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, like 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.

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

business press, such as the Wall Street Journal, will have better insights.

- **Your company’s personnel office.** Most human resource offices monitor personnel-related activities throughout the industry. In addition, resumes received from individuals working at your target company can be revealing. If your company, in a short period of time, receives a swell of job inquiries from marketing personnel at a competing company, you are alerted to the likelihood of some sort of shakeup—perhaps a cutback in marketing or a marketing department restructuring.

- **State or local labor commission.** For information about significant labor firings and layoffs, contact the labor or employment office in the state and the local communities where your target company operates. You can learn the extent of the personnel-related actions and usually the reasons for them.

- **Chamber of Commerce.** The local chamber is a good source of information about changes in both management and labor. Chamber executives know managers personally and are often privy to inside information about management changes and the reasons for them. They also are concerned with labor issues since they affect the local economy.

- **Private employment services.** Companies in the business of helping people find jobs can help you learn who is joining and leaving your target company. Tap high-powered headhunters for information about movement of top executives. Local employment and temporary services will know about labor, clerical and middle to lower management layoffs.

- **Help-wanted ads.** Monitoring ads is a haphazard, but discreet, way of keeping tabs on the kinds of people your target is hiring. Ads for a particular kind of engineer may indicate a change in production technology or an interest in a new type of product. For example, a competitor's advertisements for robotics engineers provides a clue to their plans for modernization.

**Expansion Plans**

To learn about a company’s expansion plans, you should look at both expansion through facility enlargements or construction of new facilities, and expansion through acquisition, merger or joint venture. The sources below can provide you with all the information you are likely to need, at a minimal cost.

- **Annual report to stockholders.** For public companies, always check the annual report to stockholders for indications of expansion. Many reports reveal not only that plants will be built, but when, where and for what purpose. This information triggers a search for more details from the sources described below.

- **State environmental protection offices.** The best sources for information about a company’s plans to expand existing facilities or construct additional facilities are the environmental protection offices of the state governments. This is where companies must file for permission to begin construction. The applications reveal not only that construction will occur, but also an incredible array of details, usually thought to be proprietary, including the size of proposed facility; production technology and equipment to be used; products to be manufactured; plant capacity; production level targets; total and quantity of emissions; and more. Usually applications are filed several years before construction. This lead time is important to competitors who want to make their own defensive plans. Start with the air quality and water quality offices in the states where you believe expansion or new plant construction is most likely to take place. Locate them through the capitol switchboard. Leads from any source on proposed plant construction can be followed up at the state environmental offices.

- **Local government.** You may find that the local community has an environmental protection office that reviews construction permit requests. The local zoning board and the tax assessor will also have advance information about plant expansions and new plant construction. The county clerk knows about real estate acquisitions. Contact these offices through local directory assistance, or call the mayor’s or city manager’s office for referrals.

- **Business development organizations.** Various business development groups are responsible for attracting businesses to the area and encouraging expansion of existing businesses. Consequently, these organizations are often privy to advance details of area companies’ plans. Each state has a business development office. Many have regional spurs that keep a close watch on expansion activities in their area. Contact them through the state capitol switchboard. In a local community, business development activities may be carried out or shared by a business development office, the city planner, the chamber of commerce and civic groups. Talk with the chamber or the mayor’s office for referrals to business development groups.

- **Local media.** Local business reporters, representing newspapers or other media, are almost certain to know about facilities being built or expanded in the community. Ask the local library for suggestions or call local directory assistance.

A company’s plans to acquire, merge with or create a joint venture with another company can be difficult to identify before their public announcement. The best technique for learning about impending actions is to form a source network. Talk with company watchers, especially securities analysts, trade association personnel and trade press reporters. Interview local business development officials and labor union representatives. Follow up on rumors that you hear from industry participants. Do literature searches and read widely in both industry and local press.
The Federal Trade Commission (FTC) can sometimes be helpful in your quest to learn about merger or acquisition plans. Companies must declare their intention to merge to the FTC. If the FTC decides to permit the merger without an investigation, it posts an “early termination notice” on the bulletin board of its public reference section. This notice details the nature of the proposed merger. However, this is an on-again-off-again source. FTC is not consistent in its policy of disclosing these notices to the public.

An anonymous way to monitor a company’s merger activities is to see if it is “advertising” its desire to divest or acquire certain operations. It may do so through word of mouth—in which case your source network should pay off—or more officially, through publications such as The Acquisition Mart (Business Publications, Inc.) and First List (First National Bank of Maryland).

Your target’s acquisition history may also give you clues to its acquisition intent. Mergers & Acquisitions Data Base, M&A Filings database and Yearbook on Corporate Mergers, cover mergers and acquisitions that have taken place.

Product and Process Development

A company’s product and process research and development provides important clues to its future activities. To research products and process technologies in development, think of all the stages of that development and the information sources connected with those phases. The most useful sources across many industries are described below. Add to this list any sources that are specifically relevant to your industry.

Patents provide clues about new products and processes under development. Under the U.S. patent approval system, you can get copies of patents that have been granted. In many foreign systems, you can get patent applications as well as granted patents, regardless of the country of the applicant. In other words, if a U.S. company applies for a patent abroad, chances are you can get a copy of the patent application. This increases your lead time significantly—sometimes by several years—since patent approval can be a lengthy process.

The most efficient way to check patents is to start with an online search for patent numbers. Check domestic and foreign patent databases that are relevant to your interests (Claims/U.S. Patents, Wilson Patent Index, APIPAT and PATDATA and JAPKO available through ORBIT). Once you have located the patent numbers, you can order a copy of the patent from the U.S. or foreign patent office. You can also request a search directly from the U.S. Patent and Trademark Office. Ask to speak with the patent expert for your industry.

Another good way to track the development of new products is to monitor permit applications. Not all products require permission, but a surprising number do. If your target company plans to manufacture frozen fruit bars, introduce a drug or medical device or produce pay telephones, it is likely to file an application. Contact the federal and state industry regulatory agencies that are concerned with your target’s industry.

The individuals who monitor the emerging technologies often watch both their development and use by specific companies. If your target’s product or process development is likely to incorporate or invent an emerging technology, try the following sources.

- **Office of technology assessment.** This office is Congress’ technology advisor and it monitors technology advancement worldwide. It is concerned with technologies as diverse as biotechnology, robotics and advanced ceramics. You can get an overview of what to expect, but you will receive more timely insights into future developments if you talk with the resident experts.

- **State technology development programs.** Many states are trying to attract companies to relatively non-polluting industries by providing technology development assistance. These state programs develop unique insights into the product and process plans of the companies seeking their sponsorship. Because the programs are subsidized by public funds, much information about how the money is being used (what products and processes are being developed) is available to the public.

Contact your target company’s state economic development office and ask for a referral to the state’s technology assistance or incubation program. Then ask the technology assistance staff whether—and how—your target company is benefiting from their program.

- **Equipment suppliers for the industry.** Because equipment suppliers must gear up for changes in their customers’ products or processes, they have advance knowledge about the customers’ plans. You can either call the supplier directly and express an interest in knowing what new products or processes at the target company they are preparing for, or you can arrange a plant tour of the supplier’s facility and while there inquire about all developments for the target.

- **States’ Uniform Commercial Code Offices.** New manufacturing technology may be a harbinger of new products. If your target borrows money to buy new equipment, you can get descriptions of the equipment from the state’s Uniform Commercial Code Office. Ask for all recent liens filed against the company. The amount of detail differs from lien to lien. The lender may describe the equipment in detail to solidify its claim on the particular item. If the item is not used, or if the equipment is sold, the “real McCoy” slips away. Contact the office of the states where the equipment is housed. To locate the UCC Office, go through the capitol switchboard.

Harbingers of the future can differ from industry to industry, so examine your own and determine which competitor activities are worth watching. Then your challenge will be to accurately interpret the meaning and weight of importance of what you learn. There is no way around the fact that forecasting a competitor’s future behavior requires a leap of faith, but good intelligence about the company’s current activities will greatly improve your footing.