

Avoiding the Pitfalls of “No Man’s Land”



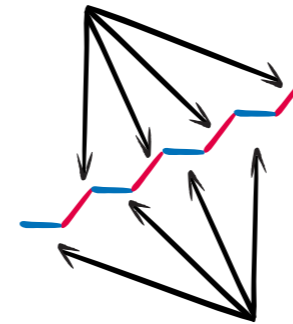
The term “No Man’s Land” (NML) came from WW1 – where soldiers would jump out of their pits and run into machine gun fire trying to get to the next bunker; that space between the bunkers became known as “No Man’s Land” – a place you just didn’t want to go.

In business there is a term called “No Man’s Land” where many businesses get stuck while growing their businesses; and it confuses many owner/managers.

Let’s look at the construct of this phase:

Businesses do not grow in straight lines (unlike many sales forecasts) – they grow in stages. It requires an investment in something to get to the next level of growth – “you have to spend money to make money”. And so the chart looks something like this:

The Growth Phases; where revenues kick up because of the previous Investment Phase



The Investment Phases; where you put more money into the business to create the next layer of growth

And so when a business is growing in a bull market (i.e. they are **Winding up** the operation) what often happens is you hear stories like: “the business ran out of money” or “we used to make a lot more money when we were smaller and had less people, offices etc” – these are the Blue Phases above. But in the Bull phase some businesses are able to *quickly* move through these phases and into the next uplift phase – the Red lines.

But the reverse can happen in a Bear market – when the downturn kicks in some businesses pull back on expenditure and the belt tightens. This can take a business into **Unwinding** the operation. And so a business can unexpectedly move from a Growth Phase back into an Investment Phase.

These Investment Phases are known as “No Man’s Land”

Unless a business knows its Capacity Numbers *exactly* then it is likely that the business will at some stage move into No Man’s Land. This can occur when **Winding up** the business in a boom or indeed **Unwinding** the operation in a downturn.

Let’s take an example: in our business sector, which is professional-service based, we know that if we have four staff in a team then we make profit; but at seven staff we make a loss. How does this happen? – easy; the three additional staff are all infrastructure-based staff whereas the first four are revenue generators; and so to leverage the investment in additional infrastructure we actually need more than ten people in a team to make that investment worthwhile. When growing, a lot of businesses see profits at four people and so put on more staff, then suddenly at seven staff they are making losses and not sure what to do next.

At twelve staff we max out our profits before moving back into the next investment phase. We know these numbers all the way through to 16,200 staff; at which point the business is generating \$1bn in revenues. And so on the way up the curve we can manage investments, timing and pace of growth of these teams.

But equally we need to be aware of these numbers down the curves. Otherwise we could quickly slip into a moment where we cut back from twelve to seven staff thinking we are saving money and yet overnight suddenly be making more losses that require a second round of unwinding back to four people.

When is it likely that businesses will experience “No Man’s Land” difficulties?

1. When **scaling** up or down by adding offices/territories/branches
2. When adding or subtracting **product lines**
3. When a business builds a massive **infrastructure platform** without the corresponding revenue platform. This often happens inside Franchise or Branch networked business structures.
4. When a business takes on a large scale **Acquisition strategy (M&A)** where they purchase a lot of “No Man’s Land” businesses. Often the seller is keen to sell because they hit “No Man’s Land”

themselves and didn’t know the way out. This makes the purchase price for the acquirer less expensive going in, but they eventually realise they have purchased NML businesses that are stuck. Purchase a lot of these and you create a large scale “No Man’s Land” problem.

5. When **Macroeconomic** conditions force a change on the businesses strategy – creating an **Unwinding** effect.

No matter how big or small the business is; unless you know your business Capacity Numbers *exactly* then it is likely that at some point in the cycle the business will slip into “No Man’s land.”

At our next global conference, “The Opportunity is Now”, we will examine in depth the opportunities for companies during an economic downturn. How can companies thrive, and not just survive, as we face challenges together over the coming 18 months?

The Opportunity is Now

Shirlaws International Conference 2009

Gold Coast, Australia 4-6 March 2009
Hertfordshire, UK 25-26 March 2009
San Francisco, US 1-2 April 2009

[Register Now!](#)
We’d love to see you there.

Copyright Shirlaws © March 2009. This article has been written for Shirlaws clients as part of a series of articles which should be considered in conjunction with content delivered at the Shirlaws International Conference 2009 – The Opportunity is Now. The article has not been written from an economic perspective, rather from how businesses can review the economic conditions.