

# Crimson's Tide Sends Holdings Overseas to Boost Market Share

**J**OHN-Paul Ho, founder of investment firm **Crimson Capital**, wants to keep businesses in the U.S., which is why he says he's moved so many of them to China, Taiwan and the Philippines.

"The whole idea is to use the cost structure overseas to maintain your competitive position and take market share," said Ho, who founded Crimson, a \$600 million private equity firm in Palo Alto, in 1993.

Crimson is searching for Los Angeles companies that need to move their manufacturing operations offshore to remain competitive, but don't have the know-how to do it.

Among the industries that are making the move: Medical equipment makers, aerospace, high-precision engineering, specialty chemicals and plastics and automotive manufacturers.

Crimson created a philosophy for moving offshore based on the actions of major PC manufacturers **Dell Inc.**, **International Business Machines Corp.** and **Hewlett-Packard Co.**, which moved their manufacturing operations overseas in the 1980s and were able to keep Japanese competitors at bay. Meanwhile, those companies dominate in the U.S. by maintaining marketing, sales and product design teams, as well as their enormous market capitalizations, at home.

"What's happening now is that the multinational corporations have made money, they are using China as an export platform, so they are telling U.S. suppliers either to get to China or they will switch to a competitor," said Ho. "That's why there's this tremendous pressure to go offshore. If you don't get out there in five years, a Chinese company will get up and take the business from you."

Crimson recently sold its stake in **SPI Technologies Inc.** of Pasadena, a business processing and outsourcing company that, among other things, does legal transcriptions for the Department of Justice through its offshore operations in the Philippines and India. The private equity firm maintains a stake in **eTelecare International** of Pasadena, which has call centers in the Philippines.

Steve Dollinger, a partner at Crimson and former director at Deutsche Bank Capital Partners, said the best setup for a company is to have a management team in the United States and elements of its manufacturing in Taiwan or China.



overseas, you've got your head in the sand."

— Kate Berry

"We get calls all the time from companies that say they have to do something overseas but they don't know how," said Dollinger. "If you're sitting there making some product and you think you're impervious to competition from