— INDUSTRY INSIGHT —

Rethinking your company's next move: What you could be doing differently

By Kenneth H. Marks, High Rock Partners Inc.

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EXECUTIVE SUMMARY

- Regardless of company size, stage or industry, everyone has felt some impact from the recent years' economic turmoil.
- For many it has been devastating. Some, worse yet, have been forced to file for bankruptcy and liquidate.
- This can create an environment enabling leaders to make strategic moves and strengthen their company's market position.

Is your company taking advantage of market churn and chaos to refresh your growth strategy? Regardless of company size, stage or industry, everyone has felt some impact from the recent years' economic turmoil. For many it has been devastating, requiring them to significantly shrink their business, lay off employees, close facilities and hunker down, hoping that the business cycle works its way to the upswing. Some, worse yet, have been forced to file for bankruptcy and liquidate. For others, the impact has been more of a mild distraction, causing worry and distress in markets and niches that have otherwise continued to flourish. To take an optimistic view, the exciting part of a crisis like we have experienced in the past two years is the ability to easily effect change.

Think about it. When business is good, the company is profitable and customers are happy. It is difficult to spur improvements, reinvent what's inevitably going to be obsolete, or make bold moves. The risk of rocking the boat or the inertia to stay the course when things are working can be difficult to overcome. But when crisis hits, everyone -- employees, suppliers, customers, lenders and shareholders -- expects action. This can create an environment enabling leaders to make strategic moves and strengthen their company's market position to compete in the next wave of economic growth or to shore up their position in the event of a double dip.

What is your company doing differently to take advantage of the opportunity to change? What strategic move has your team embraced? Start the process by reviewing the direction of the business:

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1. Clarify the goals and objectives of the shareholders.

2. Revisit the company's strategic plan with a fresh set of eyes and consider the basic growth strategies that are used to navigate the ramp and emergence of industries or to avoid being squeezed out when a market contracts.

3. Identify the "secret sauce" of the company, and how the business needs to be competitively positioned and differentiated.

4. Focus on activities and strategies to sustain or move the business into a leading position to grow value and provide for even greater long-term success.

Once the direction of the company is clear, management can develop the strategy to meet the future desired state. This should result in initiatives that will move the company forward.

A common question is "how do we think about growth strategies?" From a big-picture perspective, there are two fundamental approaches: organic (internal) and external. While the two intersect and overlap at times, and both can involve investment, we can separate them for discussion.

Organic strategies involve leveraging the strength of the existing business and building from within. For example, this approach could mean accelerating penetration in existing markets through new sales initiatives. It could also mean developing new products/services, geographically expanding, or finding new distribution or delivery channels.

External strategies tend to involve other companies and investment outside of the current business. With one or more of numerous strategic aims, a common external growth strategy is the acquisition of another company to quickly capture customers, add capabilities, or access new technologies. Sometimes the same objectives can be achieved with less risk and similar benefits by entering into strategic partnerships or joint ventures.

Companies in a defensive posture may consider merging with a competitor to gain cost efficiencies or shed weaknesses while gaining complementary strengths. Keep in mind that combining two poor-performing companies doesn't necessarily make a better company; we suspect there is evidence to the contrary.

An interesting dynamic is playing out in many industries now. Good companies with bad balance sheets need capital and can't get it. They are being forced to sell or trade at distressed levels. Some of these good companies overleveraged themselves, and others are in a precarious position because of portfolio rationalization by their current investors. Either way, this is creating a buying opportunity for stronger players to strengthen their position or access new markets with much less risk.

Strategy must be coupled with solid operating execution. All the plans in the world don't matter if the business can't do what it commits to with the resources it can harness. Consider increasing the operating tempo of the company and challenge performance expectations. In good times, many companies reach a level of operating performance that is OK, but not stellar, and the team settles in. It is all too easy not to drive the extra mile required to excel when there is no external pressure or the situation isn't critical. With the increased level of unemployment, and flux in the labor markets, the opportunity may exist to upgrade talent and augment the team to assure a strong foundation to build on. Execution starts with having the right team.

Lastly, don't be afraid to trim the losers or weak players; that is, trim the products, services, customers, suppliers and employees that are draining the organization or distracting the company from focusing on the value-creating, forward-looking business.

Kenneth H. Marks, a managing partner of High Rock Partners Inc., provides growth-transition leadership, advisory and investment. He is the lead author of "The Handbook of Financing Growth" (www.HandbookofFinancingGrowth.com), published by John Wiley & Sons Inc. You can reach him at khmarks@HighRockPartners.com.

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