



Mr Dean Jenkins with Mr HH Cho, Weir International, Ansan, South Korea

Weir to boost market presence

The last Valve World cover story with Weir Power & Industrial is already a little more than two years ago. Not only has a lot happened in the valve industry, much has changed at Weir Power & Industrial in this period. Last time, when we spoke to the global valve manufacturer, they had just opened their new HQ in East Kilbride, Scotland, with good prospects for growth. The Power Generation sector especially played a key role in that important restructuring period. So, high time to sit down with Weir again – we spoke with Mr Dean Jenkins, Divisional Managing Director, and Mr John Heasley, Strategic Development Director – about the latest developments, the status quo and about their future plans.

By Christian Borrmann & Joanne McIntyre

Expanding the Divisional Team

Mr Dean Jenkins joined as the new MD of Weir Power & Industrial – one of the three Divisions of The Weir Group – in January 2011, with Mr John Heasley following three months later. The first thing Mr Jenkins and Mr Heasley did was to take a fresh look at the Division and

the opportunities for growth within the context of changing market dynamics. What became apparent were the gaps remaining in the senior organization team – positions that had to be filled carefully since they play key roles in the company's growth. Explains Mr Jenkins: "We brought in Luke Logan as Divisional Engineering Director 6 months ago. He had previously worked in product development at Rolls Royce. His role in Weir will have two key

focuses; firstly to map out and define our product development plans and identify product development opportunities going forward over the next few years; secondly, to introduce a level of awareness in product development such that it reflects a coordinated view of all parts of the organization, not just that of sales or engineering people."

"Last November," he continues, "we recruited James Pickren who previously had run the IMI Severe Services nuclear division. His key focus in the first 6 months will be to understand how we can enhance global sales. His job will be to put together systems and processes that will allow us to better utilize our sales people globally, ensuring we expand our global footprint so we are able to sell all of our products to all regions as this is something which has proven a challenge in the past." Weir aims to fill any remaining gaps in the sales team by looking internally and by shifting the level of focus in different markets. "We have the right balance of sales expenditure to revenue but it's about

fine tuning our focus. We've invested a lot in the past 18 months in taking on extra sales people at a senior level. We now have new senior sales people in all of the valve businesses. The best example of this is, perhaps, the sales force for the control valve team which was a mere two people a year ago and is now almost a dozen and we have also invested heavily in setting up a sales hub in Singapore which will soon have around 20 people," he says.

Heavy investments in the East

However, not only has Weir made investments in new staff all around the world but they have also invested in technology and resources and, with this in mind, they recently acquired the Indian company BDK Valves. Asked for the reasons behind this project, Mr Jenkins explains: "We bought an Indian valve manufacturer with the view to this being an opportunity to take an Indian product global, and as much as anything else we've used that capability as another manufacturing resource."

And he goes on: "What we've found is that we've got an Indian sales base which is very good and it has opened up more

opportunities than we expected during the acquisition. It has gone very well, the level of activity we've put in and the growth is already ahead of where we expected it to be."

The key markets that Weir wants to serve with this acquisition are a little different to those they usually sell to. Obviously, power generation remains an important sector, but it is closely followed by the iron and steel making sector as Mr Jenkins points out: "Steel plants are not an application that we normally sell into around the rest of the world. It's been interesting; there are not a lot of steel manufacturing plants being built in Europe, it's really a very Indian and Chinese/ Southeast Asian market. We export from India to service these markets and have already secured some good orders from Asia and the Middle East for our Indian products. And we hope to take this growth into the oil and gas market. We've seen growth in the order of 20-30% in BDK."

The plan is to keep up this growth and in order to achieve this Weir is intending to transfer some of their safety and isolation products into BDK's production facilities, which will enable the company to be competitive in some of the Chinese, Middle East and Southeast Asian markets in which they previously would not have been competitive out of their traditional manufacturing locations. Another key area Weir is focusing on is South Korea. The company bought the majority stake in H.I.M. Tech, previously their manufacturing licensee in South Korea. Says Mr Jenkins: "It's a control valve



Mr Jenkins inspecting the valve manufacturing site in Suzhou, China.

manufacturing business and our intent is to further leverage the South Korean EPCs who are very successful globally and are taking market share off their European competitors. From an order input point of view it's exceeded our expectations so far. On the strength of the South Korean operation we've already won, through our UK operation, some quite big nuclear orders which we wouldn't have won otherwise, including control valves for a nuclear plant being constructed in South Korea."

Similar to the Indian facility, the future plans for the South Korean plant are to add more product lines to the existing control valve lines. "These plans are driven by the requests of the local customers and the speed and productivity of their engineers has been very impressive, so it seems quite logical to make this next step in the coming years."

Next to India and South Korea, China still plays an important part in the plans within Weir Power & Industrial as Mr Jenkins



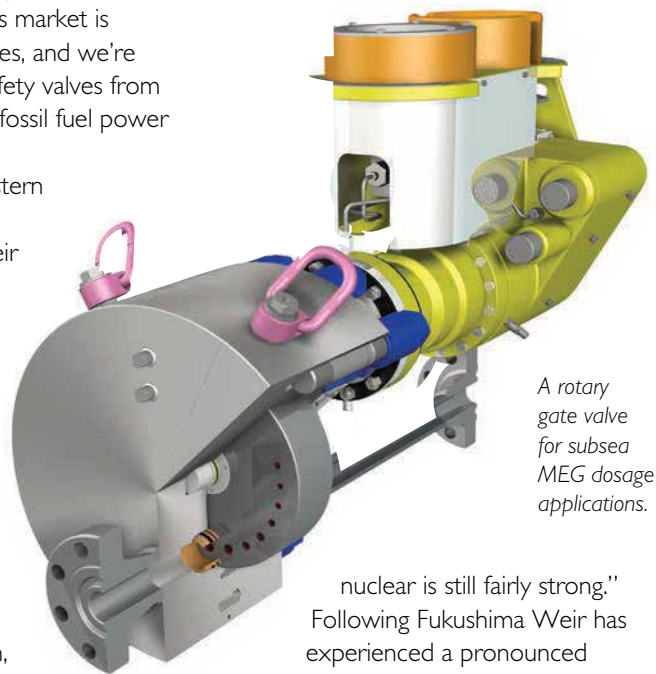
A look inside Weir BDK in India.

states. "In the past, we've typically used China as a source of supply for the other operations. We have worked hard and been successful securing orders in the nuclear market in China. However, our plans over the last twelve months have included expanding our Chinese presence for the local Chinese market. So, we are still utilizing the business for export, as well as accessing more of the Chinese market." "On the control valve product line we are looking at the oil and gas and petrochemical markets. In China the petrochemical market is growing faster than anywhere else in the world and we are keen to give more support to our customers. The oil and gas market is important for control valves, and we're working on getting our safety valves from our French plant into the fossil fuel power market." However, traditional Western companies should work patiently in China and Weir is taking a very measured approach. China is a complex market and the company is progressing carefully in the right direction and not rushing into things as Mr Jenkins tries to explain. "We are introducing control valves through a joint venture partner, Loftyman, in China which is getting good response in the market and we expect to see that convert throughout the course of the year into good orders. We are happy with how it's going. We expect it to take a few years to get a solid foothold in China."

Weir and the nuclear sector

Fukushima had an enormous impact on the nuclear industry and as such also, obviously, on valve production for that sector. Basically all around the world the new build plans have been put on hold while undergoing an intensive review process. "We expect that the Chinese new build program will kick off again during 2012 although that will still be something we need to watch carefully as they need to decide which technology they move forward with. Their choice will dictate which products we sell into the

Chinese nuclear market. I expect China will return to similar levels to what we saw pre-Fukushima. It's not going to grow at the same rate as we saw over the past 4-5 years, but the base level will be achieved." And Mr Jenkins continues: "In other important global nuclear areas such as the US, there will be a little progress with the new build plants, and in the UK, we expect some movement, but not until 2013. I think the most interesting area here in Europe for the nuclear industry will be in Eastern Europe, especially in the former Soviet Union countries, because here the desire to move forward with



A rotary gate valve for subsea MEG dosage applications.

nuclear is still fairly strong." Following Fukushima Weir has experienced a pronounced increase in sales for after-market products as a result of upgrades implemented in response to the increased safety concerns in Europe. Says Mr Jenkins: "Our after-market business growth offsets



Mr Dean Jenkins, Divisional Managing Director.

the input loss from new build. Interestingly though in the US, where most of our product is isolation products, we've seen a number of utilities deferring expenditure on non-nuclear assets so that they can spend money on nuclear upgrades as a result of Fukushima. In most cases however spending has been frozen until operators know what the requirements will be. There's a difference between the publicly owned plants in Europe and the privately owned energy generators in the US. So the after-market area in Europe has been more positive than the US."

Re-focusing on oil and gas

"Back in 2008, putting the valve business under Weir Power & Industrial was an important part of the restructuring," says Mr Jenkins and he continues, "however, as a result of this, our sales teams have tended to focus their activities on power, at the expense of the oil and gas market. What we find for our valve product

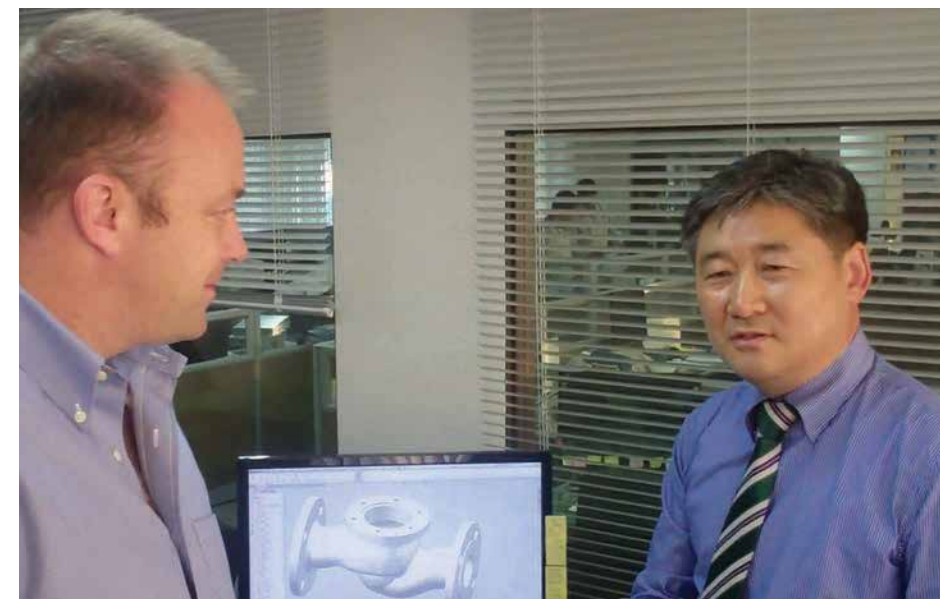
line is that about a third of our principal market is oil and gas, whereas our actual sales are less than 10%. That is an exciting opportunity for us and over the past months we've done a lot of collaborative work with our colleagues in the Oil & Gas Division and set up our own internal oil and gas forum to try and invigorate sales into that market. Geographically, the Middle East and Southeast Asia are the most important areas for oil and gas, so it ties in perfectly with the new hub in Singapore, and we've had a hub in the Middle East for some time already." "Half of the bidding we're doing in Singapore is for the oil and gas market which is a significantly higher percentage than we see anywhere else in the world. Going forward we will look at expanding market share in North America. North-western Australia is also important and interesting for us, particularly in LNG. We have not traditionally done a lot in Australia so we are expecting some strong growth there."

The way forward

For Weir Power & Industrial, the current period is about using the company's global presence and demonstrating value in end markets. "We will continue to build on our product management capabilities and to explore customer solutions through new applications of existing products. Our plan is to further integrate our sales structure so that it is more in line with our customers' requirements. "Finally," concludes Mr Jenkins, "we want to re-focus the culture of the organization to achieve top line and profitable growth. We want to increase our presence in the marketplace!"

Facts & Figures

Name:	The Weir Group
Founded:	1871
Headquarters:	Glasgow, Scotland
Facilities:	Europe, Americas, Australasia, Middle East, Far East, South Africa
Key markets:	Mining and minerals, oil and gas, power generation, general industries
Products:	Specialist valves, pumps, hydrocyclones, aftermarket service
Employees:	c.14,000



Mr Jenkins in conversation with Mr Kim at Weir International in Ansan, South Korea.

Focusing on the strategic developments

As part of the culture re-focus, Mr John Heasley, Strategic Development Director, is responsible for the strategic decisions and directions of the Power & Industrial division.

VW: What did the split into three main divisions bring for your customers?

John Heasley: Well, when we split into the three main divisions, it was intended to ensure our products and services were aligned with the end markets of our customers to make their lives easier when understanding the products on offer from the Weir Group. Through our net promoter score programme where we seek feedback from customers, this has been shown to be a positive move but we can still do more in collaborating across end markets especially between Power and Oil & Gas where there is a reasonable amount of product overlap.

VW: What roles do the new facilities in India and South Korea play within the global strategy of the Power & Industrial division?

JH: Both countries, or rather areas, give us the opportunity to grow further since both are fast developing markets. If we are locally present then this can only make it better to serve our customers. After initially embedding Weir processes and procedures in these organisations we are now able to start to introduce existing Weir products to be manufactured in these facilities and sold into these geographic markets. This is a win-win situation as it enables us to sell our existing products into markets where we have previously been uncompetitive or lacked the appropriate sales channels while our customers receive a more complete package of products in one place.

This is especially important for our customers who are increasingly asking for packages rather than spending more time on selecting the various parts of flow control processes from different organisations.

VW: Mr Jenkins mentioned a cultural change within the division. Could you perhaps elaborate a bit more on this?

JH: What Dean meant was that we are moving closer together as a division and between divisions. The aim is to have common goals within our division with the ultimate objective of serving our customers to our best possible capabilities and sometimes even beyond that. In order to be able to achieve this, we encourage and promote collaboration between our facilities all over the world, to work better and closer together. Firstly this has been done by establishing end market focused forums across the division where we share market intelligence and opportunities across all our companies. Secondly we have put a lot of effort into the communication of the strategy to ensure that everyone is pulling in the same direction. If you walk into any of our facilities around the world you can now see the consistent messaging and understanding amongst all our employees which is great to see.



The sales team at the Weir Power & Industrial office in Singapore.