



Project Profile: New Hampshire

Impact Statement

Support from the OEA IR grant program enabled the State of New Hampshire to support a more robust and resilient defense sector that is better recognized by elected officials, better integrated into regional supply chains, and which is developing a global footprint thanks to new business connections around the globe.

Key Project Takeaways

New Hampshire's Industry Resilience investments helped to build a strong network of local defense suppliers that benefit from peer connections developed through the grant, while also growing its voice with state and local policy makers. Other programming helped firms retool and identify new overseas markets for their products, services and technologies.

Project Description

Rationale

While New Hampshire is a small state, it is home to a significant concentration of defense contracting activity. In Fiscal Year 2017, New Hampshire-based companies supported \$1.8 billion in defense contracts. Overall, New Hampshire's defense and aerospace sector employs more than 64,000 people, and accounts for 2.1 percent of state gross domestic product. This figure ranks New Hampshire as 21st^h among US states in terms of economic reliance on defense-related activities. New Hampshire's defense sector also provides high-quality jobs with an average annual salary of between \$87,000 and \$92,000.

Most of New Hampshire's defense activity is located in the southern part of the state, especially in the regions surrounding Manchester, Nashua, and the seacoast. These areas have close connections with concentrations of defense industry in Massachusetts and other parts of New England. Eighty-five percent of New Hampshire defense contractors have fewer than fifty employees. Several larger facilities are also located in the state, including BAE Systems, Elbit/Kollsman, Red River Computers, and L-3 Communications.

New Hampshire's defense sector has been in decline for a decade, with overall employment decreasing by 19.1 percent between 2001 and 2014. Overall defense activity in New Hampshire peaked in 2009 and continued to decline (with a slight uptick in 2017) over the next eight years. Facing these challenges, the State of New Hampshire approached OEA for funding to help strengthen the state's defense sector, and to help smaller contractors identify and access new markets. New Hampshire's Office of International Commerce (OIC), a division within the state's Department of Business and Economic Affairs, Division of Economic Development led the project through three OEA-funded phases. New Hampshire also participates in the six-state New England Regional Defense Industry Collaboration project.

Program Activities

Given the focus of OIC on exporting, New Hampshire's IR-backed projects focused on helping contractors enter international markets and diversify their product lines. OIC's work engaged several



partners, with the New Hampshire Aerospace and Defense Export Consortium (NHADEC) playing a central role in these efforts. NHADEC was first created in 2013, with the purpose of “fostering the most opportune foreign markets for the member group, through collaborative efforts and global brand messaging.” OEA IR funds played a crucial role in establishing NHADEC as the “go-to” organization for defense contractors in New Hampshire and the region, and for prospective global buyers. IR funds provided support for NHADEC’s Executive Director, and funding for its annual summit, networking activities, and the development of a strategic plan for NHADEC’s future sustainability. Thanks to these early investments to build capacity, NHADEC now serves as the leading trade association for defense firms in New Hampshire and attracts membership from outside the state.

Funds also supported market research on the business development needs of New Hampshire-based defense suppliers. These efforts focused on identifying new export markets, with a special focus on emerging markets in Quebec and across Canada. Phase 3 funds provide support to an ongoing New Hampshire Manufacturing Extension Partnership (MEP) program that so far provided Technology-Driven Market Intelligence (TDMI) to four defense suppliers.

Resiliency Impacts

Increasing Awareness of the Defense Industrial Base

From the perspective of program managers and defense suppliers in New Hampshire, the project’s greatest successes emerged thanks to its close partnerships with NHADEC. Having a central point of contact and “voice” for the defense and aerospace sector is critical, especially in states like New Hampshire, where defense companies are small and often less visible to public officials. NHADEC’s role as the central point of contact for the New Hampshire defense sector helped raise the industry’s visibility with policy makers. More importantly, it helped raise the visibility of the sector to businesses within New Hampshire, across New England and the United States, and globally.

IR funds supported the development of an online defense sector marketplace on the NHADEC website at www.nhadec.com. The site allows NHADEC members to post and share business, partnership, and career opportunities; product updates; and also includes a site to post resumes and job opportunities. These initial efforts spawned numerous important spin-off activities, which include the creation of a specialized network focused on unmanned aerial systems. This group, now composed of nine companies, shares best-practice and identifies joint business development strategies. NHADEC also aggressively reaches out to national and international suppliers in New Hampshire to help them identify and capture new export market opportunities. To date, NHADEC’s manager has met with more than 100 companies, and provided extensive consulting services to four defense suppliers.

Examples of Commercial Diversification to Help Maintain a Resilient Defense Industrial Base

One of the grant’s earliest and most consequential achievements occurred with NHADEC’s first Summit, held in June 2015. The summit attracted 189 attendees representing more than 100 businesses, and helped position NHADEC, OIC, and the U.S. Commercial Service as new resources for New Hampshire’s aerospace and defense firms. NHADEC also supported a smaller group of nine firms who participated in a New England-wide Trade Summit, held in Groton CT in November 2015.



The success of this initial summit helped to strengthen NHADEC's brand and the local supply-chain, creating more resilient defense firms across New Hampshire. IR funds supported the development of new tools and ideas that provided critical support to the state's aerospace and defense cluster. NHADEC's annual industry-convening summit, held since 2015, provides New Hampshire businesses avenues to new market opportunities around the world, market intelligence on current and projected defense spending in the US and key foreign markets, and direct connections with prime defense contractors including BAE Systems, Raytheon, Bell Helicopter and L3 Technologies.

Readiness Impacts

Training and People Support

IR funds supported the provision of export compliance training to 89 individuals representing 59 companies. In addition, OIC and NHADEC purchased access to market intelligence reports from IHS/Jane's, one of the world's leading defense industry research firms. The OIC provided free access to IHS/Jane's for NHADEC members, which is typically too expensive for use by individual SMEs. Over 90 registered businesses used this tool to gather market intelligence that helped firms' grow, become more sustainable and learn about global marketplace trends over the next 20-25 years.

The University of New Hampshire's UNH Innovation Research Center team and the New Hampshire Manufacturing Extension Partnership program provided technology commercialization training and support to defense suppliers in addition to export compliance training. Via its Technology Driven Marketing Intelligence effort, NH MEP team members worked closely with four companies to assist them in developing new business concepts and new products, and identify new markets for new technologies and products.

New Hampshire's defense industry leaders appreciated the services developed using OEA IR funds. These executives particularly noted the benefits of participation in NHADEC and related activities. Because New Hampshire's defense sector is so small, company managers often faced challenges in gaining the attention of OEMs and other key industry players. By banding together under the NHADEC umbrella, these firms benefit from economies of scale and from enhanced peer learning opportunities.

For small third and fourth tier suppliers, these kinds of connections are critical to future growth. Some firms, such as Durham's Southwest Research Institute-Earth, Oceans, and Space (SWRI-EOS), attribute their survival to support and coaching from NHADEC and NHADEC members. Steve Myers, SWRI-EOS's local Program Manager, believes that his operation would have shut down had he not tapped into the training and support offered by NHADEC. Lindsay Badger, an executive at Airex (Somersworth, NH) noted that export compliance training played a central role in helping their firm connect to several new overseas contract opportunities. A Merrimack company used training programs implemented with OEA IR funds to become compliant with export regulations and now has a continuous export compliance program in place. This company gained close to \$500,000 in sales as a result of market intelligence and export compliance and assistance initiatives provided by NHADEC.



Improved Capabilities and/or Production Adjustments

The TDMI program assisted four companies develop new marketing strategies and business development capacities. Training and consulting support provided by the NH MEP generated some promising early outcomes for participating businesses. Assisted companies created four new jobs and generated \$25,000 in new sales. This specialized TDMI assistance generated cost savings of roughly \$110,000 and helped firms forego an additional \$100,000 in investments that proved unnecessary thanks to new processes and practices introduced via TDMI. Several potential joint ventures are in negotiations thanks to these services, and program managers are confident that other important outcomes will emerge from these collaborations. An additional seven firms are targeted for support in phase 3 of the TDMI project.

Other Community Benefits

Company officials noted the important role that NHADEC plays in positioning New Hampshire's aerospace and defense cluster as an important industry in the state and in the wider New England region. Defense firms are key employers in New Hampshire, and they play especially important roles in key sectors like manufacturing. NHADEC helps promote the industry and ensures that policy makers recognize the defense sector's role in New Hampshire's economic prosperity.

Lessons Learned

Greatest Challenge and Most Important Lessons Learned

New Hampshire's project managers faced challenges similar to other projects focused on small business support. Small businesses have limited capacity and "bandwidth" to support new initiatives beyond their day to day work. Tight budgets and limited management time strain the in-house ability to take on new missions, such as researching new market opportunities.

NHADEC and OIC programming evolved to better respond to these constraints and adjust to company feedback. In Phase 2 of the market intelligence work, the project's partners took a more hands-on role related to market research activities. The project team provided training on effective use of the market research tools through multiple formats (in person, via webinar, and sometimes one on one calls). In Phase 3, OIC and NHADEC become even more proactive by surveying defense suppliers to identify the top 10 topics or issues on which suppliers would like to receive more information. As a result, OIC purchased in-depth market research reports on various defense sub-sectors, and up-and-coming technologies and the opportunities surrounding them. It is anticipated that by providing research for the whole community, firms will utilize this information in their business development plans.

Several lessons learned can be garnered from these experiences. OIC and NHADEC program managers recommend remaining flexible in the face of changing needs and circumstances. By doing so, they customized the market intelligence program in a way that better meets company needs and which also strengthens in-house business development capabilities. They also note that developing a specialized association generated great benefits—not only for firms who benefit from expanded peer learning and business opportunities, but for state programs as well. Program managers now have improved access to



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local contractors and can provide better quality services and respond more rapidly to emerging market challenges or opportunities.