

BUSINESS WITHOUT BORDERS

PARTNERSHIPS

Making shelter for a dangerous world

Portable huts made by B.C.'s Weatherhaven are used from Brazil to Australia; The company's factories have followed

NICK ROCKEL VANCOUVER

When companies set out to expand internationally, few think of Greenland. But for British Columbia's Weatherhaven, the sparsely populated island proved an ideal launching pad for global growth.

Burnaby-based Weatherhaven specializes in portable shelters for use in remote, difficult environments. When it started in 1981, the company catered to the mining industry, and landed its first international breakthrough two years later with a deal to install a camp in Greenland for oil and gas company Arco.

Weatherhaven parlayed that success into contracts with the Canadian Forces and other military customers. Civilian clients grew to include the United Nations and scientific expeditions to Antarctica. The company branched out to dozens of countries as revenue climbed to the \$20-million range about five years ago.

But at that point, Weatherhaven realized further international expansion would require a major shift in strategy: moving key operations and decision-making closer to the areas where it was winning business.

Because the company made all of its products in Metro Vancouver and shipped them as far afield as Africa, Australia and South America, "the problem was that as the cost of materials went up and the cost of shipping and fuel went up, our shipping costs and our product became more and more expensive," chief executive officer Ray Castelli explains.

Closing deals several thousand kilometres away from home was no easy task, and it could take months to make a product in its small Canadian facility and deliver it abroad. "A couple of cheap knockoff competitors started to emerge in some of those markets that started taking market share away from us," Mr. Castelli adds.

Also, Weatherhaven had a tough time handling business above \$20-million. "It was still a fairly loose kind of management structure and didn't know how to scale."

Mr. Castelli, who joined Weatherhaven's advisory board in 2006 and became CEO in 2008, had the global experience to help solve these problems. A former chief of staff to then-Minister of Defence Kim Campbell, he speaks four languages and spent 12 years doing international business development for Alcan.

Weatherhaven's growth plans coincided with a push by the Canadian military to supply its troops with new equipment. The company had enough work in Canada and the United States to keep its 100,000-square-foot Vancouver manufacturing facility running full-tilt for several years.

So Weatherhaven decided to de-



Weatherhaven makes temporary shelters – such as this 100-person setup in Suriname – for all types of inaccessible terrain. WEATHERHAVEN

COMPANY SNAPSHOT

Company: Weatherhaven

Location: Burnaby, B.C.

Founded: 1981

Employees: 150

Annual revenue: \$70-million

Specialty: Portable shelters and shelter systems for commercial, military and medical use

Signature products: HERCon and MECC expandable shelters

Active in: 50 countries

International manufacturing facilities: Brazil, Peru, South Africa

Source: Weatherhaven

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velop its manufacturing capability in Brazil, Peru and South Africa. With joint-venture partners in the host countries, it added 500,000 square feet of factory space at a much lower unit cost. Weatherhaven also transferred technology overseas, Mr. Castelli says.

"We were now able to offer the same high-quality product that we make here in that market with a local sales force and a local support and operations team, and able to respond to the customer quicker and find out about opportunities faster, manufacture quicker and get a delivery quicker than we ever could before."

Under Mr. Castelli's command, Weatherhaven also started thinking more strategically. Formerly a collection of fiefdoms, it established information sharing and financial reporting standards so it could operate as a better co-ordinated company.

Weatherhaven almost quadrupled its revenue in just four years. For 2011, Mr. Castelli says the 150-employee company is forecasting sales of close to \$100-million. Remarkably, Weatherhaven has accomplished all of this against the backdrop of the global financial crisis.

As Mr. Castelli observes, several trends are working in Weatherhaven's favour. Military campaigns have shifted from the traditional battlefield to hunting down terrorists in remote mountain terrain. In the mining sector, the search for scarce minerals is moving to harder-to-access locales

like the Andes and the Himalayas.

Meanwhile, infrastructure projects are growing in the Amazon rain forest and other ecologically sensitive areas, where Weatherhaven's low carbon footprint helps developers win environmental approval. The company's products are also ideal for disaster relief. In post-earthquake Haiti, the first field hospitals were Weatherhaven buildings erected by the Canadian military.

Mr. Castelli says a major challenge when establishing operations in foreign markets is finding good local employees. "If you're trying to expand and you're trying to manage every single piece from Canada, you're going to get yourself in trouble," he cautions. "So it's really recruiting the right people to run those regional entities – people that know the market, know the business and have the judgment to be able to win business."

For a company like Weatherhaven, setting up shop in new countries means adapting to each local economy. Keith Head, a professor of Asian commerce at the University of British Columbia's Sauder School of Business, says country-specific adaptations can be large and small. "You have to have kind of a learning organization in which can figure out the particular tasks of each host country and respond in a timely way, so that when you make mistakes, you can fix them relatively quickly."

Weatherhaven's growth was supported by financing from Export Development Canada and

HSBC. As part of its expansion, Weatherhaven has been investing heavily in engineering and research and development. Mr. Castelli says it's in the midst of turning out five new products, most of them military applications. Each one has the potential to be its own \$40-million to \$50-million business line, he adds.

As it grows, Weatherhaven must grapple with volatile currencies here and in the foreign countries where it makes its products, Prof. Head warns. A soft loonie made Canada a relatively competitive manufacturing site in the late 1990s, but today things look less rosy. Likewise, an appreciating currency in resource-rich Brazil spells trouble for that country's manufacturing sector.

"A lot of bigger companies do more in the way of hedging, and they also have natural hedges because they have operations in so many different countries," Prof. Head says. "With this company, it's going to be harder for them to cope with the fluctuations in exchange rates."

Looking ahead, Mr. Castelli says his big worry is another financial crisis. During the 2008 meltdown, he recalls, sales in some countries ground to a halt. Still, Mr. Castelli is optimistic that even if bad times return, Weatherhaven will keep giving the world shelter. "Not so much that these projects aren't going to happen – it will simply delay pulling the trigger on them."

Special to The Globe and Mail