POSITION

RD-2

PRESIDENT

In RD-2, you're allocating $500,000 for investments. In RD-3 you'll increase the investment budget further.

Alu SUPs remain popular with the high-end outdoor market in the region, but Alu is still virtually unknown nationally. Organic growth is happening, but you'll need to invest if you want to supercharge that growth.

The challenge is a Catch-22. You've got to invest to grow ORDERS to reach $10M in sales, but you don't have the CAPACITY to make enough SUPs to fill the demand if you get it.

On top of that, production interruptions, late order fulfillment and unexpected production schedule changes are all stemming from a chaotic supply chain. Is it time to fire the Supply Chain Manager?

Alu seems to be constantly running out of small things that are hard to get quickly. This slows production and increases costs for overnight shipping.

Alu will struggle to make meaningful progress unless you can fix a supply chain that is clearly not keeping pace.

The Supply Chain Manager wants to invest in ERP, but you've heard horror stories from other small business owners about how incredibly complex it is to implement an ERP program, and when it goes wrong it goes terribly wrong and can devastate a company.

All these challenges mean the timing and phasing of investments and changes are critically important. The market opportunity is there; what's the most effective way to get after it?

POSITION

RD-2

CFO

Going into RD-2 (Years 3 & 4), inflation & organic growth continue to impact Alu's Costs and Profits.

Alu's baseline OPEX continues to grow at about 5% annually, meaning your Costs for RD-2 will start at $2,750,000. This includes everything except the materials required to make Alu SUPs.

Everything your team does in RD-2 to impact Costs will either add to or subtract from this baseline Cost.

Materials cost increases and delays are eating into margins. You believe Alu needs to find cheaper, more reliable materials suppliers, but the Supply Chain Manager continues to fight you on this.

The Sales Manager is excited about the potential growth in ORDERS from partnering with a Big Box Retailer. You know that's risky for companies that don't have their manufacturing and supply chains running like clockwork. Big Box retailers aren't nearly as forgiving as the boutique retailers Alu is used to dealing with. If there are repeated delays, Big Box stores may charge Alu for the delays, reduce ORDERS or even cancel the contract entirely, presenting big problems for Alu.

READY OR NOT 2.0

POSITION

RD-2

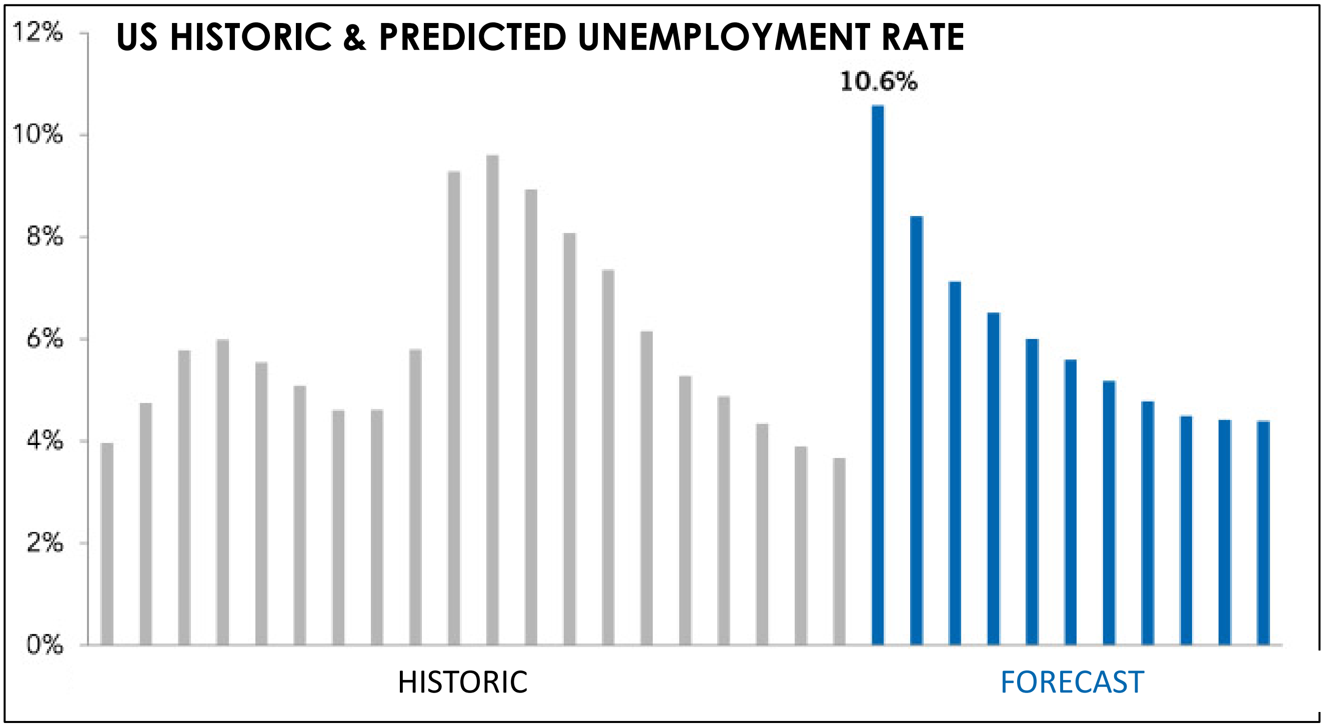
HR MANAGER

As Alu has grown, it now takes more time than you have to execute effective HR practices. This results in errors and potential legal risks. Alu lacks consistency in policy, procedures, and decision-making.

And while the recession cooled the hot job market, you're noticing it's been surprisingly difficult to fill an open position on the manufacturing floor.

You continue to stress the importance of investments and decisions that help develop and retain existing Alu employees. It takes 2-3 times longer to train new hires than promoting existing employees. And the cost of losing a production worker is $30k-$150k in lost productivity, opportunity, training, hiring, and quality costs.

With a couple of older employees expecting to retire, and consistently high turnover of production line workers, investing in employees is more critical than ever.



LOWER UNEMPLOYMENT RATES CAN MAKE IT CHALLENGING TO RECRUIT & RETAIN EMPLOYEES

POSITION

RD-2

IT MANAGER

Alu's outdated IT infrastructure has become a real problem. And you freely acknowledge it has played a role when problems arise.

Investments in IT are hard to tie directly to improvements in any of the 4 KPIs that drive Alu's Revenue and Net Income.

But failing to invest now could come with dire consequences, not just because Alu will continue to muddle through with outdated infrastructure, but because it seems like every day there's another cyber security attack happening somewhere.

It falls on you to convince your leadership team to invest in improving Alu's IT infrastructure, protecting the company from cyber attacks and giving you the ability to respond quickly to problems and opportunities.

POSITION

RD-2

PRODUCTION MANAGER

One of Alu's biggest challenges has been meeting demand for product. The President and Sales Manager have not been shy in expressing their displeasure when Alu's CAPACITY can't keep up with Orders. And now the Sales Manager is pushing to sell SUPs to a Big Box Retailer, which would drive a massive increase in ORDERS.

Your RD-2 CAPACITY has dropped back to only 5,000 SUPs annually – you must continue investing in RD-1 investments or make new investments to grow your CAPACITY in RD-2. It's critical your team understands this! It's on you to convince your team to make investments and decisions to continue to grow CAPACITY in RD-2.

While adding more shifts and automating production lines are top priorities for meeting demand, you're concerned that without investing in Lean Manufacturing, you won't maximize the effectiveness of your current resources, let alone any new lines or shifts.

There have also been quality control problems that you've been struggling to figure out. You've actually had to fire some people and others have quit due to what they see as your attempts to micro-manage this problem away. This has led to heated discussions with the HR Manager, who you think isn't finding good applicants for open positions.

READY OR NOT 2.0

POSITION

RD-2

SUPPLY CHAIN MANAGER

Without an Enterpriser Resource Planning system and more frequent inventory “cycle counting”, it is growing increasingly difficult to manage the influx of incoming materials and outgoing SUPs.

The ERP system you want uses “ABC Cycle Counting” to prioritize materials based on criticality and availability. You daily sample “A” materials (most critical); weekly “B” materials which are less critical but still important, and spot check “C” materials, which are the least critical. Investing in this type of system is critical to supporting Alu’s growth.

On top of an outdated system for managing inventory, delays in shipments from materials suppliers are causing you headaches as you attempt to ensure Alu has what it needs to produce enough SUPs to meet demand. Delays, shortages and higher materials prices from oversees markets are all impacting Alu’s performance. The cost of materials for your SUPs has grown to $546/board. The CFO asked you to find alternative materials suppliers to reduce materials costs and production disruptions due to delays.

You question if other suppliers can meet the materials quality your current suppliers deliver. You’d like to travel to Asia and meet with your current suppliers personally and strengthen relationships in the hopes it will get them to prioritize Alu shipments. The President has balked at this due to the travel costs.

You remain concerned about going into business with a Big Box Retailer. You’ve heard horror stories about “rental sales returns” at those places, and you don’t have a clue how you’d handle the reverse logistics of large numbers of used SUP returns.

READY OR NOT 2.0

POSITION

RD-2

SALES MANAGER

The brick & mortar outdoor retail apocalypse continues, but boutique water sports and standup paddleboard shops are weathering the storm better than most due to the rapid growth of the sport.

Alu's Direct to Consumer Orders continue to trend positively, growing organically at a healthy 3-5% each year. You expect demand for Alu SUPs to reach 7,000 ORDERS by the end of RD-2. Alu begins RD-2 with your ASP back at $1,000. But smart investments and decisions in RD-2 could grow both numbers substantially.

To reach $10M in Revenue by Year 6, you know you'll need to sell many more SUPs than Alu's organic growth is creating demand for. Boutique retailers continue to share anecdotes with you about droves of older consumers choosing the convenience of light-weight and easier to store inflatable SUPs over traditional hard SUPs.   The Marketing Manager dislikes this idea, believing it makes the brand less premium.

Alu's biggest opportunity is to land a contract with a Big Box Retailer. You'd almost double orders overnight and be on track to become a major player in the SUP industry. The deal you've put together would force Alu to take a small per-board profit hit, but that would be dwarfed by the massive increase in revenue and profits from selling so many SUPs.

READY OR NOT 2.0

MARKETING MANAGER

You pay close attention to how consumers use Alu SUPs. Lately you've seen a trend of highly-experienced kayakers using SUPs on rivers with white water rapids. This puts different stresses on the SUPs, and you're concerned about small quality control issues becoming very serious safety issues based on how some consumers are using Alu SUPs.

You've shared this concern with the Production Manager, who has been trying to root out a small number of quality control issues to no avail. You'd like to get ahead of this issue before something bad happens on the water. If you don't, you fear a tragic turn of events that would have Alu needing to make a big effort to regain the trust of the tight-knit SUP community.

You're more convinced than ever that automating Alu's production processes is the key to building higher quality, more customizable boards to serve the boutique retail market. That would build on Alu's premium positioning with customers, help maintain or even improve profits, and avoid the "race to the bottom" of competing for low-end, cheap SUPs that you feel moving into inflatables or big-box retailers creates.