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Analyze Risk The Right Way

The editors of *Compass on Business* in the article *Analyze Risk the Right Way*, asked business leaders — including Stewart Cramer, president of LAI International — how they have developed tools and strategies to weigh risk. Risk analysis combined with customer input can be a winning equation, according to LAI International, Inc. The company demonstrates it can achieve success when carefully applying this formula when developing an innovative technology for a customer application involving a multi-year investment. An excerpt from an article written by Morey Stettner entitled *Demystifying Risk Analysis*, published in the spring 2008 edition of *Compass on Business*, by Compass Bank explains.

An excerpt from *Analyze Risk the Right Way*:

In some cases, risk analysis and customer input work together. When a major customer shared a problem with Stewart Cramer, president of Scottsdale, Ariz., based LAI International, he thought he could develop an innovative technology to solve it. But that would require a significant, multi-year investment.

“At the time [2001], we were a small company and addressing this problem for our customer would require a huge commitment,” Cramer recalls. But he listened to his gut—and considered the potential size of the market for this technology—and plunged in.

Within a year, Cramer had marshaled 80 percent of his engineering resources on a project that was largely speculative. The customer signed a contract for a small sum, but LAI’s development costs vastly exceeded that amount.

“It wasn’t obvious in the first few years that this would pay off,” he says. “I bet the farm on it. And I met with some internal resistance from my CFO and others who couldn’t understand why I was locked in on this.” By mid-2005, LAI achieved a robust production capability for its developing technology and the initial customer was pleased with the results. Along with strengthening its relationship with that influential customer, LAI now seeks a broader application of this inventive new tool.

Looking back, Cramer says a key factor that shaped his risk analysis was a realization that LAI couldn’t overextend itself. He knew that “we couldn’t bet big everywhere but we could pick one thing where we could be the best and play large with that one thing.”

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About LAI International, Inc.

LAI International, Inc. is a leading contract manufacturer of make-complete precision-engineered components and assemblies for aerospace, power generation, defense, medical and other advanced technology industries. The company’s technology, engineering and manufacturing solutions are used to build components for airframes, aircraft engines, power generators, defense systems, medical devices and other industrial applications.

LAI has developed strategic relationships with leading global OEMs and operates five U.S. manufacturing facilities, with locations in Minneapolis, Phoenix, Tucson, Westminster, Md., and Scarborough, Maine — all of which are ISO 9001:2008 and AS9100 certified. The company also offers Nadcap-certified conventional and non-conventional machining processes.

LAI has developed innovative applications in advanced machining processes, including waterjet cutting and drilling, laser cutting, drilling, welding and heat-treating, EDM drilling, CNC EDM, high-speed EDM, conventional CNC machining, five-axis CNC machining and precision five-axis grinding. The company also provides gage calibration, tooling production, air-flow inspection and additional manufacturing services.

For more information, see www.LAIco.com.

Quick Facts about LAI International

- Five U.S. manufacturing facilities: Phoenix, Tucson, Minneapolis, Westminster, Md., and Scarborough, Maine
- Corporate headquarters located in Scottsdale, Ariz.
- Founded in 1979
- ISO 9001 | AS9100 | Nadcap certified
- ACE Corporate Excellence Award winner, 2008-10
- Boeing Performance Excellence Award, 2010
- GE Customer Impact of the Year Award winner
- Lockheed Martin Corporate STAR Supplier
- Northrop Grumman Platinum Source Preferred Supplier
- Inc. 5000 fastest-growing private U.S. company, four-time award winner, 2007-10



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Contact the LAI Customer Service Team:
800-840-1126 | info@LAIco.com | LAIco.com

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