



Building a Business in the Power Electronics Industry

“Things I Have Learned Since I Got Out of School”

Martin F. Schlecht

20 March, 2006



Background

- **SynQor Designs, Manufactures, and Sells Modular DC-DC Converters World Wide**
- **Opened the Doors in 1998**
- **Released First Product in 1999**
- **First Significant Revenue in 2000**
- **Telecom Market “Crashed” in 2001**
- **CAGR Greater Than 30% Per Year Since 2000**
- **Manufacture in Massachusetts, USA**
- **Privately Held**



Discussion Topics

- Getting a Company Started
- Getting Customer Acceptance
- Sustaining the Growth
- Manufacturing in the US
- Final Thoughts

“A selected collection of Business Clichés...

But ones that have much more meaning to me now.”



Getting Started

- **For starters, you need:**
 - A Product
 - A Market
 - A Core Group of People
- **Much easier if you begin with all three in place**
 - A stronger sell when raising money
 - A quicker path to realizing revenue
 - More likely to get ahead of the existing players
- **It's possible to do this in the field of Power Electronics**



Getting Started

- **Raising Money**
 - It's a continual project
 - You will need much more than you think
 - **Venture Capitalists (be very careful!)**
 - They want control/ownership
 - They want protection from loss
 - They are more experienced at this game than you are
 - **Dealing with rejection**
 - 4 out of 5 times you get a “no”
 - Don't succumb to the negativism. Just ask more people

“There's only 52 cards in the deck”



Getting Started

- **Urgency**
 - **“Today, not tomorrow. It’s already too late!”**
 - **My biggest, most repeated lesson**
 - **This applies to every aspect of the business**
 - **This attitude must be sustained over the long haul**
 - **Find people who can do this**
 - **Particularly if you can’t!**



Getting Started

- **Priority**
 - **Make an ordered list of the 100 things you have to do**
 - **Do #1 on the list whenever it is possible**
 - **Only then may you do #2 on the list**
 - **This requires constant vigilance**

Getting Started

- “Thrift is King”
 - You only get to run out of money once
 - The less you have, the harder it is to get more
 - You must actively **SAVE EVERY PENNY!**



Getting Customer Acceptance

- **Customers Want Fewer Vendors, Not More**
 - New Technology opens doors
 - Delivery, Flexibility, and Quality will keep the doors open
 - But it has to be something **THEY NEED**
 - Not what **YOU** think they should need



Getting Customer Acceptance

- **Big Customers Have Sophisticated Procurement Teams**
 - Many can control your access to their engineers
 - Their job is to keep control over you
 - They always want a second source
 - **Catch-22:**
 - If you have something special, they have no second source
 - If they have a second source, you have nothing special

Getting Customer Acceptance

- **You Must Appear “Bigger” Than You Are**
 - Top talent helps
 - Quick response is required
 - Don’t let them see your youth
 - You cannot afford mistakes or delays
 - It costs money to do this
 - How much depends on how big a customer you are trying to attract

“You need to decide how big you want to be”



Getting Customer Acceptance

- **Customers Do Not Have Your Best Interest at Heart**
 - It's a corporate thing, not a personal thing
 - They are in the same competitive situation you are in
 - Capitalism pushes for lower prices/profits all the time
 - Making right business decisions is your responsibility, not theirs

“Be careful not to let them drag you down a dead end”



Sustaining the Growth

- **Focus vs. Flexibility – a Conflict**

- It's hard to say “no” to anything when you're trying to grow quickly
- You must have a plan (that you update)
- Categorize new opportunities as pro-plan or anti-plan
- Consider both the positive and negative aspects of every opportunity
- Take risks (make experiments), but control them
- Move quickly to make corrections when the evidence provides clarity





Sustaining the Growth

Advice:

Stay Focused...

But not Dogmatic!



SynQor[®]

Sustaining the Growth

- **Create a Corporate Culture**
 - **It's like a religion:**
 - There are many possible
 - One is the right one for you
 - **If you don't create one, your people will form one on their own**
 - **SynQor is a “Team-Based, Processed-Centered Enterprise”**



Sustaining the Growth

- **People Will Grow at a Different Rate than the Company**
 - Those who grow, but at a slower rate than the company, will be demoted even as their responsibilities increase

Sustaining the Growth

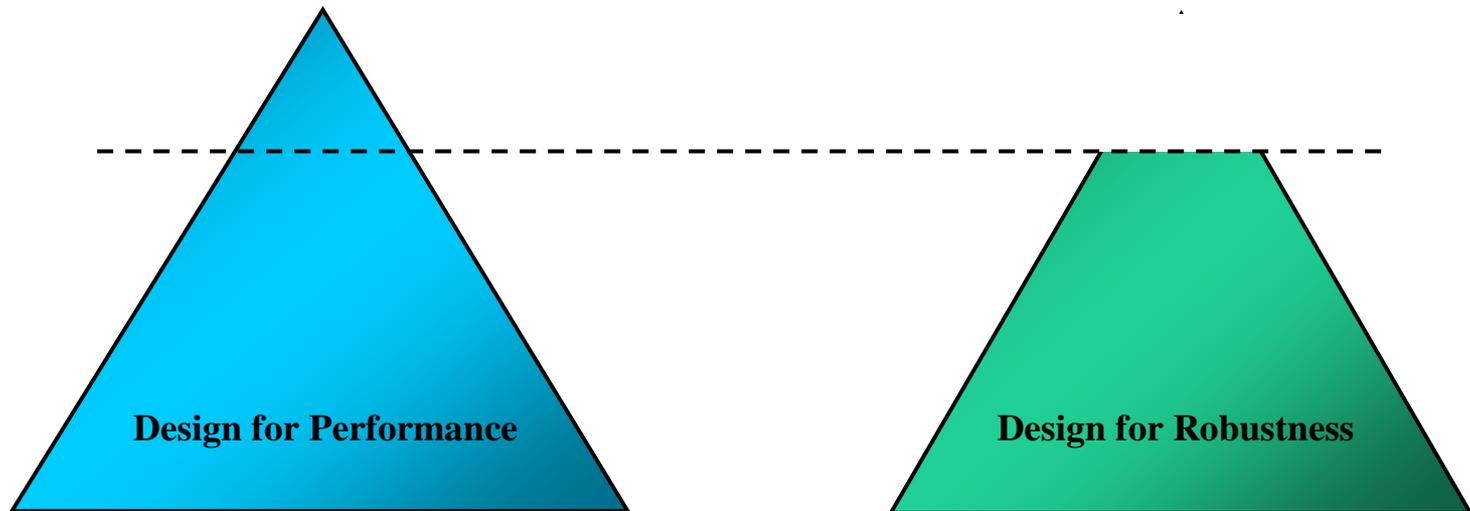
- **Design every aspect of the business to be:**
 - **Repeatable**
 - **Scalable**



SynQor[®]

Peak Performance vs. Robust Design

Design for Robustness is necessary and intellectually challenging



“This applies to all aspects of the business”



Manufacturing in the US

- **Prevailing Thought:**
 - It's too expensive to manufacture electronics in the US
 - Components cost too much in the US
 - Customers firmly believe this
 - At least the procurement people do
 - They've long since lost the ability to manufacture themselves



Manufacturing in the US

- **Counter Points:**

- **There is very little labor content in today's dc-dc converters**
- **Component costs are global, and depend more on volume than on location**
- **There are substantial overhead costs associated with managing operations halfway around the world**
- **Dc-dc converter manufacturing is a high mix, low volume operation**
- **Control over scheduling and quality are important advantages**



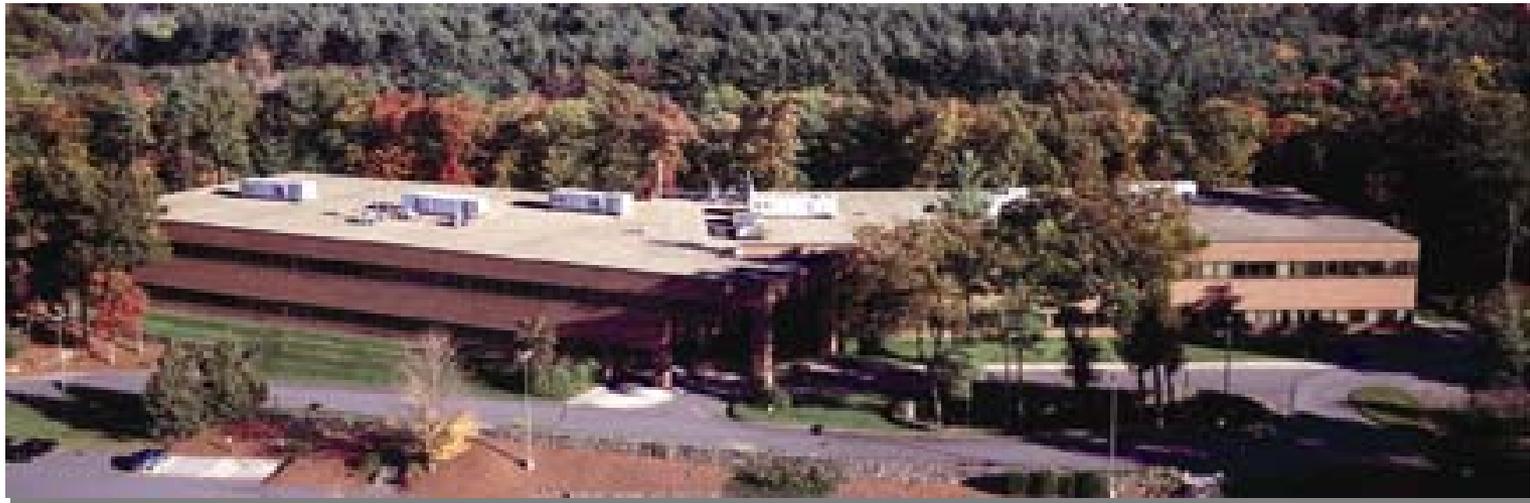
Final Thoughts

- **Building a Company is a Lot of Work – And a Lot of Fun!**
- **It is a TEAM Endeavor**
- **It is a Journey**
- **But Life is Not Fair – and Neither is Business**
- **It's Never Safe to Relax**

“Don’t Underestimate the Importance of Will Power”



Building a Business in the Power Electronics Industry



SynQor[®]