Good business planning and competitive strategy require you to look into the future—to determine what your competitors, customers and suppliers are going to do. In industries where there is a long development cycle and change is cumbersome, your forecast should reach several years into the future. For more dynamic industries, the meaningful future may be less than a year ahead.

Too often businesses concentrate on historical rather than prospective business actions. A good example of this is in competitive benchmarking. When companies concentrate their efforts on what their most successful competitors did yesterday and are doing today, they are aiming short. By the time they emulate the companies they are benchmarking against, those companies have moved ahead, maintaining their lead. Only by anticipating the future actions and capabilities of leading companies can you take timely action and leapfrog into positions of superiority.

Predicting a company's future actions is an inexact art. No one has a crystal ball that provides the answers. In fact, not even your target company knows its future. You can make the best possible forecasts by approaching the challenge from four directions and integrating your results. Invest the time to examine the following:

- What the target company forecasts for its future.
- What industry experts and participants forecast for your target, including both what it can do and what it will choose to do.
- What the company's past and present actions presage for the future.
- How the company's industry and competitive environment are likely to affect its future.

In this article and the next are strategies for examining these directions.

What a Company Forecasts for its Future

Every company reveals its plans in some ways. Most announce their intentions through a variety of vehicles, some entirely voluntary and others required by law. Some revelations are oral and others are buried in reports. Still others are reported through third party vehicles, such as the press.

First look for situations in which the company is selling itself:

- Annual reports to stockholders. The annual report is not only an accounting to stockholders but also a sales document for current and potential stockholders. Consequently, the report includes some information about plans for future activities and their likely effect on the company. First look at the president's letter, which will be in the first few pages of the report. Then skim the text of the report looking for signs of expected developments. You can get a free copy of the annual report from the stockholder relations office of almost any public company.

- Registration statements. Registration statements to the Securities and Exchange Commission (SEC) also function as promotional brochures for prospective stockholders. Every time a public company offers securities, it must file a registration statement. This statement contains all the sales features that will appear in the final prospectus; detailed information about marketing agreements; subsidiaries of the registrant, franchises and concessions; and financial statements and exhibits.

If your target company doesn't file at the SEC, it may file with a state securities office. Ask that office for both registration statements and prospectuses.

- Professional meetings. It's likely that your target company's executives, managers and pro-
fessionals speak at meetings of their peers. There are professional associations for marketers, planners, engineers, competitive analysts and virtually any other group you can think of. Most have meetings at which members present papers and answer questions from the audience. It is very common for speakers to reveal information not only about the past, but also about the future of their companies. The revelations often exceed good judgment, as the speakers warm up to their topic and their audience. You’ll want to be in the audience if at all possible. Otherwise, purchase tapes or published proceedings of the conference.

- **Trade shows and exhibits.** Your target company’s representatives almost certainly participate in industry-related trade shows and exhibits. They may sponsor booths or hospitality suites, make presentations or appear on panels. In such cases the company representatives often disclose valuable information as they seek to impress the company’s excellence upon the audience.

- **Financial analysts meetings.** High level executives of public companies regularly address gatherings of financial analysts throughout the country, hoping to convince them to promote the company’s stock. Dozens of these gatherings are sponsored each month by the Financial Analysts Federation, part of the Association for Investment Management and Research (AIMR). When you spot a meeting where your target company’s executive will speak, you can plan to attend the meeting, purchase audio tapes or wait for the proceedings of the meeting to appear in *Wall Street Transcript*. This publication is available in many libraries.

- **Congressional hearings.** When Congress is considering legislation that affects industry, from trade issues to technology to toxic substances, company executives often testify either in person or through written submissions. In selling their company’s or industry’s point of view, these executives are often generous with information about their own company’s activities, objectives and goals. CIS Reports, found in many libraries, indexes testimony by executive and company name.

- **Community meetings.** Every company or business, no matter how small or how deeply buried within a corporate structure, is closely monitored by a collection of organizations and individuals. Every company and business is a big fish in some pond. Executives, who would never testify before Congress or speak to financial analysts, are hot tickets at local and civic club luncheons. Company representatives, who would not be given a place on the agenda of the national trade meeting, may keynote a forum sponsored by the local board of trade. These presentations often deal with what the company is planning that will benefit the community. Keep up with the community circuit by reading the local newspaper and getting on the mailing lists of as many promising regional organizations as you can manage. Concentrate on those organizations that are concerned with the future development of the community and your target’s corresponding role.

- **Press quotes.** When you find articles in trade, regional or business press about your target company, search for references to company personnel who were sources for the article. If they spoke with the press, they will almost certainly be willing to talk with you. Call them directly and interview them adroitly about their views on company plans.

- **Government regulators.** Another way to discern company plans is to sleuth through the company filings required by government regulators. Various levels of government require companies to file information that reveals direct insights into their plans. There are two types of federal and state regulators that may require your target company to file information about its plans:

  - **Industry regulators.** If the government regulates your target company’s industry (transportation, telecommunications, food, drugs, agriculture and mining are a few of the many industries heavily regulated), you’ll find some interesting revelations about business plans in the required filings. The best filings to look for are annual reports submitted to the regulators. (Don’t confuse them with the 10-K filed at the SEC or the annual report to stockholders.) Permit applications are also good sources. They generally relate to new products or services that the company wants to provide, but they may also cover items such as packaging, delivery modes and markets.

    Some industries, such as insurance and banking, are regulated predominantly at the state level. Other industries, such as agribusiness, pharmaceuticals and mining, are regulated by the states where they are important industries.

  - **Function regulators.** Some federal and state regulators monitor specific business functions, regardless of industry. Information filed with or collected by these offices often provides detailed explanations of business plans. For example, environmental regulators receive applications for permission to build or expand facilities years before those facilities are built. Occupational health and safety regulators often know about proposed changes in the workplace, manufacturing technology and personnel long before they take place.

Local regulators may also be helpful. Talk to the office of the mayor city commissioner to learn about local regulatory filings or studies that may provide information about local companies’ plans and intentions. Look for harbingers of future developments. These include zone change applications by your target and municipal bond offerings to improve road access to your target’s facility.

What Outside Experts Say About the Company’s Plan

It’s useful to learn what a company professes or hints about its plans, but you shouldn’t stop there. It’s important to have the perspective of people and organizations not affiliated with the company but interested in its activities. The following external experts can help you understand not only a company’s goals and plans, but also how capable it is in achieving those goals and plans.

- **Trade associations** monitor the plans of their largest and most innovative members. Because they watch a wide range of companies in the industry, they are in an excellent position to evaluate a company’s plans and predict the outcome.

- **Trade press** articles often focus on new developments in the industry. Consequently, the reporters try to learn about
upcoming events long before they happen. Interview trade reporters to get advance information about your target's plans as well as the reporter's assessment of the target's future. Reporters are especially valuable because they draw not only on their own insights, but also on the individual and collective insights of all their information sources.

- **Financial analysts** are in the business of predicting the successes and failures of the companies they follow. They conduct research and analysis and are often privy to company plans through their contact with top executives.
- **Labor unions** have a unique perspective on a company's future. Because their forecasts are usually quite different from management's, they provide an important balance for your research.
- **Public interest groups**, as do labor unions, provide a valuable counterbalance to sources more sympathetic to your target company.

Examine a company's own forecasts in tandem with predictions of outside knowledgeable observers. You can then begin to develop credible forecasts of a company's plans.

The following article will focus on guidelines on using a company's past and current behavior to predict its future and determining how a company's external environment is likely to affect its future.

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**Using a Company's Behaviors to Predict Its Future (Part II)**

Understanding your competitors' past behavior can be useful, but understanding their future behavior is paramount. Whereas the past provides opportunities for Monday morning quarterbacking, the future provides opportunities for meaningful action.

Predicting a company's future actions, always an inexact art, can be greatly enhanced by resourceful intelligence-gathering. You can make the best possible forecasts by approaching the challenge from four directions and integrating your results. The first two directions—what the target company forecasts for its future and what industry experts and participants forecast for your target—were discussed in the preceding article. This article looks at what the company's past and present actions presage for the future.

"Crystal Ball" a Company's Future

Certain types of activities and behaviors provide valuable leads to what a company will do in the future. By their very nature, these activities reveal clues to the company's priorities, as well as its capabilities and limitations. Some activities that typically portend future developments are discussed below.

Shifts of people into, out of and within the company often reflect company plans. The addition of a corporate director noted for his or her technological contributions may indicate a strengthening commitment to research and development (R&D). Massive layoffs at a single plant may herald the demise of that facility. The following sources can help you track the migrations of people into and out of the company. Some of them are also useful for tracking promotions within the company.

- **Securities and Exchange Commission filings.** For public companies filing at the SEC, top management positions are provided in the 10-K annual report. Also check 8-K reports, which are unscheduled reports about events the company deems "materially significant." A new president or officer of critical importance would warrant an 8-K filing.
- **Invest/Net.** A for-profit company providing database and document retrieval services, Invest/Net can track new directors of a company. Because directors are usually selected for their special capabilities, the experience of your target's new directors can provide valuable intelligence about its plans. Review new directors' histories for clues. Have they been involved in takeovers? In what industries that would be valuable to your target do they have experience? Do they have special expertise in finance, marketing or R&D? Access Invest/Net's Insider Trading Monitor file online via DIALOG.
- **Company or division-level newsletters.** You will find information about incoming and retiring managers and important promotions in company newsletters. Look for corporate newsletters for corporate-level management movement or division-level changes of top officers. For more details on a division, subsidiary or individual facility, read the newsletters written for those sub-corporate organizations. For copies of your competitors' newsletters, try the following: request it directly from your target company or business (it's not uncommon for a company to add you to their newsletter circulation list upon request, especially if it is a supplier, customer or otherwise partnered with your company); your public information office (it may be swapping newsletters with competitors); the trade association library (if the library doesn't receive the newsletter of your target company, ask the staff to request it); the public library in the area of your target company; the target's former employees (especially individuals working for your company who previously worked for the target); and suppliers, customers or companies otherwise involved with your target company.
- **Press.** Monitor the type of press most likely to share your particular interest in personnel movements. For example, if you want to learn about the incoming plant manager, the local newspaper reporter is a good bet. On the other hand, if you want to know about top corporate officers of a large company, reporters from nationally oriented