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3M in the New Millennium

by Charles W.L. Hill

I. Executive Summary and the Question at hand

3M, being one of the largest technology-driven companies in the US, had annual sales of $16.4 billion in 2002 with fifty thousand products sold. 3M was diversified in terms of businesses such as healthcare, industrial, consumer and office, display and graphics, electro and communication, safety, security and protection services, and transportation. Although the company had several core competencies like leveraging existing technology to develop new product ideas and strongly encouraging innovation by investing in R&D and providing extra time to employees to "think" about potential discoveries; it also headed being a slow reacting, slow moving, and costly manufacturing company in the market. Although the methods that management brought in terms of resource allocation, product diversification and quality management seem to be helping in the short run; will they help to be a successful, technology driven and fast reacting company in the long run? It's the matter of being fast and first in the fast growing market. Will these approaches help company to achieve this goal?

II. Critical Issues

3M's most important problem was being slow in reacting to fast growing markets. It's not just a laboratory where scientists try several experiments and make discoveries for the humanity. It is a production company which needs to make money out of every single products discovered. Innovation is 3M's famous and most powerful weapon but without necessary money and management, it is just something which places the company at the very back in this race.

* *Resource Allocation*: The initial strategy was to allocate big chunk of resources to R&D in order to maintain innovativeness; the reason why the company is famous for. However, since there are too many potential projects, the cash allocated to R&D becomes thin when distributed among all. The new strategy focuses on funneling the money to the "most promising" products instead of all of them. The problem with this approach however was that there was no leveraging of the best practice across the business. And with Six Sigma program, company overcomes this obstacle and decreases the number of new product ideas.

* *In-direct cost control & Global Sourcing for cost reduction:* Reducing employee number, introducing more efficient processes that boost productivity, benchmarking operations internally, consolidating purchasing, reducing the number of suppliers, dual sourcing policies…etc resulted in a total amount of $1.3 billion decrease in 3M's cost structure. Decreasing cost is something good but it is not necessarily solution to the problem at hand- problem of reacting fast and being first in a fast growing market. This approach should be considered as a by-product of being re-organized and efficient in the way of getting market power.

III. Recommendation

Although management does not consider the option of divestment, it seems to be a reasonable alternative in order to focus more on growing markets. Recently company has 40 unique businesses clustered in 7 business units. Re-consideration of profitability, analysis of market opportunities in each businesses and selling the ones without sufficient money generation could be used as an alternative.