Strategic Consulting Essay, Research Paper

My job, and the job of my company, is to provide strategic consulting and advice to our clients. Eighty percent of our clients are in the steel sectors and therefore we are continuously involved in struggling with the issues of long-term development in technology, costs, markets, product specifications and industry structure. We operate world-wide and so we are continuously confronted with the need to think about global developments in the metals sectors. One of our key tasks is to provide understanding and forecasts around which to build long-term competitive strategy. The problem with giving forecasts is that you can only ever be wrong. This breeds a certain humility and before venturing into the future it is worthwhile to glance back at some of the foolish forecasts of the past.

Twenty years ago in the seventies I lived in the United States. Following the first oil shock in the early seventies, there was an organisation formed called the Club of Rome which forecasted “doom and gloom” for economic development based upon a world-wide shortage of resources. It was pointed out that there was only thirty years supply of oil left in known reserves in the mid 1970’s. The surprising thing is that today we still have over thirty years known reserves of oil. The Club of Rome had forgotten the impact of the price mechanism; that when the price of oil goes up, exploration increases and new reserves are found.

Of course in some simplistic sense this can not go on forever there is an inevitable logic in the statement that there is a finite reserve of oil, the problem is that nobody knows how

big the finite is!

I also remember in the 1970’s that it was commonly felt amongst economic forecasters and thinkers that Japan, which was then growing at 7% a year in its GDP, would continue to do so forever. The Japanese had found a new way of organising their industrial system, a new way of creating savings and channelling those savings into productive investment, and a new way of organising business organisations and of managing them and handling labour management relations. They had also found a new way of competing which was very destructive to western producers and markets. As we all know the Japanese economy during the 1990’s has grown at less than 2% a year.

Likewise, I remember in the 1980’s that it was commonly felt in the United States metals industries that we had reached the end of the world. In 1982 demand for steel in the United States fell by over a third in one year and total demand was at a level of only half that of 10 years previously. Major companies were either on the verge of, or already in, chapter eleven and massive closures were taking place, the industry was demoralised, quality was poor, costs were high and extinction was generally felt to be the inevitable end point.

It was during these years that I was first introduced to working in the metals sector in North America and I can remember arguing vigorously that one should not confuse short-term problems with long-term dynamics. Even then it was clear to me that North America was the most attractive place in the world to make manufactured goods. Here was the largest single homogeneous market with no trade barriers giving the possibility for the largest economies of scale. Here you have the most technologically advanced industrial system and surrounding economic and technical society, the most highly trained labour force, in the main, very flexible working practices and an appreciation of the importance of entrepreneurship. You also had the most advanced, sophisticated, flexible and knowledgeable capital markets. To me, in the mid 1980’s the revival of the American economy and its manufacturing base as we witnessed in the 1990’s seemed inevitable.

That short introduction is by way of a warning against hubris and a recommendation towards humility. I will now venture out into the future and contemplate the metals industry and in particular the special metals industry over the next 20-25 years. I will however, concentrate on the long-term and not get confused with short-term problems.

Bibliography

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