Com Dev

How to make a smooth transition from agent to greenfield investment.

Canadian operations	A privately owned company founded in 1971, Com Dev designs and manufactures advanced microwave, millimetre wave and signal processing subsystems sold to the space, aerospace and defence markets on an original equipment manufacturer (OEM) basis (whereby its client's name appears on its products). Its largest business area is in satellite-borne subsystems. Its 1990 turnover was around $40 million, with 80% of the Canadian production exported to the United States, Europe and Japan. Turnover in 1990 in the U.K. subsidiary was about $4 million. The company employs 350 people in Canada and 30 in the United Kingdom.
U.K. activities	In 1985, Com Dev Europe was established to provide a European base for its products. Some of its low-priced standardized products were already sold through an agent, but Com Dev's entrepreneurial instinct made its managers believe there was a niche opportunity for its value-added products. This, however, necessitated a European presence because of the tailor-made nature of Com Dev's products. This European base was even more essential in view of the politics involved in selling to the European space industry.

Lessons to be drawn

The financial commitment was minimized. The company took the following measures.

- The U.K. operations started very small, offering only design and marketing facilities for the first 18 months. The manufacturing was subcontracted to the Canadian plant or to local manufacturers.

- The Canadian company provided the financing until the break-even point was reached, but insisted on a policy of self-financing for subsequent investments.

Com Dev made its objective for the United Kingdom clear. The company wanted to have a complete organization covering design, selling, manufacturing and testing. In doing so, the company conveyed the entrepreneurial spirit it perceived as being a key factor in its success.

An experienced U.K. national was recruited as managing director. This meant the managing director had extensive experience and knowledge of the European space industry. The recruitment was made possible by using a headhunter.