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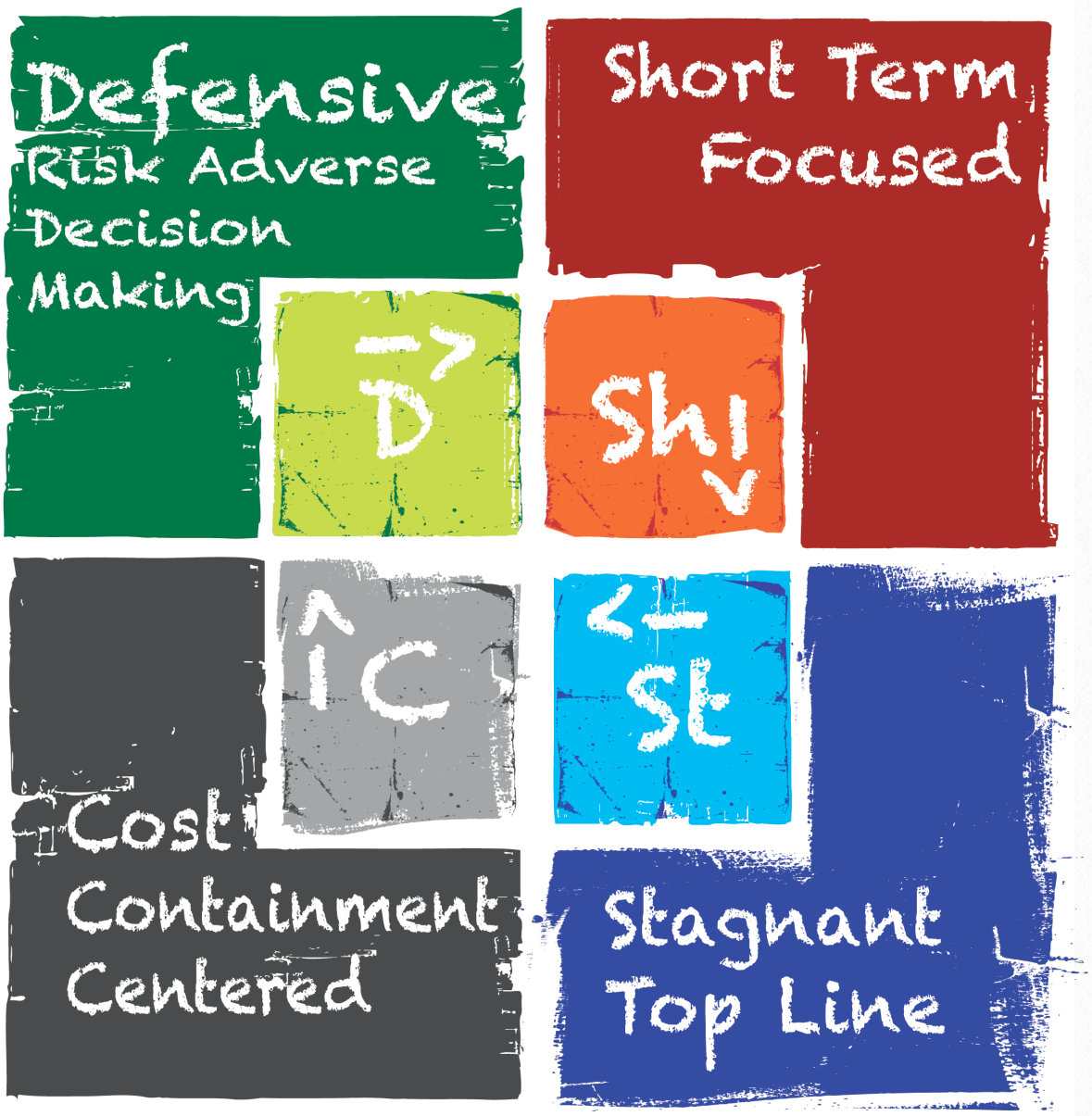
Why Companies often postpone tough decisions

Diagnosing Strategic Hesitation

> **"Success is not final, failure is not fatal: it is the courage to continue that counts."**
>
> *– Winston S. Churchill*

Recognizing Traits of Strategic Immobility

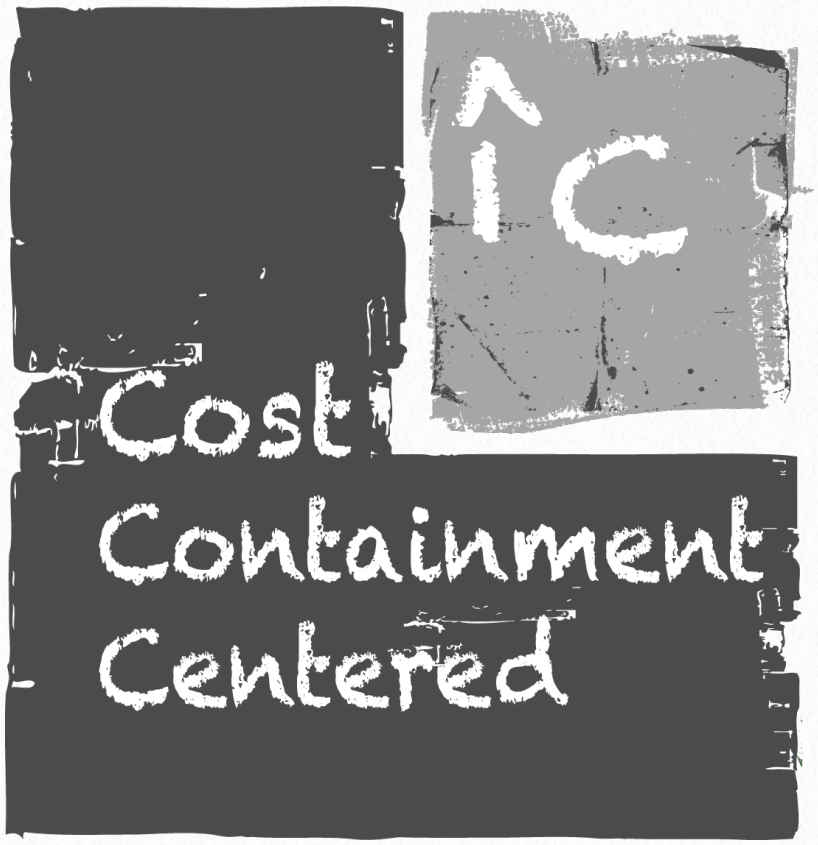


For 20+ years of observations and support to the internationalization of large companies we have noticed a common trait, a baseline reluctance to plan and implement a long-term course of actions driving non-organic growth such as new, international market entrance or M&A. With a good degree of approximation, we can say that the roots of this trait are normally originated by a nonrational perception of actual business risk, by the fragmented nature of information needed to make non-ordinary decisions and by the, never admitted but constantly perceived, weakness of the decision-making processes. Moreover, since the majority of companies have a historical record of “good times” successes in their core business, core products, in the home markets, it is common practice to concentrate abundant resources on the day-to-day support of these “comfortable” business matters. This pattern often results in a painful fight for unimpressive market share gains at the cost of profitability and -in time- of sustainability. ThinKeen provocatively names this organizational behavior "Circle of Immobility" and offers to its Clients support based on a strategic planning process that addresses exactly these barriers to inorganic growth and facilitates the exit from the "circle" moving towards a more virtuous use of corporate resources.

Stagnant Top Line

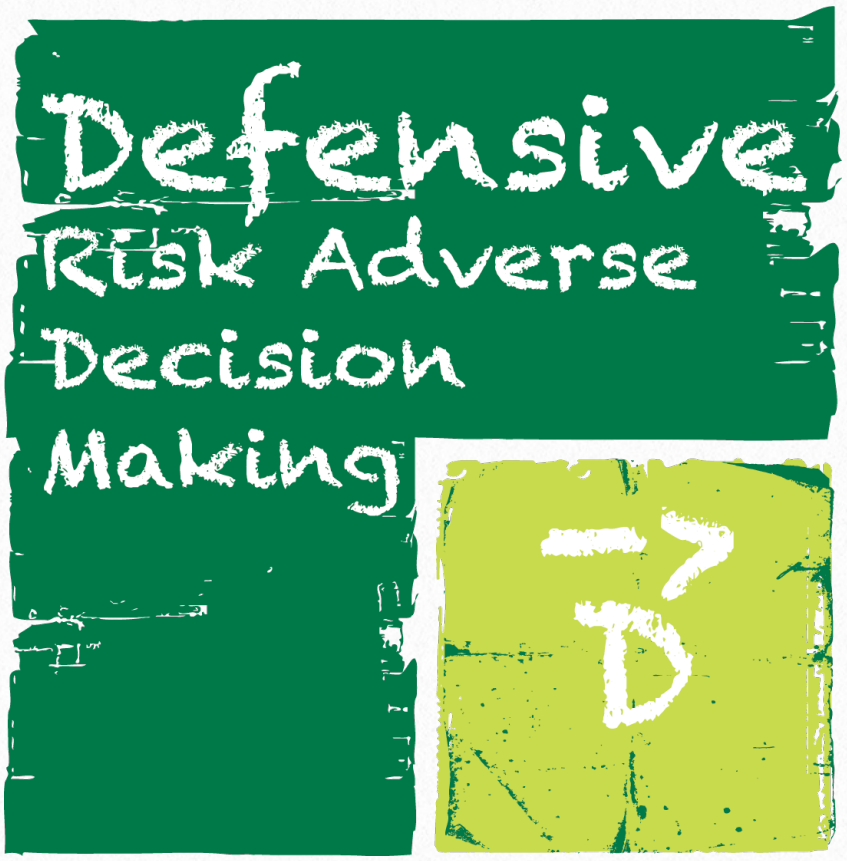
While observing the above mentioned common flaws we have also observed that, with the exception of companies still growing fast in their historically "core" product-market segments, these conservative practices often trigger a dangerous, self-fulfilling cycle that reinforces the barriers to courageous decisions. In the long run, the continuous holding of expansionary moves puts the top line growth at risk and narrows the sales growth efforts to those consisting in marginal market share gains in the historical product-market segments. Moving the operational focus on market share gain within current businesses can temporarily accommodate the need for continuous growth but it eventually put both SG&A and prices under pressure. When market share battles are too long, profitability gets easily compromised.

Cost Containment Centered



When companies experience lower rates of sales together with unhealthy profitability trends, they often tend to move their operational focus on cost containment programs both in the manufacturing and in the SG&A area. Managerial attention shifts down in the P&L towards the bottom line growth rates fostering a set of profit protection measures that are often healthy but certainly complex and organizationally expensive. For what we have observed this operating framework of profit protection under constant top line pressure almost never represents a fertile environment for risk taking and thus for actual strategic decisions and investments focused on nonorganic growth.

Short Term Focus



In this operating framework, unless companies experience positive surprises from the top line growth, executives tend to focus increasingly on profit protection, gathering and absorbing even more managerial resources and time. A defensive momentum where expansionary and growth options are treated like luxury items "for better times" or "for other companies". We have never witnessed the birth of well thought, adequately resourced geographical expansion plans in these circumstances. Sometimes instead, this defensive attitude gives origins to opportunistic business decisions based on unrealistic expectations and constrained by too inadequate investments.

Short Term Focus

It appears obvious how the above managerial mindset can hardly become a fertile environment for long-term growth investments or for market-fit risk taking investments. We instead have observed that companies need help to break this self-fulfilling circles and recover a more balanced approach to long-term growth planning and implementation. Through the appropriate market assessment tools, analytic tools and decision-making processes, organizations can quickly re-orient their focus and their business towards sustained growth initiatives based on geographical expansion.