

**ADDRESSING PROFIT CONCERNS,
PREDICTING BUSINESS TRENDS, AND
UNDERSTANDING LIFETIME
ENVIRONMENTAL ASSESSMENT**

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QUESTION: *How can my business address shareholders concerns about poor profit performance this year and assure them to have confidence in the future?*

ANSWER:

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 as well.

To take the emphasis off of direct comparison with competitors, focus could be made toward allied suppliers to your market. Do not set or project targets that are beyond reach for your organization. It is critical to understand whether the performance targets you portray to those investing in your company are within reach and which are not.

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 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 do this in 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 to tell you where your business is headed in the future. Be bold and confident with your predictions, but also be realistic.

QUESTION: *I've heard of Lifecycle Environmental Assessment, can you tell me what it is and what it means to a coatings manufacturer?*

ANSWER:

Lifecycle environmental assessment looks at all of the energy and resource inputs to a product, as well as the associated wastes, health and ecological burdens, and evaluates opportunities to reduce environmental impacts from cradle to grave.

Consequently, waste reduction and recyclability will become prevalent trends in the value chain as disposal streams are increasingly regulated. This is already having some effect in Europe and will eventually find its way to the US coatings market. Paint and coatings formulators will be required to choose raw materials and develop formulas that are compatible for post-use, e.g. coatings that can be left on recycled plastics for re-grinding and re-processing.

Simultaneously, processing technology at the manufacturer and applicator will continue to drive decreasing waste, e.g. enhancing



transfer efficiency and/ or collection and re-use of waste. As these technologies continue to evolve, they will put continuous pressure on the formulator to make the necessary formula changes needed for the new process to be effective from a performance and economic basis. The emphasis in the future on cradle to grave concepts and “systems” solutions for the value chain will truly drive product innovation and process engineering. This will require companies to closely examine their technology development portfolios and the competencies of its workforce to address these future issues.



About The Author



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