

Executive teams with the foresight to make the best choices under trying circumstances will lead their companies into the inevitably better future. This article series has introduced a disciplined executive management process to ensure that your company not only survives but is positioned to grow rapidly when economic conditions improve, as they will. This fourth and final article focuses on the actions that ensure your company can leverage all of your previous positive work to advance the business during the eventual economic recovery.

Defining an economic recovery

When viewed from an individual company's perspective, there are two dimensions to economic recovery. First, any capture of additional market share during overall market stagnation is recovery for that company. Second, all surviving companies competing in a market will float higher when the total market grows rapidly as demand increases for their products and services. Both of these recoveries are important to the long-term health of your business.

Capturing market share

Big changes in market share distribution always occur in times of stress. Stress occurs during both periods of economic downturn and rapid growth. However, gradual growth during stable economic times rarely produces any significant changes in market share, the exception being a major technical breakthrough that is defensible through intellectual property rights.

To capture market share during economic downturn stress, the best companies are actively predatory in capturing demand. I like to use an analogy in nature to represent two methods of capturing demand, that of



vultures and crows.

We have all noticed the big moves made by some companies that can be compared to the vulture. These are the well-publicized purchases of major competitors who are weak or failing. In nature, the behavior of vultures is to wait for their prey to die. Many vultures typically circle around for a long time to make sure their victim is dead. The vultures then swoop down and fight over the carcass, with some getting big pieces while the others come away with little or nothing.

Not every company has the resources or access to financing to make spectacular acquisitions of market share. Also, not all of these ventures are as successful as initially anticipated. Eating and digesting a big carcass takes a lot of time and resources—and the carcass is rotting all the while. Absorbing and integrating two very different cultures and infrastructures is hard work and takes significant time.

What about the behavior of the crow? Crows tend to be more individually motivated and opportunistic. They are around to take scraps from the big carcasses as well as eating every little piece of road kill. Crows have also become hunters and killers. Their wins are

less spectacular, but they are premium survivors and fill the niches that are being abandoned through extinctions, such as the reduction in raptors.

All companies have the resources to become crows if they have the mindset and processes to support that behavior. The fundamental behavior that makes this strategy and tactic successful is the dedication to actively and continuously accumulate information about competitors. They do

use many public sources, although these tend to be late and rely heavily on the competitors' disclosures. Instead, they actively pursue and collect day-to-day information from customers, suppliers, and other sources regarding short-term performance or financial issues.

Instead of just focusing on reducing gap-closing activities, the leading companies expand the demand management process to identify and exploit stressed or abandoned demand from troubled companies. For example, competitors who are consistently late in making deliveries or fail to pay suppliers can suggest a business with cash flow problems. Or, when quality issues appear, it can indicate a switch to new suppliers due to failures among the former vendor base. Another sign of a competitor in trouble is their reluctance to periodically upgrade or introduce new products or be present at major industry shows and conferences.

Companies that are adept at capturing pieces of market share outside of making an acquisition thoroughly plan and execute their actions to target attractive portions of demand from these troubled competitors. And the best part is, they do this through relationship development, a much cheaper



and uncomplicated method than acquisition. These little pieces of market share do add up and produce an expanding base to defend and grow once the market or economy recovers and begins its upward trend.

Predicting and exploiting the turnaround

In this series, we have set the stage for survival and advancement by looking towards the future and improved business conditions. In reviewing past cycles of downturns and recoveries, we have found that while some companies did all the hard work to survive, they nevertheless failed to participate equally or better in the return to good times because they did not plan for it. During the downturn their culture shifted to being risk-averse, essentially taking no risk whatsoever. Therefore, when the turnaround arrived, they, in effect, became very poor performers, and customers quickly abandoned them for competitors who were able to deliver quality products on time and with the right features and value. Other companies that do take big risks, but at the wrong time, also will fail because they have committed resources for a market demand that hasn't yet developed.

The preferred approach is for companies to have a long-term

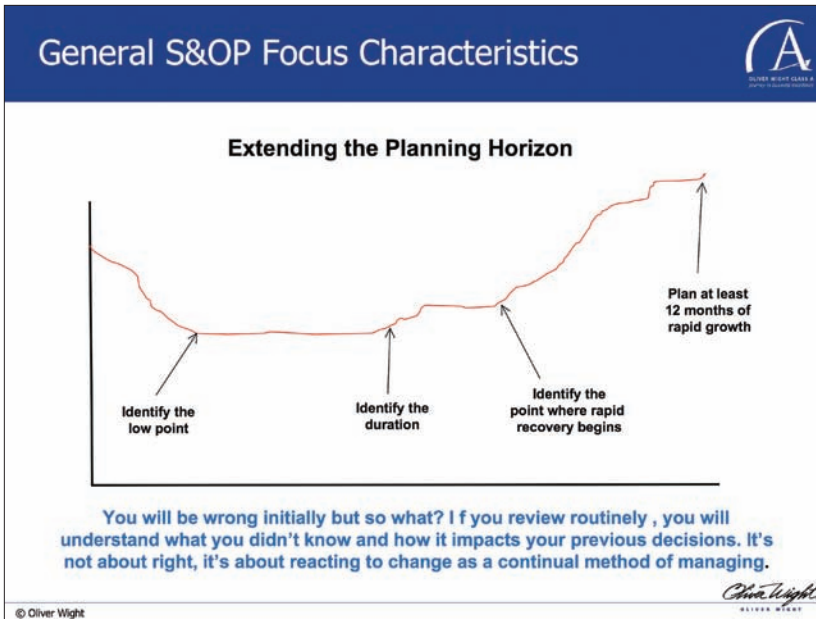
planning process in place that continuously predicts and models the timing and vectoring of a market or economic recovery. We recommend this initiative to clients and advise they extend their planning horizons during economic downturns because we have witnessed the value that can be achieved from the planning and modeling of the first year of recovery.

Continuously estimating when that year begins and how fast the demand will

accelerate is a very valuable exercise. Actively talking about recovery timing and anticipating the rate of growth each month will place you in a position to act more quickly than those who only address the issue in strategic or business planning cycles.

In addition to the better anticipation of turnaround, modeling the business in multiple scenarios for exploiting the turnaround will provide a roadmap for effectively making decisions and taking risks. The proposition for effective decision making is that no decision that needs to be made is postponed, with a corollary that no decision is made until it is required to provide time for more information and flexibility to act on the information without economic waste. This sounds simple, but nearly all companies without a routine process for predicting the future and modeling actions make the error of late or early decision making.

One of the most effective outcomes of this process is in the area of product development and launch. Product development is incorporated into the business model for the turnaround. Often, products submitted for development are not economically viable in the downturn but are mandatory to rapid growth during the upturn. Because



when the project was initially approved.

This flexibility to make time-phased decisions applies to all parts of the business. To facilitate this, a consistent process for modeling the business based on multiple scenarios of decision options must be in place. The impact of decisions in one area are assessed and matched against their impact on other functions and departments. In addition, the modeling process incorporates the measurement and progress of deployed decisions to ensure execution matches plans or that plans are changed to accommodate unrecoverable variances in performance.

Conclusion

In an economic downturn, having a process to identify and capture the market share of stressed competitors is the road to growth. Using this process to anticipate and model the future is the way to protect this captured market share and capture even more in the stress caused by a rapid market turnaround.

In this four-article series, we have described processes for addressing the issues arising from an economic downturn while also maintaining sight of the inevitable upturn. Sales & Operations Planning, which was developed by Oliver Wight, remains an effective integrative business management tool for today's business planning environment. The process's design and tools continue to be advanced through innovation and the experiences of actual practitioners in partnership with thought leaders and process experts.



of development lead times, best practice companies begin engineering to match the lead time for the earliest predicted upturn but without scheduling the launch or supporting activities.

If the predicted recovery timeframe slips, the development continues to engineering completion but without starting the sourcing activity. The

design remains in the pipeline and continues to be updated with technology advancements or improvements until the time to source, procure, and launch hits the lead time for meeting the latest update of the predicted upturn. The procurement and launch are based on the latest agreed-upon demand forecast rather than one developed months before

We advocate S&OP and have seen the process deliver value in both economic bad times and in times of stressful growth. The best practices leaders in Sales & Operations Planning have achieved a true environment of Integrated Business Management that results in superior marketplace, customer service, and financial performance. ■