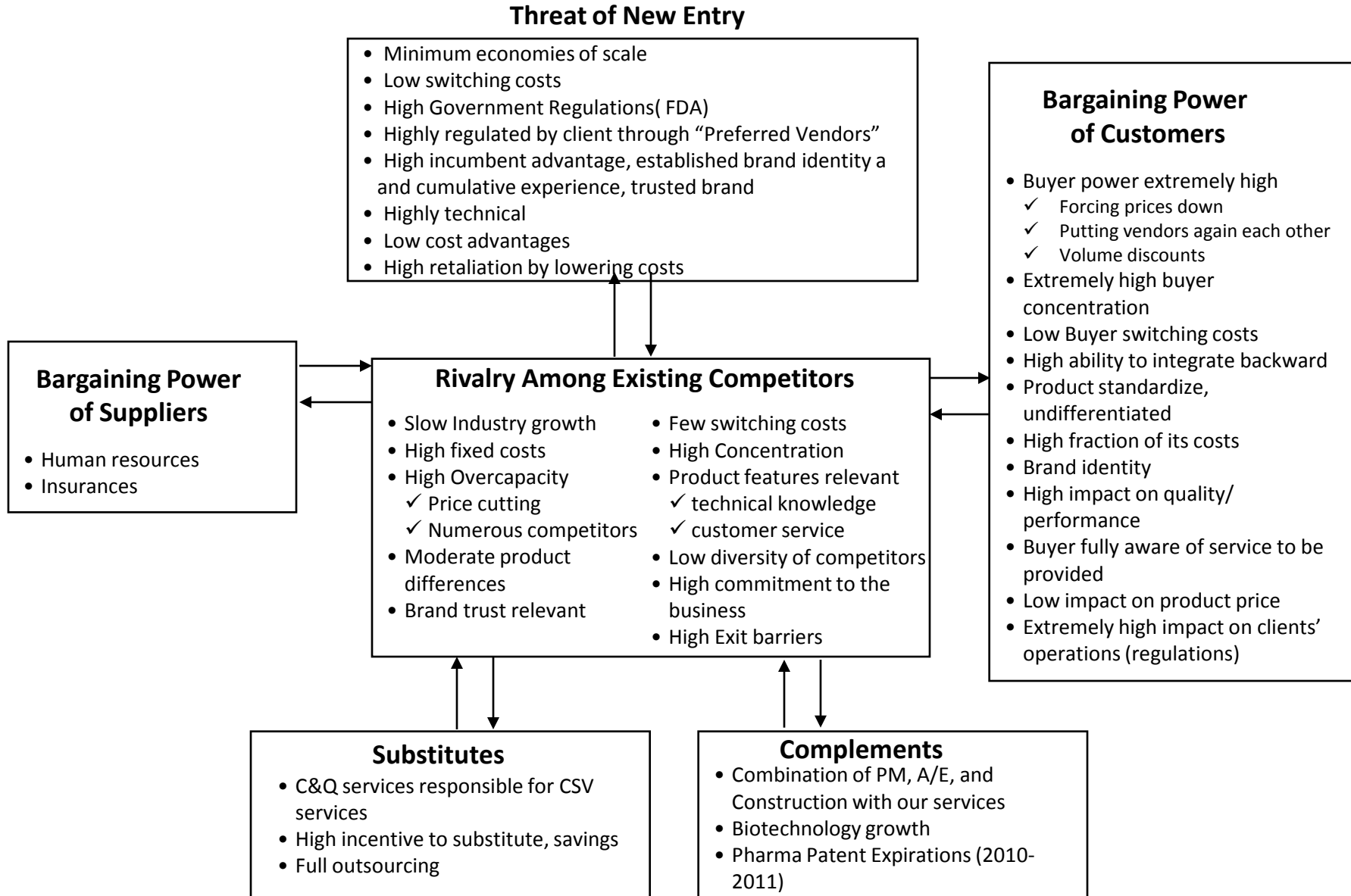
“To be the best control system, instrumentation and compliance service firm by applying our unique combination of technical expertise and commitment culture. We will achieve unparalleled cost-effective and reliable solutions for our business partners while being a great company in which to work and a valuable corporate citizen to our communities.”

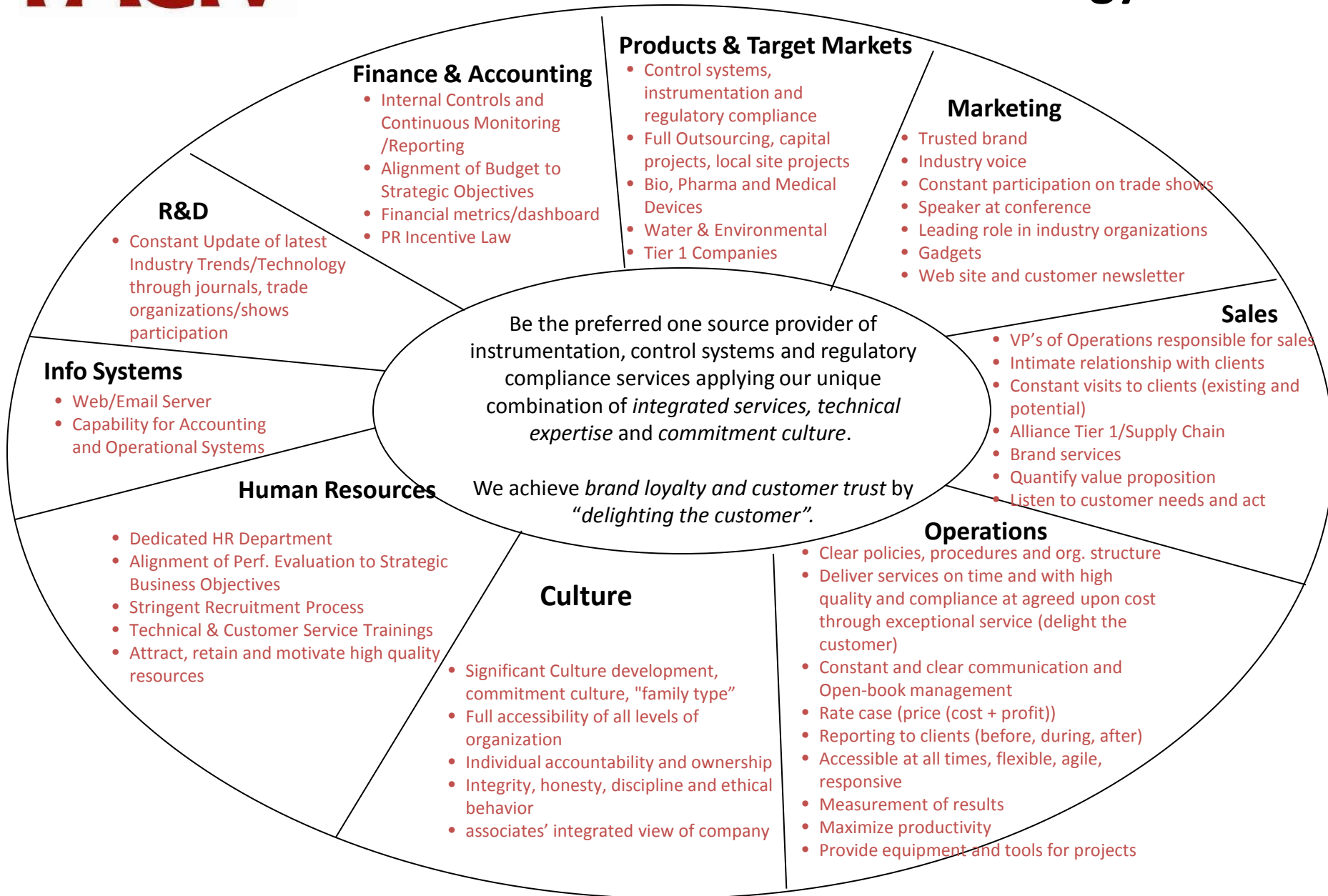


Our Core Values

- Excellence and innovation in all we do
- Honesty and integrity are the foundation of who we are
- Relentless commitment to serve is our way of life
- Listen to our client's and associate's needs
- We are a family; respect, loyalty and teamwork is our company culture
- We are an integral part of the communities in which we live

Forces explaining average profitability in the life sciences control systems service industry







Strategic Map

Increase PACIV and its clients value

• Company's revenue

• Company's net margin

Financial Perspective

Revenue Growth Strategy

understand customer needs and differentiate accordingly

Enhance Customer Value

Expand Revenue Opportunities

Productivity Growth Strategy

maximize the use of existing assets; reduce total delivery cost

reduce company's cost structure

Maximize employees productivity

Customer Perspective

Customer Intimacy

Product/Service Attribute

competitive pricing

quality of resources

agile response

technical knowledge

Relationship

exceptional service; committed to client needs, partnership

recognize associates and clients loyalty

Image

trusted brand

Delight the customer

Internal Process Perspective

Innovations

- New Business Models
- Alliances

Customer Value

- Cost Reduction Solutions
- Relationship Management
- Integrate Solutions
- Identify Client Needs

Operational Excellence

- Multi-level sales
- Resource Utilization
- Controls
- Technical Org. Membership

- Org. Struct.
- P&P
- Communication
- Marketing

Corporate Citizen

- CSR
- Industry voice

Learning and Growth Perspective

Associates Competencies

- Dvlp. Skills on Mark. & Sales
- Knowledge Technical Resources
- Associates integrated view of company

Technology

- Client's survey
- Great Plains
- Equipment, tools

Corporate Culture

- Vision, Mission, Values
- Family culture, Transparency
- Strategy

Human Resources

- HR1 - trainings on leadership , customer service, project mgmt.
- HR2 - training on control systems
- HR3 - Align performance evaluation with strategic objectives and company culture
- HR4 – Do year round activities to motive and promote “family spirit”:, team work\
- HR5 - Bi-annual meetings with employees (company progress)
- HR6 - 360 process for recruitment and Perf. Evaluations
- HR7 - Incentives and salary increase align to Perf. Evaluation
- HR8 – Inform of industry trends, articles
- HR9 – HR and Directors visit associates on sites

Culture

- C1 - newsletter including client and associates testimonials
- C2 - Strict procedures/disciplinary action (integrity)
- C3 – Sub-teams per core services

CSR

- CS1 – PACIV Foundation, CS2 – PACIV Volunteer Program

Marketing

- M1 - significant targeted marketing
- M2 – Presence and presentations on trade shows
- M3 – quarterly customers newsletter
- M4 - Active industry voice/accessibility to press
- M5 - Active participation on industry boards
- M6 - new presentation, web site, brochure, gadgets
- M7 – Inform of industry trends/articles

Operations

- O1 - directors’ strategy meetings
- O2 – operational meetings (directors, lead team, project teams) and administrative meeting
- O3 – Report to clients
- O4 – Org. Structure
- O5 – Price set per rate case
- O6 – Equipment and tools for projects
- O7 – Technical Organization membership

Sales

- S1 – presence of directors on clients sites, lunches with potential new clients
- S2 - Tier 1 alliances
- S2 - cost reduction initiatives
- S3 - visit power and water industries potential customers
- S4 – Full outsourcing, ISP
- S5 – Integrated services (discounts)
- S6 – Brand services
- S7 – Continuous client surveys

Financial

- F1 - financial metrics and dashboard
- F2 - Budget align to strategic objectives
- F3 – Monthly control meetings
- F4 – Web based time sheets/pay stub
- F5 – Cost saving initiatives
- F6 – Incentive Law

Perspective	Objectives	Measurement	Unit of Measurement	Measurement		
				PR	US	UK
Financial	Gross Revenue	Instrumentation & Control Revenue	Growth	20%	20%	100%
		Integrated (Turnkey) Services	Growth	20%	25%	0%
		C&Q/CSV Revenues	Growth	0%	5%	20%
		ISP	\$	0	250,000	0
		Revenue from non-life science clients	Revenue Share	5%	10%	0%
	Profit Margin	Utilization Rate	%	95%	95%	95%
		Total Expenses (non COGS)	Total Non-COGS	<20%	<20%	<20%
		Profit Margin	%	10%	20%	0%
Customer	Exceptional Service	Customer Ranking	Customer Survey	One of the Best		
	Quality	Customer Ranking	Customer Survey	One of the Best		
	Competitive Pricing	Proposals Granted	%	70%	70%	50%
	Customer Retention and Acquisition	# Customer	Annual Increase	5%	5%	5%
		# Repeat Customer	%	90%	90%	90%
Internal	Technical Competence	On-Time Delivery Project	%	95%	95%	95%
	Visit New Clients	VP's Presentations and/or Visits	Monthly	2	2	2
	Customer/Associates Contact	President & VP's Visit to Site	President/bi-wk	50%	N/A	N/A
			VP/bi-wk	50%	50%	50%
Learning & Growth	Technical Training	Resources Certified	%	95%	95%	95%
	Soft Training	Resources Trained	%	100%	100%	100%

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Relentless commitment to serve
Is our way of life

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We are a family; respect, loyalty and teamwork is our company culture

We are an integral part of the communities in which we live

Associates Competency and Growth

Create, Capture and Sustain Value

Operational Excellence and Corporate Culture

associates' training, technical, integrated leadership and view of company service

differentiated market position

identify client needs

policies, procedures, organizational structure

trusted brand, marketing

individual accountability and ownership at all times

maximize productivity

cost effective, increase volume

administrative and financial controls

communication, transparency and open book management

integrity, honesty, discipline and ethical behavior

increase automation and instrumentation market share

tier 1 subcontracting

joint accountability and stake in success

accessible, lean, agile and flexible

attract, retain and motivate high quality talent

exceptional service

measurement of results

recognize, enjoy and celebrate

industry voice

RESOURCES

CUSTOMERS

ORGANIZATION



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