

## **DIFFICULT TIMES OR OPPORTUNITIES**

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These are indeed difficult times for business. How management addresses shareholders concerns about poor revenue and profit performance during these times can have a huge impact on retaining those investors. Then management must assure those same shareholders to have confidence in your business plan for the future. Difficult times can also be times of great opportunity if you have a solid business strategy that allows you to beat your competition up the business improvement curve.

The best policy, at all times but especially in difficult times, in discussing business performance with shareholders is to be direct and up front. Be prepared to show how your business performed versus like organizations that serve the same regions and the same markets that your company serves. This will not lessen the impact of poor performance but will allow your shareholders to focus on understanding the business climate faced not only by your organization but by your competitors and co-suppliers as well.

To then take the emphasis off of direct comparison with competitors, focus could be made toward allied suppliers to your market or overall trends of your entire market. Do not set or project targets that are beyond reach for the organization. Understand and then stay within your core capabilities and strengths. Core capabilities and strengths can often be misconstrued if looked at from only one point inside an organization. When assessing your capabilities and strengths, attempt to gather the data in an unbiased way from many different functions within your organization. Marketing alone does not have the best view. Once understood, capabilities and strengths should be at the core of your business strategy. Compare them to what it takes to succeed in your industry and to your competitors. Don't expect to excel in a niche area that would be a stretch for your company under good conditions or one that plays into the strength of a competitor. It is critical to understand whether the performance targets you portray to those investing in your company are within reach and which are not.



<i>Capabilities</i>	<i>Examples</i>
<b>What you Know</b>	<ul style="list-style-type: none"> <li>• Market Knowledge</li> <li>• Customer Knowledge</li> </ul>
<b>What you Own</b>	<ul style="list-style-type: none"> <li>• Intellectual Property</li> <li>• Fixed Assets and Reserves</li> <li>• Brands</li> </ul>
<b>What you Do</b>	<ul style="list-style-type: none"> <li>• Business Processes <ul style="list-style-type: none"> <li>– Manufacturing, supply chain</li> <li>– Sales/marketing</li> <li>– Innovation/research</li> </ul> </li> <li>• Financial Risk Management</li> <li>• Mergers/Acquisitions</li> </ul>
<b>Who you Know</b>	<ul style="list-style-type: none"> <li>• Joint Ventures/Alliances</li> <li>• Government Policy Makers</li> <li>• Preferred Customer/Vendor Relationships</li> </ul>

**Figure 1 Example of Core Business Capabilities**

Next consider how you can instill a sense of confidence for the future in your investors. If possible, look at your business performance on a year-to-year or even month-to-month basis versus the broadly reported economic indicators such as GDP, housing starts, manufacturing output, etc. This data is wide ranging and readily available. Understanding how your business leads and follows these trends can be key indicators of your future business trends. Your business' ability to track and to compare actual sales to these data back ten to twenty years or more will allow you to determine if the trends are true indicators or predictors of your business performance. Track and study these trends attempting to lay your results statistically over the indicator results. It is easiest to see this visually when it is done in some graphical form.

You will find that these economic trends can "lead" or "lag" your business often by six to twelve months. Those indicators that lead your business result will happen before your business reacts. The indices that lag your business will trail your results. The more times you see these trends predict your performance over the history of past years, the more confident you will be in the fact that



they can help predict your future. This work can be done with a simple spreadsheet program like Excel or with off the shelf software designed for this purpose.

Much of the economic data is available in a form ready to use. Remember that you do have to make adjustments in your sales data for past “significant events”. These might include a positive effect like a new product introduction or an over demand issue created by a plant shutdown or negative effects like a significant client loss or oversupply created by a new plant coming on line.

These times are often the best times to refocus but not pull back your product and business development efforts. Allow history and an understanding of your core capabilities tell you where your business is headed in the future. Be bold and confident with your predictions, but also be realistic.



## **About The Author**



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Mike joined The ChemQuest Group in June 2000 with 18 years experience in the chemical industry. Twelve of those years have been dedicated to resins and polymers for the Coatings and Adhesives Industries. Prior to joining ChemQuest, he served as Industrial Coatings Market Development Manager for McWhorter Technologies where he focused on market strategy development and formation of customer and supplier partnerships for the purpose of maximizing value. Prior to McWhorter he spent two years in sales with Ciba Specialty Chemicals, seven years in sales and marketing roles at Unocal Polymers and two years in sales with Sherwin-Williams Chemical Division. Mike holds a Bachelor of Chemical Engineering degree from the University of Dayton. Contact Mike at (815) 356-8907 or [mgregus@chemquest.com](mailto:mgregus@chemquest.com)

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