

Industry Expansion Solutions (IES) and
North Carolina Department of Military and Veterans Affairs
(NCDMVA)

Growth and Diversification Project

Defense Industry Adjustment (DIA)
Grant from the Office of Economic Adjustment (OEA)



Industry Expansion Solutions



DMVA

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1. The Challenge

North Carolina is home to thousands of businesses supporting and supplying military and national security missions both globally and locally. The state is home to the 3rd largest military presence in the country and includes six major DOD installations, the largest military ocean terminal in the world, 116 National Guard facilities, 40 Army Reserve facilities, over 100,000 Active and Reserve Component personnel, and over 50% of all Special Operations Forces. Currently, the dependence on the defense industry, is to an extent, what makes the state's economy vulnerable to sudden or unforeseen reductions in the U.S. defense budget. According to the most recent economic impact study, *The Economic Impact of the Military on North Carolina*, military-related activities provide a \$66 billion economic impact for the state, making up nearly 15% of North Carolina's gross state product. Defense-related sectors provide 578,000 jobs in North Carolina (119,000 federal; 72,087 state and local government; and 386,475 private sector). North Carolina is also home to the 8th largest veteran population in the country and 87,000 veteran-owned businesses, many of which receive DOD contracts.

The challenge is identifying information that is not currently clear to the state: to what extent are these thousands of companies doing business with the DoD, exactly what portion of the company's revenue is reliant on defense spending, and what skills and knowledge are required by the workforce to be able to meet the national defense needs. Of equal concern is the need for North Carolina to be prepared to support the defense industry in our region, thus requiring both a short-term operations plan and a long-term strategic plan.

2. The Response

IES/NCDMVA will conduct a growth and diversification project designed to help North Carolina's defense contractors diversify into alternative markets. The project will consist of engaging twenty small to medium size aerospace related businesses that are receiving significant revenue from DOD contracts or subcontracts and have recently experienced a loss, or are under imminent threat of a loss of sales due to reduced DOD expenditures. This project will be conducted as part of a grant-funded project awarded to the State of North Carolina by the Defense Industry Adjustment (DIA) Program of the Office of Economic Adjustment (OEA).

The growth and diversification project will take place over a seventeen-month period from November 2018 through January 2020. During that time, IES/NCDMVA will select twenty aerospace related manufacturing and professional services companies in North Carolina on which to conduct a CoreValue assessment. Each company is responsible for providing \$1000.00 in cost share for the services provided throughout execution of the project. Based on the results of the assessment, IES will provide a portfolio of management and business productivity training programs to improve

management procedures, increase production, lower costs and increase capacity in the businesses so they can grow and diversify.

3. The Projected Results

The twenty aerospace related defense companies will range in size from approximately 20 to 300 employees. IES will conduct a CoreValue assessment of each of the twenty companies and then provide follow-on business productivity training programs (administered by IES or contracted vendors) to assist in diversification and increased competitiveness for the selected companies. Areas of focus for follow-on training programs will include:

- Brand/Sales and Marketing
 - Market Research
 - Messaging/Positioning
 - Web Design/Search Engine Optimization
- Innovation
 - Innovation and Growth
- Growth
 - Technology Driven Marketing Innovation (TDMI)
 - Commercialization Assistance/Prototype Development
 - Value Chain Optimization
 - Supplier/Tech Scouting Services
 - Strategic Planning for Growth (Alignment)
- Cybersecurity
 - Cyber Assessment IAW IES Cyber Tool Kit
 - Ensure compliance with DFARS and NIST 800-171
- Additive Manufacturing
 - Assessment
 - Training and Education
 - Determine appropriate business case for AM
- Operations
 - ISO Management System Implementation

- Risk Management Analysis Tools
- Total Cost of Ownership
- Project Management

4. The Partners

This is a public/private partnership supporting the pilot project, to include:

GENEDGE: This VA Manufacturing Extension Partnership (MEP) Center helps clients generate a sustainable competitive edge through process improvement, growth services, and job creation. GENEDGE understands what helps businesses grow and provides innovative services to assist clients with developing and implementing strategies that promote growth. GENEDGE's strategic vision is to help our clients innovate, compete and grow their bottom lines. GENEDGE's extensive knowledge and service capabilities known as NEXT GENERATION INNOVATIVE SERVICES helps small businesses achieve world-class performance through innovative and transformational solutions.

North Carolina Military Business Center (NCMBC): NCMBC is a business development entity of the North Carolina Community College System headquartered at Fayetteville Technical Community College (FTCC). The mission of the NCMBC is to leverage military and other federal business opportunities to expand the economy, grow jobs and improve quality of life in North Carolina.

North Carolina Small Business and Technology Development Center (SBTDC): The North Carolina SBTDC is a business advisory resource for growing and developing businesses. Our highly skilled professionals provide services statewide from offices hosted by campuses of The University of North Carolina System. The SBTDC operates in formal partnership with the U.S. Small Business Administration, Defense Logistics Agency and others, making it a unique and valued asset in the economic development infrastructure of North Carolina. Business, government, and university leaders recognize the SBTDC's value and impact.

North Carolina Defense Business Association: The North Carolina Defense Business Association provides information, connections, and networking opportunities to members to build relationships and promote defense-related business within the state of North Carolina. The North Carolina Defense Business Association is comprised of a group of businesses with interests in military contracting, government affairs and supporting the state's military installations. The purpose of the Association is to build the Defense and Homeland Security industry clusters at military installations in North Carolina.

North Carolina Department of Commerce: The Department of Commerce advances its mission to improve the economic well-being and quality of life for all North Carolinians with the collaborative assistance of a wide variety of partners and allies.

Economic Development Partnership of North Carolina (EDPNC): The EDPNC is focused on recruiting new businesses to the state, supporting the needs of existing businesses, connecting exporters with customers around the globe, helping small business owners get their start, and attracting tourists and visitors from all over the world. In pursuit of sustainable job-creation and investment in North Carolina, the EDPNC works closely with public- and private-sector partners at the state, regional and local levels. As a nonprofit public-private partnership, the EDPNC operates under contract with the North Carolina Department of Commerce, while receiving financial support from private companies throughout the state.

5. The Context

Communities that play host to military contractors often confront two related problems: 1) military spending is highly volatile, leaving them vulnerable to cyclical defense cuts, and 2) military suppliers are highly specialized, leaving them ill-suited to alternative markets. The altogether-too-frequent results are not only layoffs and downturns, but difficulty ramping back up if and when defense demand returns. The State of North Carolina, especially the southeastern region of the state, has long been particularly dependent on defense contracting.

6. Selection Criteria

The selection criteria for a company to participate in the pilot project is:

- 20 – 300 employees
- During the past three (3) years, the company has experienced the following events:
 - Decline in company revenue by 5% or more due to reduction of Department of Defense contracts
 - Decline in average employment by 5% due to reduction in Department of Defense contracts
 - Must be an independent company or wholly owned subsidiary with headquarters in North Carolina
 - Must have been in business for at least three years

IES will request the following as a first step in confirming a company's eligibility for the Pilot Project:

- Net Sales by month for last 36 months
- Employee headcount by month for last 36 months
- If net sales and average employment show at least a 5% decline, IES can begin to develop your application.

We'll request additional information as we develop the company's application, including:

- Financial statements for the three most recent fiscal years.
 - *Income statements and balance sheets – for the three prior fiscal years.*
- Descriptive summary information about the company
 - *Related firms, ownership, managers and directors, products and markets, plant locations, other information about the firm required for the application.*

7. Assessment and Pilot Project Plan

Once accepted to the program, one of our Regional Managers will work with the company and its staff to conduct an assessment. We'll summarize strengths and weaknesses and help it identify projects to improve its business. This will be compiled into a "Strategic Alignment Plan", which functions both as a planning document for the company and the formal application for project co-funding assistance. The company may already have projects in mind, or may wish to refine plans in discussion. Either way, we can lend our support by completing a review of the entire business, helping it make sure priorities are well thought through. Ultimately, we will identify projects for program assistance.

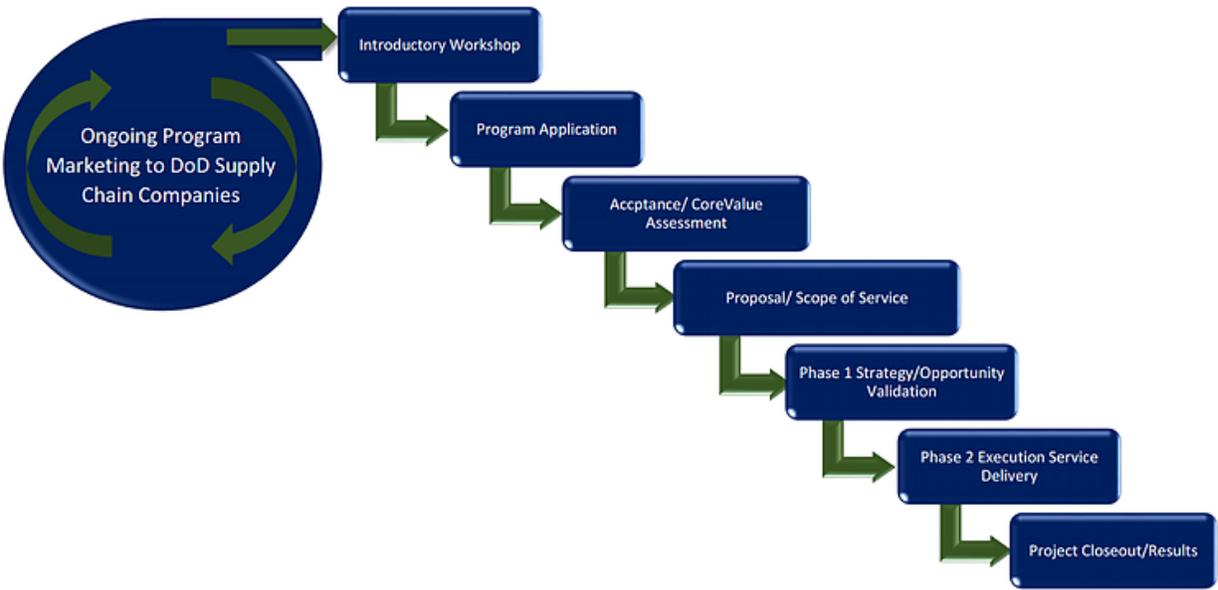


Figure 1. Pilot Project Plan

8. Implementation

As a firm implements its plan, IES will all costs of IES services and third-party experts (consultants, trainers, other providers). This assistance can be used with a wide range of projects such as strategic growth, operations, and sales and marketing. While assistance can be used for a broad range of initiatives, it cannot be used for capital equipment, building repairs, employee salaries or regular business expenses. Assistance is available for the period of performance through January 2020. Program funding is not provided directly to the firm. Rather, IES will incur the cost or consultants will bill IES for the costs, helping the company leverage its limited resources.

9. Confidentiality

The IES team ensures utmost confidentiality while assimilating or handling proprietary information regarding an individual and his/her organization. IES requires the client to sign a Non-Disclosure Agreement (for client companies) at the beginning of the intake process. IES maintains this confidentiality for commercial and/or financial information shared by the client in all interactions, especially with third party entities, unless explicitly permissioned by the client.