SILICON FOREST ELECTRONICS

From The Hot Seat: Perspectives from the CEO *October 2020*

The last nine months of 2020 have been traumatic for all of us. Some have lost jobs, some have lost businesses, and worse yet, some have lost their lives. We all want 2020 to be OVER! However, from a business standpoint at SFE, we had one of the best years in many. What was our secret?

It was not a secret sauce. Everyone has spoken about a lack of diversification or concentration accounts as issues for investment or business connections. We are at risk if we "put all our eggs in one basket." During the 2008 "great recession," we learned that lesson the hard way. We had a concentration issue - 40% of our production was from a single customer.

Of course, one wants to keep the high-value customer at high sales volumes. The alternative is to find other customers and grow them into equal high-value customers. We focused on looking for customers that matched our definition of an "Ideal Customer Profile." That equated to more high-quality customers who were all roughly equal in sales volume and similar technology needs. In 2020, we entered the year with eight mid-volume customers, all with relatively equal sales volumes. As 2020 unfolded, there was a downturn in a couple of those customers and upturn in the others. We finished the year as a best-ever performance.

Most people use the common phrase, "a gorilla in the room," to describe this situation of a concentration account. Our logo has a grizzly bear as our brand. Consequently, at SFE, we worked hard to tame our "Grizzly in the room."

Customer demand is not controllable. Over the twelve years, we have grown our business by adding new customers whose demand has the potential to grow to roughly equal to those in our top tier. As these customers grow and balance our portfolio, the result is less chaos and more business. We have been blessed. Today, our business demands have remained strong, with our top eight customers shifting back and forth to be leaders in any other month, not one with far greater demand than another.

There is no short-term fix. If going into the COVID season and the diversification did not exist, it was probably an economic strain on your operations. The lesson of 2008 for us was our saving grace. It took twelve years to prepare and alter our program to be ready for COVID. We did not know that a disaster was looming. Rather, we conducted a post-mortem of the 2008 economic crunch and asked how to reduce the risk of new financial disasters. We developed a vision and then executed it. As with any plan, it did not go well, and there were many alterations. However, the focus was to tame "the Grizzly in the room."

We have gained from the pandemic by reacting within the crisis. As Jay Schmidt, our General Manager, often quotes, "the best weapons are developed in times of war." Our TEAMS have gotten more robust and more focused on "people care." We have gained insight into how to better protect our employees while at work and embraced a new culture of "Work From Home" (WFH) for those whose jobs allow it. The upheaval from the pandemic has given us practice at dealing with anxiety. Each of us has learned a new language or three; Zoom, GoToMeeting, and TEAMS.

Be safe, use the pandemic as a practical test to your resilience, develop your new strategy, adapt from the past mistakes, and "tame your Grizzly in the room." Best of luck!

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