We have entered into an entirely new era, an age of increasingly frequent and intense periods of turbulence in the global economy. Unlike past recessions, today’s crises have precipitated a need for businesses to develop a new mindset, one that takes into account intermittent periods of disturbance, allowing them to thrive while under the constant threat of chaos.

Enter *Chaotics: The Business of Managing and Marketing in The Age of Turbulence*. Complete with metrics and measurements, *Chaotics* outlines a powerful new system for managing waves of uncertainty affecting customers, employees, and other stakeholders.

*Philip Kotler* is one of the world’s foremost experts on the strategic practice of marketing, voted the first Leader in Marketing Thought by the American Marketing Association. He is the S. C. Johnson Distinguished Professor of International Marketing at the Kellogg School of Management of Northwestern University, and the author of many influential books, including the 13th edition of *Marketing Management*.

*John A. Caslione* is a highly sought after expert on the new global economy who has executed global business development strategies in 88 countries on six continents, and who serves as advisor to globalizing US, European and Asian companies. He is the Founder, President, and CEO of the global mergers and acquisitions advisor GCS Business Capital LLC.

**AC:** Can you tell us about the background to the new book?

*Kotler & Caslione:*

In September 2008 when we were witnessing the global economy almost collapsed as a result of the great global financial meltdown, we sensed there was much more at stake than the crisis into which we were all heading. We stated that we were now entering a new age in the advanced stage of the globalized economy, and a change in the patterns of economic cycles, as we’ve known them for the past 50 years, was now underway. A Teutonic shifting of the global economic plates beneath us had been triggered by the crisis coming at a time of the convergence of a number of drivers of turbulence that heretofore had not come together – thus, changing the workings of the global economy, including how business will need to operate in this new age – The Age of Turbulence.

**AC:** You note that most companies operate on the assumption of a built-in self-restoring equilibrium. What do you mean by this?

*Kotler & Caslione:*

Over the past 50 years we’ve come to count on two essential swings that mark the past “normal economy” – it’s what we call the boom-and-bust economic cycle. First, is the upswing or “bull market” that has historically lasted between five and seven years on average (in the 1990s one went for almost 12 years). Second, is the market down cycle or...
“bear market” lasting on average for 10-12 months and producing a “market correction.” These two swings over the past 50 years were somewhat predictable in their movements. During the 10-12 months for recovery, businesses would engage in widespread cost cutting and other retrenchments to battle through the recession as they have in past recessions. Then once the economic upswings began, it became substantially reliable – and even predictable – that the economic upswings would continue largely unabated and uninterrupted until the next bear market correction would occur. Then the next up and down cycle would begin again.

We think that the pattern is changing and companies will experience more frequent and intense turbulence. Today’s companies are stressed, compressed and tested at many levels; some will not ever fully recover and benefit from the upswing. Imagine a company that has been severely buffeted by turbulence and it has exposed its weaknesses and vulnerabilities. Then when the company has just begun experiencing one or two quarters of upswing in the economy allowing it time to begin to repair the damage to the business, turbulence hits again. These companies – most companies – still operate on the assumption of a sufficiently long period of uninterrupted prosperity to achieve that balance and restore equilibrium in their operations. Without critical changes in their strategic behaviours, these companies will become weaker still, and may not be able to survive over the mid- and long-term.

AC: According to the book, turbulence is the new normality. Turbulence and constant change can often bring about resistance. In your combined experience, can resistance to change ever be a positive thing?

Kotler & Caslione:

In the new environment, the acknowledgement of the need to change and evolve and do so more rapidly is essential to success, especially during times of heightened turbulence. The notion of the inevitability of strategy decay – that is, that all strategies eventually wear out – will come to the forefront as in times of turbulence strategy decay accelerates and companies must react quickly to modify strategy. Failure to do so will become problematic for companies. The fact is that some business leaders and their companies may not fare well if they are inherently resistant to change.

AC: The global financial crisis has called for greater transparency with regard to senior management. How do you think companies are going to cope with this demand?

Kotler & Caslione:

Most companies today understand that transparency in decisions and operations to all stakeholders is no longer an option, but rather a necessity to maintain integrity. One of the unintended consequences – and in our opinion quite a good one – is that honest and authentic behaviour in a company’s business dealings is now one of the most important factors in gaining and maintaining customer and stakeholder loyalty. Companies now must adjust their mindsets, their attitudes and their strategies in dealing with customers and stakeholders to earn the right to their loyalty, and transparency and honesty in their dealings is key to gaining that right.

“Underestimating chaos can lead to strategies that neither defend a company against its vulnerabilities nor allow it to take advantage of the opportunities arising from chaos.”
AC: You note that today’s world of increasing interconnectivity and interdependence means more risk for every company. Can you tell us about this?

Kotler & Caslione:

Business turbulence consists of unpredictable and swift changes in an organization's external or internal environments, which affect its performance. The “butterfly effect” occurs because ours is an increasingly interconnected, interdependent globalizing world that is accelerating in its “globalness.” All people, all governments, all businesses are interconnected at some level and the impact of turbulence will be felt in some way by others in our globally connected environment.

National economies and companies are subject to an "interlocking fragility" where pain spreads very rapidly in bad times, just as opportunity and prosperity spreads during favourable periods. In the next decade we can anticipate increasing turbulence around the world, which means there is greater risk for businesses of all sizes. But the same turbulence also creates opportunities for some.

AC: To quote you from the book, "When it comes time to make cuts, marketing always seems to get the first swipe." Why does this happen?

Kotler & Caslione:

This has been an age-old issue, and regrettably it seems to continue despite the evidence that companies who maintain or even increase their marketing expenditures actually emerge from turbulence in better condition than companies who make cuts. Two most recent examples are Ford Motor Company and Procter & Gamble, who have increased their marketing investments during the past 12 months and have been rewarded with higher revenues and increases in market share.

Marketing is one of the first budgets that senior managers cut for two reasons: First, financially-oriented CEOs (and certainly CFOs) see marketing as intangible with its effects difficult to measure. Second, the impact of marketing is by its very nature delayed and has an inherent time lag, making it hard for companies to measure the full success of any marketing initiative.

AC: Your research suggests that the traditional three-year strategic plan is now "anachronistic and worthless." Can you elaborate?

Kotler & Caslione:

At the core of the traditional approach to strategy and the long-established three-year strategic plan lies the assumption that by applying a set of powerful analytical tools, executives can predict the future accurately enough to choose a clear strategic direction for it. When the future is truly turbulent and uncertain, this approach is at best marginally helpful and at worst downright dangerous. Underestimating chaos can lead to strategies that neither defend a company against its vulnerabilities, nor allow it to take advantage of the opportunities arising from chaos.

Going forward, companies need to make strategic planning more dynamic, interactive, and compressed into shorter time cycles – sequenced in three-month intervals, rather than reviewed and adjusted once a year. Three-years becomes almost untenable in this context. Scenario planning execution strategies need to also be reduced into these shorter cycles. In these shorter cycles, budgeting must become more flexible – what we call flexible budgeting – which now must be realigned into three-month intervals wherein management doesn’t waste time each quarter trying to justify budget variance based budgets and strategies set six months, nine months or a year earlier. Rather, the expectation should be that as strategies evolve to stay ahead or at least current with the changing conditions, so should budgets need to be adjusted quarterly – and more frequently during heightened turbulence – just as responsibilities, authorities,
accountabilities, and performance measurements must be also be realigned more frequently. This is what we call Chaotics Modulated Strategies©.

**AC:** How important is management style when it comes to managing through times of crisis?

**Kotler & Caslione:**

It is extremely important. Business leaders confronting crisis must first act to establish order, then sense where stability is present and where it is absent, and then respond by working to transform the situation from chaos to complexity to some order, where the identification of emerging patterns can both help prevent future crises and discern new opportunities. Communication of the most direct top-down or broadcast kind is imperative; there’s simply no time to ask for input. However, once the crisis has subsided, the same effective leaders may be criticized for their top-down leadership style that proved enormously effective during the crisis. A specific danger for business leaders following a crisis is that some of them become less successful when the context shifts because they’re unable to switch styles to match it. In The Age of Turbulence, the most effective business leaders will be those who know how to dual track and move effortlessly between take-charge crisis leader and collaborative team leader.

**AC:** What kinds of pressures are put on HR departments in The Age of Turbulence?

**Kotler & Caslione:**

During a downturn caused by turbulence, projects are cancelled, some staff lose their jobs, and morale begins to suffer. CEOs look to their HR executives to keep everything on track during these difficult times. Getting the most out of employees in this kind of environment can seem like an impossible task. In fact, it’s actually a perfect opportunity to reset the processes and fix what’s broken. Here’s how being honest and open with your employees, rewarding them in creative ways, and enlisting them to help make hard decisions not only keeps organizations motivated, but pulls companies out of their slumps and gets them back on track.

**AC:** You state that too often, business leaders confuse high growth with high performance. Why is this so? What are the dangers of doing so?

**Kotler & Caslione:**

Too often, business leaders confuse high growth with high performance. They may take unwise risks in their businesses to maximize short- or mid-term profitability, while at the same time jeopardizing the company’s mid- or long-term viability. They may unwittingly destroy mid- or long-term value through their overly ambitious short-term growth plans, which oftentimes includes foregoing needed short-term investments to build the platform for longer-term growth, as well as unwise and expensive acquisitions in an effort to increase shareholder value in the short-term. Certainly growth is important to the sustainability of any business, but longer term sustainability should override any short- or even mid-term ambitions – especially in turbulent and unpredictable environments where great uncertainty, if not managed well, could cause irreparable harm and even sink a business permanently.

**AC:** What do you mean by managing with "dual vision"?

**Kotler & Caslione:**

Companies that operate primarily to do well in the short term are likely to incur problems in the long run. For example, requiring an across-the-board cut in everyone’s budget saves
money in the short run, but is likely to weaken the company’s position in the long run. Why? Because projects are put on hold, marketing research is reduced or cancelled, advertising and company impression making is severely reduced, and some talented employees are dismissed. Business leaders and their organizations need to operate with one eye focused on the short-term and the other eye focused on the mid- and long-term. The need is to balance both visions in normal as well as in turbulent periods. We have examined how companies can survive and prosper in a global world characterized by an accelerating rate of change and increasing turbulence. This is what we mean by managing with “Dual Vision”.

AC: Finally, are there any closing comments you wish to make?

Kotler & Caslione:

Even as we may now be experiencing some “green shoots” and spurts of prosperity in the overall global economy, and especially in the UK, Europe and the US, we must remember that this is an essential characteristic of the new normality, and that we cannot count upon an extended multi-year cycle of prosperity as we have in the past. We must also remember that turbulence is still occurring at a blistering pace, potentially leaving many businesses unprepared and vulnerable. Let’s take a moment to address that specific vulnerability.

We know that turbulence may come at any time or from any place, and that some of it will be detectable and some of it will not. Turbulence that is detected should be analysed and then acted on as quickly as possible to be able to identify the opportunities that may be revealed and exploited, as well as the vulnerabilities to the business identified and minimized, or negated altogether. Turbulence that goes undetected, including turbulence that is detected but unable or unwilling to be acted on, or not acted on quickly enough, will create chaos for the company. Often, advance warnings are actually observed by many within an organization who just don’t realize the importance of what they see.

Business executives and their organizations must prepare steps to move their business strategies forward and execute them during turbulent times. The first step is to develop an effective early warning system that will detect as much turbulence as possible, as quickly as possible and as far in advance as possible. As business executives begin to consider developing early warning systems in their companies, they need to be very clear about the goals. In addition to issuing warnings and alerts, goals should include identifying and reducing risk, uncertainty and vulnerability, as well as recognizing and exploiting opportunities, which are accomplished through the effective use of scenario planning in the development and the execution of their strategies.

The Age of Turbulence is a time of tremendous opportunity, but also one of substantial risk. Companies must not be lulled into any sense of complacency by any prosperity their companies might experience, but rather be mindful that turbulence is present at varying levels higher than in the past normal economy, which invariably raises risk and uncertainty more than in years past. Companies can certainly choose how they will face it. They can make the necessary changes to their strategies and behaviours to navigate through turbulence or be caught up in it. They can ignore or resist turbulence’s chaos while trying to hold on and survive; or they can anticipate and leverage the forces of turbulence to their advantage. This is the essence and underlying message of Chaotics. ☩

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