Guest Editorial

Pradeep Anand, SPE, President, Seeta Resources

AGGRESSIVE GROWTH IN TOUGH MARKETS

These are tough times for mature businesses. Almost every oil and gas firm is focused on reducing costs to combat declining markets. But while everyone else is in a defensive mode, focused on internal issues, bigger opportunities lie in attacking markets.

Foremost, you need to recognize that there is no such thing as a mature market, only markets with suppliers who provide similar products and services. Over time, competitors have all arrived at solutions that are almost identical, pushing pricing to the forefront of buyer decisions. Additionally, firms have become comfortable in their habits, standing still, while customers' needs have evolved and changed, creating a gap between customers' needs and suppliers' solutions.

However, some firms have accomplished aggressive revenue and margin growth by taking advantage of this evolution in market needs and complacent competitors. The secret is to recognize where revenues and margins are migrating. Here is a seven-step program that has been successfully used to create aggressive growth.

1. **Pick the Right Team.** The secret to growth is effective implementation and execution. The secret is to pick a "steering team" that consists of customer-facing people from your firm. Populate your steering team from a diagonal cross section of your firm, not just senior management. You will be surprised by the market knowledge that resides within the rank and file of your organization. This steering team is not only a reservoir of market knowledge, but also your champions of change. They know what the firm needs to accomplish. They intimately understand market dynamics and assumptions and can make minute course changes to meet your objectives.

2. **Revisit Your Customers and Markets.** At the outset, revisit your underlying assumptions about customers. Ask seemingly generic questions to gain insights about the current nature of your customers. Who are your customers, both existing customers and prospects? What do you sell to them? What do they buy from you and your competition? How do they buy? Why do they buy? Where do they buy? When do they buy?

Answers to each question typically reveal a first level of understanding of the current nature of customers, especially about where revenues and margins are migrating. However, delving deeper into the responses usually reveals nuggets that are critical for insights into customer segments, market drivers, needs, trends, patterns, and discontinuities.

3. **Determine Competitors' Apparent Strategies.** You must define competitors in the market space. Your radar screen should be large enough to encompass direct and indirect customers. For example, in the late 1980s and early 1990s, very few firms in the E&P business saw the ability of 3D seismic interpretation to increase success rates as a threat to drilling budgets.

The "who, what, how, why, where, and when" of your competitors' sales, and their revenues, margins, and growth rates reveal many aspects of their strategies. But that is not enough. A competitor's organization, customer intimacy, culture, assets, and skills in innovation, manufacturing, technology, finance (access to capital), information technology, management, marketing, and customer base (to name a few) are also important in determining their apparent strategic direction and their business design.

4. **Forecast the Business Climate.** Forecasting the weather is a tough science, and predicting the business climate is even harder because the focus is on elements that are beyond the control of customers, competition, and your firm. Economic, environmental, regulatory, cultural, technological, demographic, political, and other factors have far-reaching consequences for the marketplace. Therefore, monitoring, detecting, and understanding these issues are critical to identifying relevant trends and discontinuities that, in turn, could create opportunities or threats to your firm.

5. **Objective Self-Analysis.** While competitive analysis is somewhat objective, done from a distance, with limited information, self-analysis of your firm tends to be subjective. We tend to be ultracritical of our own firm. The challenge is to create an objective framework for self-evaluation. Typically, the criteria developed to critically dissect the competition easily transfers to objective self-analysis.

6. **Insightful Synthesis is More Important Than Detailed Analysis.** Synthesis of market information into major issues, trends, discontinuities, opportunities, and threats yields a market landscape for a firm to achieve its overarching corporate objectives. Your firm's strategic focus varies depending on the nature of the business unit. Your unit can be a strate-

gic business unit (SBU) or a strategic product unit (SPU), the unit that encounters direct product competition in the market.

The SBU has several SPUs in its repertoire, each connected to the other by functional synergy of some nature. The strategic focus of your unit is built on the foundation of market-driven opportunities and threats, tempered by your corporate objectives (and not the other way around). Your unit's strategic direction is then defined by the interaction of the attractiveness of specific markets and segments and the relative competitive strength of your firm in those markets. These then get translated into specific business objectives for your unit, translating into objectives for specific departments in the customer value delivery chain.

7. **Execution and Implementation.** The most challenging phase for an organization is the implementation phase. The process now becomes internally focused, controlled by your organization. The inertia of previous strategic directions and practices is significant—the more significant the departure from the existing strategic path, the greater the power of "Not Invented Here" and "This is not the way we do things around here" syndromes.

The biggest hindrance to accelerated growth is the inability of organizations to quickly drop old habits and assume new ones. Also, it takes time to add new capabilities and practices to existing organizations. Therefore, to accelerate revenue and margin growth:

a. Create a growth-oriented team, seeded with steering team members.
b. Articulate vision and direction quickly.
c. Get started.
d. Get better.
e. Create a competitive edge.

Yes, it does seem like a lot to do, but isn't your business worth the effort, to turn it into a winner? JPT

__Pradeep Anand,__ SPE, is President of Seeta Resources, a consulting firm focused on revenue and margin growth of businesses. He has more than 20 years of experiences in the energy, engineering, and capital goods industries. He was co-founder, President, and Chief Operating Officer of PointCross Inc. Prior to this, he was Vice President of Marketing at Landmark Graphics and held various operations and marketing management positions at Sperry-Sun and Baker Hughes. He received an MBA degree from the U. of Houston and a BS degree in metallurgical engineering from the Indian Inst. of Technology (IIT), Bombay, India.