

ACDA/E-68

CONTRACTOR: Denver Research Institute

TITLE: Defense Industry Diversification

DESCRIPTION: This study describes and analyzes the experience of twelve defense-oriented manufacturing firms in attempting to diversify into non-defense, non-aerospace markets. The analysis is intended to contribute understanding of the management problems facing defense firms in attempting to "branch out into unfamiliar, commercial markets"; diversification experience is assumed to have value for clarifying problems of industrial conversion for defense firms in the event of substantial reductions in the defense market. The study was undertaken on the assumption that diversification is a useful step preparatory to conversion.

The twelve case studies, eleven of which identify the names of the firms involved, include experiences of diversification attempts through internal product development and through acquisition. The report describes successful and unsuccessful attempts to overcome problems involving differences between defense and commercial business such as marketing methods, cost structures, product design and management attitudes and practices. The study submits recommendations for Federal Government policies on defense diversification and guidelines for diversification planning by defense firms. In addition to the report, it provides a set of instructional guides for use with the report in management seminars on diversification. The study is contained in ACDA Publication No. 30, for sale by the Superintendent of Documents, US Government Printing Office, for \$2.25 per copy.

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